

City of Ann Arbor, Michigan



Rights: Hugh C. Leighton Co., Manufacturers circa 1909. Ann Arbor, Main Street looking North.

Comprehensive Annual Financial Report Fiscal Year ended June 30, 2007



CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2007



Issued by:

Financial and Administrative Services-
Accounting Services Unit
100 N. Fifth Avenue
Ann Arbor, Michigan 48107
(734) 994-2730

CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2007

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	1
Letter of Transmittal	5
Certificate of Achievement for Excellence in Financial Reporting	6
List of Officials	7
Organization Chart	8
FINANCIAL SECTION	
Independent Auditors' Report	10
MANAGEMENT'S DISCUSSION AND ANALYSIS	10
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	21
Statement of Activities	23
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Net Assets - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds	33
Statement of Fiduciary Net Assets	35
Statement of Changes in Fiduciary Net Assets	36
NOTES TO THE FINANCIAL STATEMENTS	37

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information	82
Budgetary Comparison Schedule - General Fund	84
Budgetary Comparison Schedule - Open Space and Parkland Preservation Millage	87
Schedule of Funding Progress	88
Schedule of Employer Contributions	89

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Nonmajor Governmental Funds	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	96
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budgetary Comparisons	99
Combining Statement of Net Assets - Internal Service Funds	110
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Internal Service Funds	111
Combining Statement of Cash Flows - Internal Service Funds	112
Combining Statement of Fiduciary Net Assets	114
Combining Statement of Changes in Fiduciary Net Assets	116
Schedule of Changes in Assets and Liabilities - Agency Funds	117
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	120

STATISTICAL SECTION

TABLES

Net Assets by Component - last five fiscal years	I	125
Changes in net assets - last five fiscal years	II	126
Fund balances, governmental funds - last ten fiscal years	III	129
Changes in fund balances, governmental funds - last ten fiscal years	IV	130
Assessed value and actual value of taxable property - last ten fiscal years	V	131
Direct and overlapping property tax rates - last ten fiscal years	VI	132
Principal property taxpayers	VII	133
Property tax levies and collections - last ten fiscal years	VIII	134
Ratios of outstanding debt by type - last ten fiscal years	IX	135
Ratios of general bonded debt outstanding - last ten fiscal years	X	136
Direct and overlapping governmental activities debt	XI	137
Legal debt margin information - last ten fiscal years	XII	138
Pledged revenue coverage - last ten fiscal years	XIII	139
Demographic and economic statistics - last ten calendar years	XIV	140
Principal employers	XV	141
Full-time equivalent city government employees by function/program - last ten fiscal years	XVI	142
Operating indicators by function/program	XVII	143
Capital asset statistics by function/program - last ten fiscal years	XVIII	144



CITY OF ANN ARBOR, MICHIGAN
100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107

December 18, 2007

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

The Comprehensive Annual Financial Report (CAFR) of the City of Ann Arbor for the year-end June 30, 2007, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2007.

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.

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

Profile of the Government

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

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

The 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 and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

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

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The City maintains some accounting and payroll records for the DDA, whose primary source of funding is from 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.

Ann Arbor Housing Commission. The Housing Commission was created to provide low-income housing for City residents. Commissioners of the Housing Commission are appointed by the Mayor and approved by City Council. City Council is notified of all grant applications and any changes to contracts with the 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.

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 respectively by the cities of Ann Arbor and Ypsilanti in June 2002. It was established to encourage high tech business investment within the boundaries of the SmartZone, comprising portions of City of Ann Arbor and the City of Ypsilanti, and the funding of the SmartZone through a Local Development Financing Authority. The boundaries for this LDFA is defined as the combined DDA's of the two cities. 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 LDFA operates under bylaws initially approved by Ann Arbor and Ypsilanti City Councils. The LDFA provides financing through a tax capture mechanism within a specific district. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA. The City maintains the accounting records for the SmartZone LDFA.

The City is responsible for managing and financing many of the services for its citizens. The service areas include: Community Services, Financial Services, Safety Services, and Public Services.

FACTORS AFFECTING FINANCIAL CONDITIONS

The information presented in the financial statements should be considered on a broad perspective within the specific environment of the City.

Local Economy

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. As an indication of economic strength, the assessed value of the taxable property (2006) increased by 6.2% over the 2005 valuation. The City receives a portion of the tax revenue generated to assist in funding its operations.

The City provides a full range of services including: police, fire, refuse collection and disposal, recycling collection and processing, recreation, social services by contract, public improvements, planning and zoning, and general administrative services. The citizens and transients of the City enjoy these services. The City is surrounded by three higher educational centers 1) The University of Michigan, 2) Concordia College, and 3) Cleary College. Additionally, located within a 10-mile radius are two other higher educational centers. Over 69% of the residents have completed four or more years of college.

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The U.S. Census Bureau identified 114,328 residents in Ann Arbor, representing 35% of the population base in Washtenaw County. The median household income of our citizens is \$71,293. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

The City is endowed with several major corporations located within its boundaries such as Borders. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan, that employs 29,165 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

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

Budget Process

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.

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. Facing legal and political limits on the amount of property taxes that can be levied in Ann Arbor, in 2002, the City Council provided the newly hired administrator with instructions to improve upon the cost reduction steps that began with the 2001-2002 budget cycle. From a high of 1,024 full-time equivalent (FTE) positions approved in the 1999-2000 budget, the current year fiscal plan includes only 823 FTE positions. Timely execution of current plans will have a new Justice Annex to City Hall in place by 2010, and recently included the dedication of the William R. Wheeler Municipal Center, the new centralized maintenance facility, that opened in September 2007.

Cash Management Policies and Practices

Cash balances are invested according to the City's investment policy and State law. Certain cash balances are pooled in an investment fund. The cash resources of the Pension Trust Fund and certain other funds are invested separately. Short-term investments are generally restricted to: 1) certificates of deposit; 2) commercial paper of corporations rated A-1 and P-1; 3) U.S. Treasury bills; and 4) savings accounts. U.S. Treasury notes are usually purchased with cash available for longer periods of time. Maturities are intended to correspond with cash flow needs.

For fiscal year 2007, the accounting return on investments (realized and accrued income and gains plus accretion and amortization of premiums and discounts) on the pooled investment portfolio was 4.66%. The market rate of return (which reflects market adjustments) was 4.39%.

Risk Management

As permitted by State law, the City is self-insured (up to certain limits) for employee medical expenses, unemployment claims, general liability, and property damage. Funding for claims and insurance is provided through an Internal Service Insurance Fund. This fund receives revenues from the operating accounts. The City contracts with one provider to administer the medical program for its employees and retirees. In addition, the City contracts with one provider to administer the workers' compensation program.

Pension and Other Post-employment Benefits

The City provides a defined benefit pension plan and post-employment healthcare benefit plan for all permanent employees. The pension system is administered by a seven member Trustee Board and an Executive Director. The net assets of the defined benefit pension plan on June 30, 2007 were \$449,915,691, and the post-employment healthcare plan was \$64,021,836. The actuarial valuation, applicable to the defined benefit pension plan, continues to reflect the plan is adequately funded at 97.8%, as of the June 30, 2006 valuation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,

Roger W. Fraser,
City Administrator

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Ann Arbor
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director

CITY OF ANN ARBOR, MICHIGAN

John Hieftje, Mayor

Council Members

Ronald Suarez
Joan Lowenstein
Stephen Kunselman
Margie Teall
Wendy A. Woods

Robert M. Johnson
Stephen Rapundalo
Leigh Greden
Marcia Higgins
Christopher S. Easthope

CITY ADMINISTRATOR

Roger W. Fraser

CHIEF FINANCIAL OFFICER

Tom Crawford

ACCOUNTING SERVICES MANAGER

Karen M. Lancaster

CITY ATTORNEY

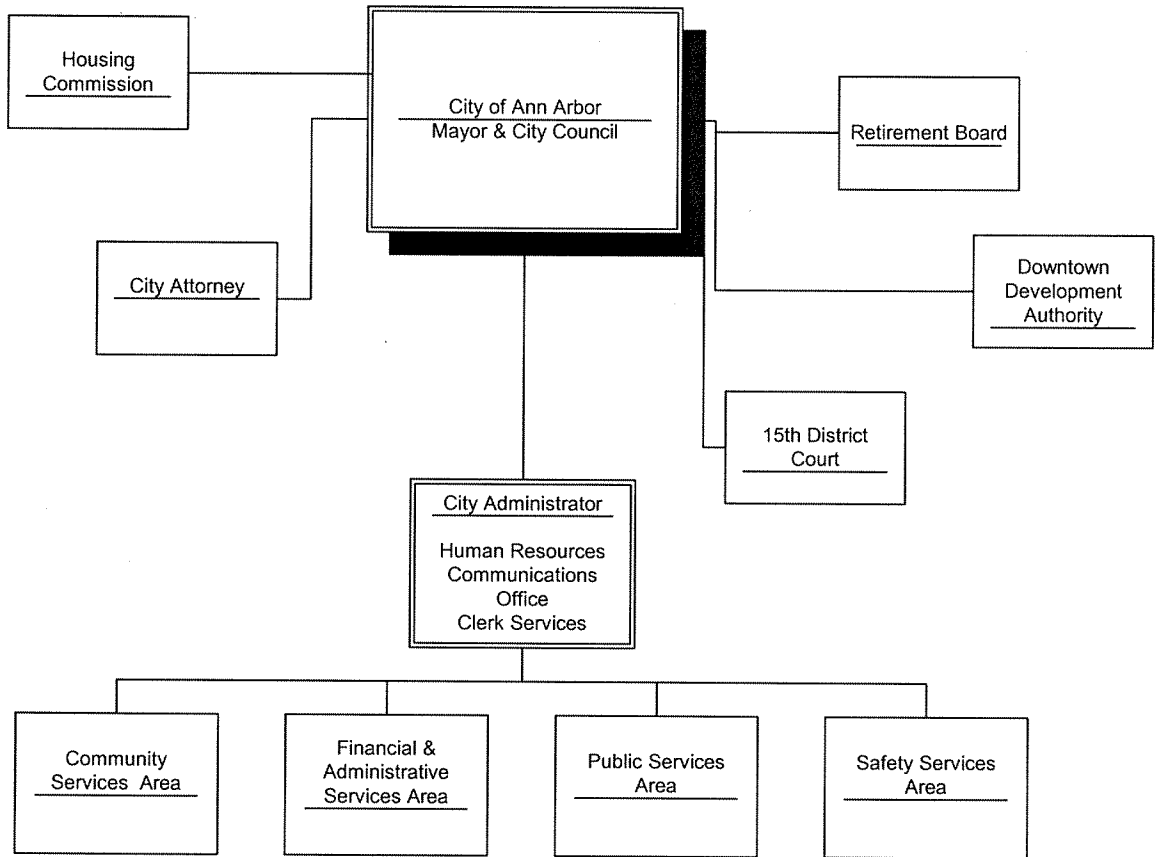
Stephen K. Postema

CITY TREASURER

Matthew V. Horning

CITY CLERK

Jacqueline Beaudry



- Planning & Development Services
- Parks & Recreation Services
- Office of Community Development

- Financial & Budget Planning Services
- Accounting Services
- Assessor Services
- Treasury Services
- Procurement
- Information Technology
- Risk Management

- Systems Planning
- Field Operation Services
- Wastewater Treatment Services
- Customer Services
- Project Management
- Water Treatment Services
- Fleet & Facilities

- Safety Services Administration
- 911 Communications Center
- Police Services
- Fire Services
- Emergency Management Services

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ann Arbor, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission, which represents 35% and 45%, respectively of the total assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ann Arbor, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the City of Ann Arbor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ann Arbor's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 18, 2007

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended June 30, 2007 and June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- The City's financial statements are prepared using two different accounting standards resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities and business-type activities. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
 - In total, the assets of the City exceed its liabilities by \$899,665,900 at the close of the most recent fiscal year.
 - \$723,114,461 is invested in Capital Assets, net of related debt;
 - \$93,061,658 is restricted for specific purposes, such as capital projects;
 - \$83,489,781 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located. This balance is comprised of \$27,504,425 in governmental activities and \$55,985,356 in business-type activities.
 - The City's total net assets increased by \$35,080,009 during the year, primarily due to increases in infrastructure, capital assets, property taxes, investment income, and favorable budget variances, demonstrating an improvement in the City's financial condition.
 - The City's total bonded debt decreased by \$4,409,309, (new issues less retirements), during the current fiscal year.
- Fund financial statements are comprised of 41 governmental funds and 8 proprietary funds. Governmental funds include the General Fund, Maintenance Facility Fund, Open Space and Parkland Preservation Fund and other special revenue and debt service funds.
 - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$101,643,894. The decrease in fund balance is primarily due to expenditures for the new Maintenance Facility, opened in September 2007, offset by other governmental expenditures coming in under budget.
 - Of the fund balance amount, \$86,590,042 is unreserved and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located.
 - The City's major funds, the General Fund (\$16,126,413), the Maintenance Facility Fund and the Open Space and Parkland Preservation Fund (\$22,109,955) account for 44% of this unreserved balance. The remaining amount is represented across the other 38 non-major funds.
 - The General fund recognized a gain of \$3,947,756. At the end of the current fiscal year, unreserved general fund balance was 22.3% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

The government-wide statements can be located on pages 21-23 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental funds

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

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

The City maintains forty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Maintenance Facility and Open Space and Parkland Preservation funds. Data from the other thirty-eight governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be located on pages 24-29 of this report.

Proprietary funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer operations, parking system, market, golf courses, airport, stormwater system, and solid waste, each of which are considered major funds of the City. The basic proprietary fund financial statements can be located on pages 30-34 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for certain assets held on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds combining statement information is contained in the combining section of the CAFR. The basic fiduciary fund financial statements can be located on pages 35-36 of this report.

ADDITIONAL INFORMATION

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-80 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the major fund budgetary comparisons and a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 81-89 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 90-119 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial analysis focuses on the net assets and changes in net assets of the City's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by \$899,665,900 at June 30, 2007 compared to \$864,585,891 at June 30, 2006.

**City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2007	June 30, 2006 as restated	June 30, 2007	June 30, 2006 as restated	June 30, 2007	June 30, 2006 as restated
Current and other assets	\$132,809,461	\$144,225,307	\$81,916,748	\$80,361,403	\$214,726,209	\$224,586,710
Capital assets	672,365,377	640,431,489	209,334,762	194,826,523	881,700,139	835,258,012
Total assets	805,174,838	784,656,796	291,251,510	275,187,926	1,096,426,348	1,059,844,722
Long-term liabilities outstanding	71,129,487	75,393,801	93,100,378	92,899,493	164,229,865	168,293,294
Other liabilities	17,544,494	14,572,628	14,986,089	12,392,909	32,530,583	26,965,537
Total liabilities	88,673,981	89,966,429	108,086,467	105,292,402	196,760,448	195,258,831
Net assets:						
Invested in capital assets, net of related debt	611,225,989	575,895,851	111,888,472	97,487,787	723,114,461	673,383,638
Restricted	77,770,443	101,447,127	15,291,215	15,918,577	93,061,658	117,365,704
Unrestricted	27,504,425	17,347,389	55,985,356	56,489,160	83,489,781	73,836,549
Total net assets	\$716,500,857	\$694,690,367	\$183,165,043	\$169,895,524	\$899,665,900	\$864,585,891

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

An additional portion of the City's net assets at June 30, 2007 (\$93,061,658) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$83,489,781 may be used to meet the government's ongoing obligations to citizens and creditors. The decrease in Restricted Net Assets from \$117,365,704 in 2006 to \$93,061,658 in 2007 is due to a decrease in Restricted for Capital Projects due to the progress in the construction of the new maintenance facility during fiscal year 2007. This is offset by an increase in our externally restricted net assets. In addition, the balances as of July 1, 2006 have been restated as discussed in Note 18.

Long-term liabilities have decreased from 2006 to 2007 mainly due to the decrease in bond indebtedness. In addition, other liabilities have increased from 2006 to 2007 due to increases in Accounts Payable, Due to Other Governments and an increase in the Bonds Payable due within a year.

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

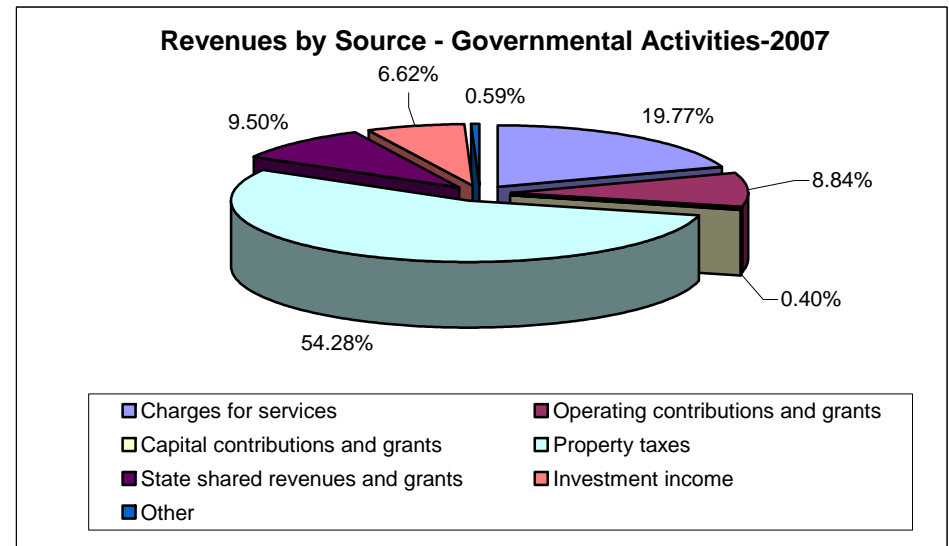
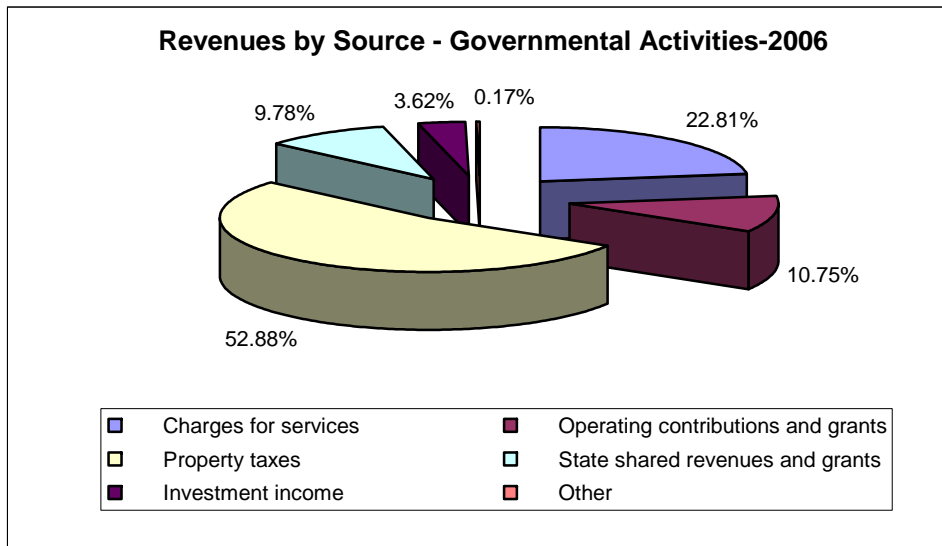
City of Ann Arbor
Changes in Net Assets
Comparative Schedule - Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$23,851,183	\$26,745,606	\$46,585,969	\$46,793,877	\$70,437,152	\$73,539,483
Operating contributions and grants	10,659,938	12,604,477			10,659,938	12,604,477
Capital contributions and grants	479,321	791,100	668,917		1,148,238	791,100
General revenue:						
Property taxes	65,480,079	62,017,866	10,998,459	10,399,700	76,478,538	72,417,566
State shared revenues and grants	11,464,818	11,469,467			11,464,818	11,469,467
Investment income	7,990,673	4,246,277	3,861,459	2,177,470	11,852,132	6,423,747
Other	709,786	194,410			709,786	194,410
Total revenue	<u>120,635,798</u>	<u>118,069,203</u>	<u>62,114,804</u>	<u>59,371,047</u>	<u>182,750,602</u>	<u>177,440,250</u>
Expenses:						
Governmental activities:						
General government	15,219,894	13,908,277			15,219,894	13,908,277
Public safety	42,368,701	44,026,682			42,368,701	44,026,682
Public works	16,388,169	16,676,422			16,388,169	16,676,422
Community and economic development	5,146,231	5,171,074			5,146,231	5,171,074
Culture and recreation	6,464,261	6,810,978			6,464,261	6,810,978
Other - Public Transportation	9,169,355	8,666,141			9,169,355	8,666,141
Debt service	2,737,333	1,539,263			2,737,333	1,539,263
Unallocated depreciation	55,005	71,575			55,005	71,575
Business-type activities:						
Water			16,943,066	16,881,883	16,943,066	16,881,883
Sewer			15,247,981	13,488,810	15,247,981	13,488,810
Parking			2,902,894	3,684,777	2,902,894	3,684,777
Market			124,636	124,754	124,636	124,754
Golf courses			1,115,341	1,134,301	1,115,341	1,134,301
Airport			842,521	904,514	842,521	904,514
Stormwater			2,622,490	1,556,229	2,622,490	1,556,229
Solid waste			10,322,715	9,876,503	10,322,715	9,876,503
Total expenses	<u>97,548,949</u>	<u>96,870,412</u>	<u>50,121,644</u>	<u>47,651,771</u>	<u>147,670,593</u>	<u>144,522,183</u>
Increase in net assets before transfers and special item	23,086,849	21,198,791	11,993,160	11,719,276	35,080,009	32,918,067
Special item		4,100,000				4,100,000
Transfers	<u>(1,276,359)</u>	<u>7,134,212</u>	<u>1,276,359</u>	<u>(7,134,212)</u>		
Increase in net assets	21,810,490	32,433,003	13,269,519	4,585,064	35,080,009	37,018,067
Net assets: beginning of year, as restated	<u>694,690,367</u>	<u>662,257,364</u>	<u>169,895,524</u>	<u>165,310,460</u>	<u>864,585,891</u>	<u>827,567,824</u>
Net assets: end of year	<u><u>\$716,500,857</u></u>	<u><u>\$694,690,367</u></u>	<u><u>\$183,165,043</u></u>	<u><u>\$169,895,524</u></u>	<u><u>\$899,665,900</u></u>	<u><u>\$864,585,891</u></u>

The City's net assets increased by \$35,080,009 during the current fiscal year and \$37,018,067 in the prior fiscal year.

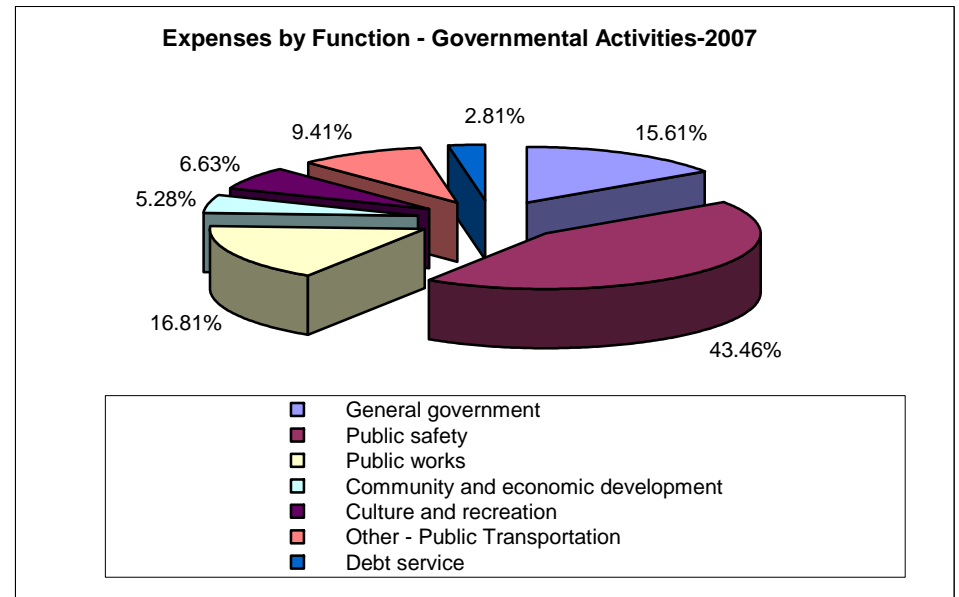
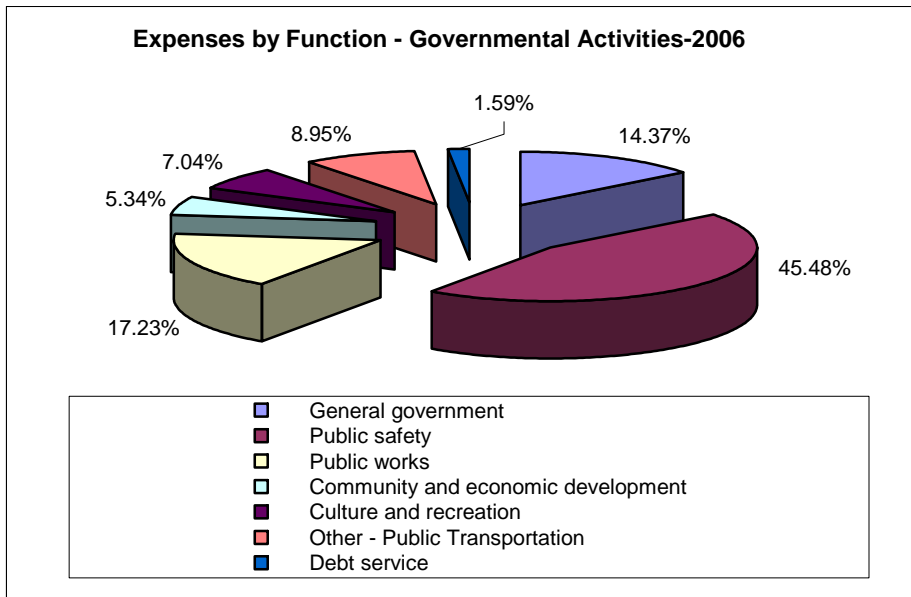
Governmental activities for the City's net assets increased by \$21,810,490, accounting for 62% of the total growth in the net assets of the City. During fiscal year 2006, governmental activities increased by \$32,433,003 which is 88% of the total growth for fiscal year 2006. Key elements are as follows:

- Property taxes increased by approximately 5.6% in fiscal year 2007 in governmental activities and increased 4.3% in fiscal year 2006. The increase is attributable to increased taxable values and residential growth.
- Intergovernmental revenue (which is a combination of operating contributions and grants and state-shared revenues and grants) decreased 9.1% in fiscal year 2007 while remaining flat in fiscal year 2006. Operating contributions and grants decreased significantly while State shared revenue remained flat in fiscal year 2007. In fiscal year 2006, these revenues decreased by approximately 1.86% due to reductions of revenue sharing at the State level.
- Charges for services decreased by 11% in fiscal year 2007 primarily due to no pension transfer from the retirement fund to cover retiree health care benefits in fiscal year 2007.
- Investment income increased approximately 88% in fiscal year 2007 due to a more favorable interest rate environment for Federal securities and a larger invested balance. In fiscal year 2006 investment income increased 95% due to a more favorable interest rate environment for Federal securities.



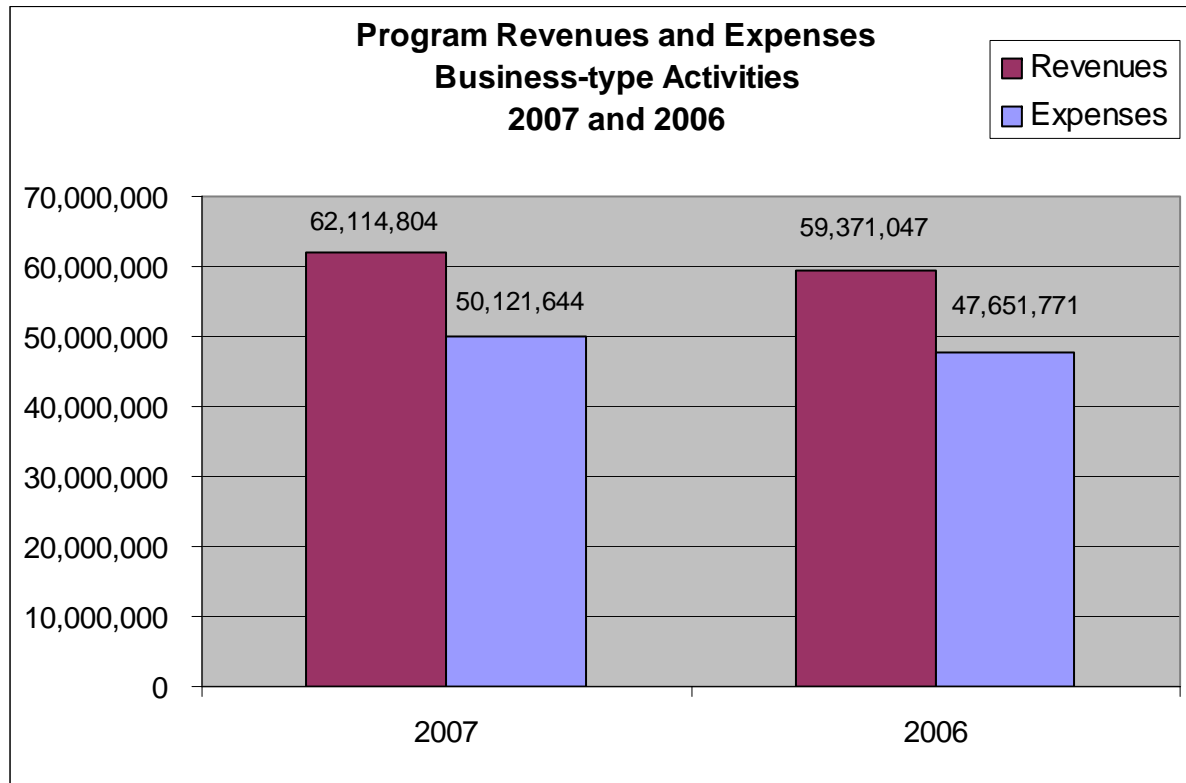
Expenditures for governmental activities increased \$678,535 from 2006 to 2007. Key elements are as follows:

- Expenditures for Community Television Network that were reported separately in previous fiscal years have now been included in general government expenditures. This change was made to conform to the State of Michigan's Uniform Chart of Accounts.
- Expenditures for District Court previously reported as public safety have been moved to general government expenditures. This change was made to conform to the State of Michigan's Uniform Chart of Accounts.
- Expenditures for Construction Code previously reported as general government have been moved to public safety. This change was made to conform to the State of Michigan's Uniform Chart of Accounts.



Business-type activities. Business-type activities increased the City's net assets by \$13,269,519 for fiscal year 2007 and by \$4,585,064 for fiscal year 2006, accounting for 38% and 13% of the total growth in the government's net assets for the current year and prior year, respectively. Key elements of this increase are as follows:

- Charges for services for business-type activities have decreased by \$207,908, or .4%, in the current year, primarily due to increased revenues for services (\$1,275,270) that were offset by an increase on the loss on capital assets (\$1,483,178) after the physical inventory initiative performed in fiscal year 2007. The majority of this loss on capital assets was attributable to the Sewage Disposal System, Waste Water Treatment Plant assets. In fiscal year 2006, charges for services increased by \$902,341, or 2% compared to the prior year.
- Expenses increased \$2,469,873, or 5.2%, in fiscal year 2007 primarily due to increased payroll, healthcare and utility costs. In fiscal year 2006, expenses increased \$2,455,926, or 5.4%, primarily due to the Solid Waste activity moving to a business-type activity.
- Investment income increased \$1,683,989 due to a more favorable interest rate environment and a larger invested balance. In fiscal year 2006, investment income increased \$525,978 compared to the prior fiscal year due to a more favorable interest rate environment.



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$101,643,894 at June 30, 2007 versus \$118,670,051 at June 30, 2006, a decrease of \$17,026,157 in fiscal year 2007 compared to an increase of \$52,325,306 in fiscal year 2006. Of that amount, \$86,590,042 at June 30, 2007 and \$84,732,504 at June 30, 2006 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$16,126,413 at June 30, 2007 versus \$11,962,837 at June 30, 2006, while total fund balance was \$16,396,461 and \$12,448,705 at June 30, 2007 and 2006, respectively. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 16.3 percent at June 30, 2007 and 16.7 percent at June 30, 2006 of total general fund expenditures. The fund balance of the City's general fund increased by \$3,947,756 during the current fiscal year in comparison to an increase of \$1,788,338 during the prior fiscal year. For fiscal year 2007, this is attributable to both cost savings and higher than expected revenues for state-shared revenue and investment income. For fiscal year 2006, this is attributable to both cost savings and higher than expected revenues for state-shared revenue and investment income.

With respect to other governmental funds, the City added three new special revenue funds at the start of the fiscal year - the Open Space Endowment Fund, Economic Development Fund and the Sidewalk Improvement Fund. The Open Space Endowment Fund is used to account for funds allotted for the perpetual care of lands purchased with the City's Open Space and Parkland Preservation Millage. The Economic Development Fund is used to account for funds set aside to promote economic development in the City. The Sidewalk Improvement Fund is used to account for funds related to the City's sidewalk improvement initiatives.

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

Unrestricted net assets of the water, sanitary, storm sewer, parking system, market, golf courses, solid waste and airport, at the end of the year amounted to \$55,985,356. The water, sewer, parking system, market, stormwater systems and solid waste had an increase in net assets for the year of \$13,590,618, whereas, the golf and airport funds had a decrease of \$321,099. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 1.1% increase in fiscal year 2007 compared to a 2.3% decrease in fiscal year 2006. The General Fund revenues exceeded its expenditures by \$3,947,756.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2007 was \$881,700,139 compared to \$835,258,012 at June 30, 2006 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 5.56% compared to 1.94% in fiscal year 2006. Major capital asset events during the fiscal year 2007 included the construction of the new maintenance facility (\$25,827,891), the construction of Fourth and William parking structure (\$4,459,441), an increase in land purchases (\$3,073,148) and a variety of street construction and utilities infrastructure projects.

Additional information on the City's capital assets can be located in note 5 on pages 53-54 of this report.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
	as restated		as restated		as restated	
Land	\$32,114,561	\$29,041,413	\$7,374,728	\$7,374,728	\$39,489,289	\$36,416,141
Construction in progress	35,930,150	10,596,780	44,549,684	33,521,752	80,479,834	44,118,532
Buildings	23,192,107	22,299,050	106,659,752	109,059,691	129,851,859	131,358,741
Improvements other than buildings	8,688,866	8,687,236	145,016,039	138,297,028	153,704,905	146,984,264
Machinery and equipment	15,830,450	15,707,758	37,647,916	35,614,491	53,478,366	51,322,249
Vehicles	10,956,830	11,116,129	8,638,347	8,014,439	19,595,177	19,130,568
Infrastructure	674,408,739	666,756,085			674,408,739	666,756,085
Less: accumulated depreciation	(128,756,326)	(123,772,962)	(140,551,704)	(137,055,606)	(269,308,030)	(260,828,568)
Total capital assets net of depreciation	\$672,365,377	\$640,431,489	\$209,334,762	\$194,826,523	\$881,700,139	\$835,258,012

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$153,544,388. Of that amount, \$100,738,568 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additional information on the City's long-term debt can be found on pages 59-75.

City of Ann Arbor's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Capital Projects Bonds	\$32,954,947	\$35,411,122			\$32,954,947	\$35,411,122
General Obligation Portion of Special Assessment Bonds	616,813	756,509			616,813	756,509
General Obligation Portion of Special Revenue Bonds	27,459,765	29,021,278			27,459,765	29,021,278
Special Assessment Bonds	800,753	1,160,232			800,753	1,160,232
Ann Arbor Building Authority Bonds			24,710,000	26,555,000	24,710,000	26,555,000
Other Bonds			4,962,110	1,061,497	4,962,110	1,061,497
Revenue Bonds			62,040,000	66,750,000	62,040,000	66,750,000
Other Long-term Debt	3,500,000	3,500,000	5,734,180	2,972,239	9,234,180	6,472,239
Total outstanding debt	\$65,332,278	\$69,849,141	\$97,446,290	\$97,338,736	\$162,778,568	\$167,187,877

The City's total debt decreased by \$4,409,309 or 2.64 percent during the fiscal year. The City issued new debt during the year as follows:

New Bonds

- 2007 Parking Facility Bonds \$4,250,000

The City has an AAA rating on these bonds from Standard & Poor's. Moody's rated these issues at an Aaa. These issuances were insured.

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 \$448,160,209, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be located in note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2008:

- Property tax revenues are budgeted to increase 4.3 percent in fiscal year 2008.
- Average salary costs were projected to moderately increase, up to 2.5 percent, in fiscal year 2008.
- Healthcare costs were projected to remain flat in fiscal year 2008, due to changes to the existing healthcare plan structure.
- Pfizer closed their Global Research and Development site located in the City of Ann Arbor during fiscal year 2007. At this time, the financial impact for fiscal year 2009 could be as high as \$700,000.

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, 100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107-8647.

CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2007



Issued by:

Financial and Administrative Services-
Accounting Services Unit
100 N. Fifth Avenue
Ann Arbor, Michigan 48107
(734) 994-2730

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority
ASSETS						
Current Assets:						
Cash	\$1,812,799	\$5,510,670	\$7,323,469	\$1,920,510	\$	\$720,653
Cash with fiscal agents		2,072,001	2,072,001			
Cash w/ith escrow agent	2,223,423		2,223,423			
Cash and cash equivalents, held at County of Washtenaw		3,882	3,882			
Equity in pooled cash and investments (Note 2)	104,112,740	52,905,451	157,018,191		436,388	99,059
Investments, at fair value (Note 2)	15,405,341	11,885,294	27,290,635			16,097,932
Receivables:						
Taxes	451,818	26,241	478,059			6,248
Accounts	2,376,506	9,272,330	11,648,836	29,893		328,442
Special assessments	526,352	65,785	592,137			
Accrued interest and dividends	27,141	95,674	122,815			
Improvement charges	10,538	63,896	74,434			
Loans	295,806		295,806			
Unbilled district costs	187,423		187,423			
Less: Allowance for uncollectibles	(998,571)	(125,812)	(1,124,383)	(5,000)		
Internal balances	2,719,710	(2,719,710)				
Due from other governments	2,331,663		2,331,663	35,208		793,781
Prepaid items	543,115	3,876	546,991			
Inventory, at cost	783,657	475,835	1,259,492	9,830		
Noncurrent Assets:						
Receivables:						
Special assessments		840,865	840,865			
Improvement charges		529,437	529,437			
Deferred charges		1,011,033	1,011,033	37,369		
Capital assets (Note 5):						
Land	32,114,561	7,374,728	39,489,289	844,637		
Buildings	23,192,107	106,659,752	129,851,859	18,657,076		
Improvements other than buildings	8,688,866	145,016,039	153,704,905	31,795		
Machinery, equipment, and vehicles	15,830,450	37,647,916	53,478,366	818,740		
Vehicles	10,956,830	8,638,347	19,595,177			
Infrastructure	674,408,739		674,408,739			
Less: Accumulated depreciation	(128,756,326)	(140,551,704)	(269,308,030)	(12,513,414)		
Construction in progress	35,930,150	44,549,684	80,479,834			
Total Assets	805,174,838	291,251,510	1,096,426,348	9,866,644	436,388	18,046,115

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2007
(Concluded)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority
LIABILITIES						
Current Liabilities:						
Accounts payable	\$5,707,737	\$3,785,339	\$9,493,076	\$55,214	\$147,799	\$749,550
Estimated claims payable (Note 10)	2,344,455		2,344,455			
Accrued liabilities	1,939,265	929,441	2,868,706	86,491		4,877
Accrued interest payable	900,598	1,508,351	2,408,949			56,503
Due to primary government (Note 5)						
Deposits	932,096	277,055	1,209,151	154,295		
Unearned revenue		76,563	76,563	23,040		
Non-current liabilities (Note 9):						
Due within one year:						
Accrued compensated absences	1,021,200	209,909	1,231,109			
Bonds payable	2,975,000	6,967,054	9,942,054			1,157,946
Special assessment debt with governmental commitment	200,000		200,000			
Other debt payable		438,593	438,593			
Due in more than one year (Note 9):						
Accrued compensated absences	13,165,099	3,059,735	16,224,834			
Bonds payable	53,246,822	84,745,056	137,991,878			3,034,944
Special assessment debt with governmental commitment	1,217,566		1,217,566			
Other debt payable	3,500,000	5,295,587	8,795,587			
Total Liabilities	88,673,981	108,086,467	196,760,448	480,029	147,799	5,110,407
NET ASSETS						
Invested in Capital Assets, net of related debt	611,225,989	111,888,472	723,114,461	7,838,834		
Restricted for:						
Capital Projects	12,070,298	9,383,947	21,454,245			
Debt Service	370,761	5,738,139	6,108,900			
Endowment (non-expendable)	2,135,197		2,135,197			
Other purposes (Note 17)	63,194,187		63,194,187			
Landfill		169,129	169,129			
Unrestricted	27,504,425	55,985,356	83,489,781	1,547,781	288,589	12,935,708
Total Net Assets	\$716,500,857	\$183,165,043	\$899,665,900	\$9,386,615	\$288,589	\$12,935,708

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

CITY OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority	
Primary Government:											
Governmental activities:											
General government	\$ 15,219,894	\$ 4,968,702	\$ 787,020	\$ 13,021	\$ (10,238,171)	\$	\$ (10,238,171)	\$	\$	\$	\$
Public safety	42,368,701	12,119,252	787,020		(29,462,429)		(29,462,429)				
Public works	16,388,169	4,224,568	7,690,002		(4,473,599)		(4,473,599)				
Community and economic development	5,146,231		2,182,916		(2,963,315)		(2,963,315)				
Culture and Recreation	6,464,261	2,447,072		466,300	(3,550,889)		(3,550,889)				
Other - Public Transportation	9,169,355	91,589			(9,077,766)		(9,077,766)				
Interest on long-term debt	2,737,333				(2,737,333)		(2,737,333)				
Unallocated depreciation	55,005				(55,005)		(55,005)				
Total governmental activities	<u>97,548,949</u>	<u>23,851,183</u>	<u>10,659,938</u>	<u>479,321</u>	<u>(62,558,507)</u>		<u>(62,558,507)</u>				
Business-type activities:											
Water	16,943,066	19,075,505				2,132,439	2,132,439				
Sewer	15,247,981	17,330,738				2,082,757	2,082,757				
Parking	2,902,894	3,305,205		668,917		1,071,228	1,071,228				
Market	124,636	126,979				2,343	2,343				
Golf courses	1,115,341	870,567				(244,774)	(244,774)				
Airport	842,521	773,784				(68,737)	(68,737)				
Stormwater	2,622,490	4,373,848				1,751,358	1,751,358				
Solid Waste	10,322,715	729,343				(9,593,372)	(9,593,372)				
Total business-type activities	<u>50,121,644</u>	<u>46,585,969</u>		<u>668,917</u>		<u>(2,866,758)</u>	<u>(2,866,758)</u>				
Total primary government:	<u>\$ 147,670,593</u>	<u>\$ 70,437,152</u>	<u>\$ 10,659,938</u>	<u>\$ 1,148,238</u>	<u>(62,558,507)</u>	<u>(2,866,758)</u>	<u>(65,425,265)</u>				
Component units:											
Housing Commission	\$ 13,747,199	\$ 688,219	\$ 12,535,435	\$ 462,828				(60,717)			
Smart Zone Local Development Finance Authority	358,547								(358,547)		
Downtown Development Authority	15,953,996	12,157,079								(3,796,917)	
Total component units:	<u>\$ 30,059,742</u>	<u>\$ 12,845,298</u>	<u>\$ 12,535,435</u>	<u>\$ 462,828</u>				<u>(60,717)</u>	<u>(358,547)</u>	<u>(3,796,917)</u>	
General revenues:											
Taxes:											
Property taxes, levied for general purpose					48,243,639	10,998,459	59,242,098		525,113		3,405,586
Property taxes, levied for debt service					17,236,440		17,236,440				
State-shared revenues and grants (unrestricted)					11,464,818		11,464,818				
Investment income					7,990,673	3,861,459	11,852,132	83,847	17,762		989,716
Other					709,786		709,786	94,413			31,620
Total general revenues					<u>85,645,356</u>	<u>14,859,918</u>	<u>100,505,274</u>	<u>178,260</u>	<u>542,875</u>		<u>4,426,922</u>
Transfers					(1,276,359)	1,276,359					
Total general revenues and transfers					<u>84,368,997</u>	<u>16,136,277</u>	<u>100,505,274</u>	<u>178,260</u>	<u>542,875</u>		<u>4,426,922</u>
Change in net assets					21,810,490	13,269,519	35,080,009	117,543	184,328		630,005
Net assets at beginning of year, as restated (Note 18)					<u>694,690,367</u>	<u>169,895,524</u>	<u>864,585,891</u>	<u>9,269,072</u>	<u>104,261</u>		<u>12,305,703</u>
Net assets at end of year					<u>\$ 716,500,857</u>	<u>\$ 183,165,043</u>	<u>\$ 899,665,900</u>	<u>\$ 9,386,615</u>	<u>\$ 288,589</u>		<u>\$ 12,935,708</u>

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

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Maintenance Facility	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$381,343	\$80	\$452,484	\$803,334	\$1,637,241
Cash with escrow agent			2,223,423		2,223,423
Equity in pooled cash and investments (Note 2)	17,714,708		10,065,873	56,214,613	83,995,194
Investments, at fair value (Note 2)		4,035,000	9,283,339	2,087,002	15,405,341
Receivables:					
Taxes	351,169	8,783	10,372	81,494	451,818
Accounts	875,149		95,174	1,380,239	2,350,562
Special assessments	17,445			508,907	526,352
Accrued interest and dividends				27,141	27,141
Improvement charges				10,538	10,538
Loans				295,806	295,806
Unbilled district costs				187,423	187,423
Less: Allowance for uncollectibles	(682,264)		(9,901)	(293,773)	(985,938)
Due from other funds (Note 3)	6,691,765	1,394,136		4,248,760	12,334,661
Due from other governments	410,744			1,920,919	2,331,663
Inventory, at cost	16,384				16,384
Total Assets	\$25,776,443	\$5,437,999	\$22,120,764	\$67,472,403	\$120,807,609

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007
(Concluded)

	General	Maintenance Facility	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$1,085,986	\$1,784,038	\$8,650	\$1,825,054	\$4,703,728
Accrued liabilities	1,321,109	3,313	60	202,279	1,526,761
Accrued interest payable				92,912	92,912
Due to other funds (Note 3)	3,470,914	984,105	1,930	3,580,610	8,037,559
Due to other governments	1,524,143				1,524,143
Deposits	912,096			20,000	932,096
Deferred revenue	188,545			1,189,796	1,378,341
Accrued compensated absences (Note 9)	877,189	1,017	169	89,800	968,175
Total Liabilities	9,379,982	2,772,473	10,809	7,000,451	19,163,715
Fund balances:					
Reserved for prepaid items					
Reserved for encumbrances	253,664	2,665,526		8,711,722	11,630,912
Reserved for endowment				2,135,197	2,135,197
Reserved for debt service				1,271,359	1,271,359
Reserved for inventories	16,384				16,384
Unreserved balances:					
Designated for subsequent year's expenditures	653,403				653,403
Designated, nonmajor capital projects funds				7,997,235	7,997,235
Undesignated	15,473,010		22,109,955		37,582,965
Undesignated, nonmajor special revenue funds				40,356,439	40,356,439
Total Fund Balances	16,396,461	2,665,526	22,109,955	60,471,952	101,643,894
Total Liabilities and Fund Balances	\$25,776,443	\$5,437,999	\$22,120,764	\$67,472,403	\$120,807,609

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

CITY OF ANN ARBOR
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Fund balances of governmental funds	\$	101,643,894
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets have not been included as financial resources in governmental fund activity.		789,752,274
Depreciation of capital assets.		(120,869,914)
Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds.		
Bonds payable		(61,139,389)
Compensated absences		(12,733,813)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(807,685)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.		1,378,341
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.		19,277,149
		19,277,149
Net assets of governmental activities	\$	716,500,857

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

CITY OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Maintenance Facility	Open Space & Parkland Preservation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$48,243,639	\$	\$2,130,653	\$15,105,787	\$65,480,079
Special assessments/improvement charges				119,198	119,198
Licenses, permits and registrations	1,210,631				1,210,631
Federal grants			466,300	3,335,331	3,801,631
State shared revenues and grants	11,464,818			7,749,792	19,214,610
Charges for services	9,225,785			5,620,297	14,846,082
Fines and forfeits	5,653,387			240,739	5,894,126
Interest and penalties				36,551	36,551
Investment income	2,178,650	694,013	1,190,866	3,153,353	7,216,882
Rentals	179,523			5,650	185,173
Contributions and donations				171,640	171,640
Sale of property and equipment	30,797			3,040	33,837
Intra-governmental sales				535,049	535,049
Miscellaneous	612,825	6,000	3,392	87,569	709,786
Total Revenues	78,800,055	700,013	3,791,211	36,163,996	119,455,275
Expenditures:					
Current:					
General government	12,968,343			1,787,544	14,755,887
Public safety	40,554,018			2,922,708	43,476,726
Public works	3,625,840			15,938,888	19,564,728
Community and economic development	2,273,129			2,785,967	5,059,096
Culture and recreation	3,807,380		238,678	2,107,520	6,153,578
Other	9,169,355				9,169,355
Capital outlay		26,019,911	3,806,812	1,382,465	31,209,188
Debt service:					
Principal retirement				3,405,000	3,405,000
Interest and fiscal charges				2,422,079	2,422,079
Total Expenditures	72,398,065	26,019,911	4,045,490	32,752,171	135,215,637
Excess of Revenues over (under) Expenditures	6,401,990	(25,319,898)	(254,279)	3,411,825	(15,760,362)

CITY OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(Concluded)

	<u>General</u>	<u>Maintenance Facility</u>	<u>Open Space & Parkland Preservation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):					
Transfers in (Note 7)	\$413,582			\$8,948,440	\$9,362,022
Transfers out (Note 7)	<u>(2,867,816)</u>	<u>(64,845)</u>	<u>(1,253,592)</u>	<u>(6,441,564)</u>	<u>(10,627,817)</u>
Total Other Financing Sources (Uses)	<u>(2,454,234)</u>	<u>(64,845)</u>	<u>(1,253,592)</u>	<u>2,506,876</u>	<u>(1,265,795)</u>
Net change in fund balances	3,947,756	(25,384,743)	(1,507,871)	5,918,701	(17,026,157)
Fund Balances - July 1, 2006, as restated	<u>12,448,705</u>	<u>28,050,269</u>	<u>23,617,826</u>	<u>54,553,251</u>	<u>118,670,051</u>
Fund Balances - June 30, 2007	<u>\$16,396,461</u>	<u>\$2,665,526</u>	<u>\$22,109,955</u>	<u>\$60,471,952</u>	<u>\$101,643,894</u>

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

CITY OF ANN ARBOR
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	(17,026,157)
<p>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:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.</p>		40,750,155
Depreciation in the current period.		(8,572,066)
Governmental funds report revenue from sale of assets. However, an adjustment is needed to reflect loss on sale of capital assets		(711,697)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		3,405,000
Accrued Interest for Debt. This is the net change in accrued interest for the current period.		(305,142)
Amortization of bond discount is an expense on statement of activities		(8,751)
The changes in accrual for compensated absences expenses reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		325,726
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.		(531,362)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		4,484,784
Change in net assets of governmental activities	\$	<u>21,810,490</u>

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

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-Type Activities Enterprise Funds								Governmental Activities	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
ASSETS										
Current Assets:										
Cash	\$2,377,097	\$1,848,028	\$581,225	\$66,863	\$	\$4,706	\$475,580	\$157,171	\$5,510,670	\$175,558
Cash with fiscal agents		2,072,001							2,072,001	
Cash and cash equivalents, held at County of Washtenaw		3,882							3,882	
Equity in pooled cash and investments (Note 2)	3,834,673	34,372,330	1,754,888	550,222	31,190		3,824,204	8,537,944	52,905,451	20,117,546
Investments (Note 2)	1,545,970	9,098,437	1,208,744					32,143	11,885,294	
Receivables:										
Accounts	4,157,740	3,977,203	9,055	1,220	4,773	120,052	937,091	65,196	9,272,330	25,944
Special Assessments	25,791	39,994							65,785	
Improvement charges	21,407	37,988					4,501		63,896	
Taxes receivables								26,241	26,241	
Interest receivable	16,014	76,329	3,331						95,674	
Less: Allowance for uncollectibles	(22,830)	(6,955)	(9,055)	(660)	(2,183)	(40,883)	(17,756)	(25,490)	(125,812)	(12,633)
Due from other funds (Note 3)	79,587	9,032					28	5,116	93,763	633,843
Prepaid items							3,876		3,876	543,115
Inventory, at cost	382,498	78,686			14,651				475,835	767,273
Total Current Assets	12,417,947	51,606,955	3,548,188	617,645	48,431	83,875	5,227,524	8,798,321	82,348,886	22,250,646
Noncurrent assets:										
Receivables:										
Special Assessments	298,064	517,911					24,890		840,865	
Improvement charges	222,057	266,395					40,985		529,437	
Deferred charges	222,029	430,466	341,745		13,200		3,593		1,011,033	
Capital assets (Note 5):										
Land	412,830	339,582	4,522,293	84,120	693,739	708,927	15,000	598,237	7,374,728	194,707
Buildings	8,545,826	29,100,831	60,678,849	332,206	506,024	1,871,570		5,624,446	106,659,752	705,708
Improvements other than buildings	80,886,064	53,401,684	523,891	19,700	2,305,074	143,404	7,394,149	342,073	145,016,039	62,407
Machinery and equipment	14,821,171	19,043,652	172,578		726,228	261,306	142,110	2,480,871	37,647,916	3,219,394
Vehicles	781,367	965,319			20,694	56,041	390,669	6,424,257	8,638,347	7,187,213
Less: Accumulated depreciation	(38,873,036)	(72,675,554)	(17,697,433)	(153,471)	(1,536,603)	(2,116,816)	(996,499)	(6,502,292)	(140,551,704)	(7,886,412)
Construction in progress	5,360,527	29,668,404	4,459,441				127,257	4,934,055	44,549,684	
Total Noncurrent Assets	72,676,899	61,058,690	53,001,364	282,555	2,728,356	924,432	7,142,154	13,901,647	211,716,097	3,483,017
Total Assets	85,094,846	112,665,645	56,549,552	900,200	2,776,787	1,008,307	12,369,678	22,699,968	294,064,983	25,733,663

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007
(Concluded)

	Business-Type Activities Enterprise Funds								Governmental Activities	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
LIABILITIES										
Current Liabilities:										
Accounts payable	\$2,195,170	\$889,946	\$7,027	\$986	\$11,578	\$14,242	\$280,670	\$385,720	\$3,785,339	\$1,004,009
Estimated claims payable										2,344,455
Accrued liabilities	681,332	122,103		1,129	18,194	9,301	26,126	71,256	929,441	412,504
Accrued interest payable	526,001	592,379	379,677		8,940		1,354		1,508,351	
Due to other funds (Note 3)	552,617	640,082	281,029	1,009	1,106,558	1,925	9,723	220,530	2,813,473	2,211,235
Due to other governments			793,784						793,784	
Deposits	277,042				13				277,055	
Unearned revenue				59,689		16,874			76,563	
Revenue bonds payable - current portion (Note 9)	3,175,000	1,490,000					140,000		4,805,000	
Ann Arbor Building Authority bonds payable - current portion (Note 9)			1,710,000		100,000				1,810,000	
Other bonds payable - current portion (Note 9)			352,054						352,054	
Other debt-current portion (Note 9)	35,000	160,000			29,156		214,437		438,593	
Accrued compensated absences (Note 9)	81,249	70,355		38	315	6,567	11,167	40,218	209,909	53,025
Total Current Liabilities	7,523,411	3,964,865	3,523,571	62,851	1,274,754	48,909	683,477	717,724	17,799,562	6,025,228
Noncurrent Liabilities:										
Revenue bonds - non-current portion (Note 9)	27,915,000	29,175,000					145,000		57,235,000	
Ann Arbor Building Authority bonds payable - non-current portion (Note 9)			22,120,000		780,000				22,900,000	
Other bonds payable - non-current portion (Note 9)			4,610,056						4,610,056	
Other long-term debt - non-current portion (Note 9)	382,891	2,592,364			73,010		2,247,322		5,295,587	
Accrued compensated absences - non-current portion (Note 9)	1,251,960	694,806		5,357	48,373	90,625	364,268	604,346	3,059,735	431,286
Total Noncurrent Liabilities	29,549,851	32,462,170	26,730,056	5,357	901,383	90,625	2,756,590	604,346	93,100,378	431,286
Total Liabilities	37,073,262	36,427,035	30,253,627	68,208	2,176,137	139,534	3,440,067	1,322,070	110,899,940	6,456,514
NET ASSETS										
Invested in Capital Assets, net of related debt	40,426,858	26,426,554	23,867,509	282,555	1,732,990	924,432	4,325,927	13,901,647	111,888,472	3,483,017
Restricted for debt service	3,109,000	2,600,639					28,500		5,738,139	
Restricted for equipment replacement	2,203,129	6,468,342					530,523	181,953	9,383,947	
Restricted for landfill								169,129	169,129	
Unrestricted (deficit)	2,282,597	40,743,075	2,428,416	549,437	(1,132,340)	(55,659)	4,044,661	7,125,169	55,985,356	15,794,132
TOTAL NET ASSETS	\$48,021,584	\$76,238,610	\$26,295,925	\$831,992	\$600,650	\$868,773	\$8,929,611	\$21,377,898	\$183,165,043	\$19,277,149

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

CITY OF ANN ARBOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds								Governmental Activities	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Operating Revenues:										
Charges for services	\$19,073,813	\$18,762,723	\$3,305,205	\$126,979	\$870,567	\$773,784	\$4,373,848	\$724,643	\$48,011,562	\$34,510,037
Miscellaneous revenue										473,508
Total Operating Revenues	19,073,813	18,762,723	3,305,205	126,979	870,567	773,784	4,373,848	724,643	48,011,562	34,983,545
Operating Expenses:										
Personal services	5,593,755	4,527,657		65,441	529,348	398,176	1,139,363	3,105,014	15,358,754	5,742,783
Municipal service charge	593,028	375,816		17,892	123,888	96,000	46,488	233,496	1,486,608	1,539,660
Information Technology charge	637,536	422,100		9,708	27,996	43,056	46,296	131,760	1,318,452	547,586
Materials and supplies	2,278,361	821,088		12,591	162,831	43,011	76,618	254,830	3,649,330	1,380,029
Utilities	1,416,117	1,060,636		6,492	31,960	58,614	5,325	244,396	2,823,540	84,080
Insurance	152,316	542,964		72	2,544	70,836	1,932	122,220	892,884	18,143,267
Contractual services	585,685	1,149,699		506	1,297	20,068	125,023	2,842,668	4,724,946	306,695
Maintenance	285,488	167,533		482	34,405	33,727	23,095	249,911	794,641	152,428
Professional fees	615,583	1,937,588	50,452			10,330	757,384	252,555	3,623,892	477,743
Rent	199,405	121,218		263	4,861	3,097	30,099	1,655,569	2,014,512	
Miscellaneous	458,160	274,024		1,441	5,204	25,192	10,216	47,977	822,214	69,311
Cost of goods sold										1,912,411
Depreciation and amortization	2,721,712	2,622,478	1,620,477	8,982	115,734	40,312	172,173	1,180,442	8,482,310	971,595
Total Operating Expenses	15,537,146	14,022,801	1,670,929	123,870	1,040,068	842,419	2,434,012	10,320,838	45,992,083	31,327,588
Operating Income (Loss)	3,536,667	4,739,922	1,634,276	3,109	(169,501)	(68,635)	1,939,836	(9,596,195)	2,019,479	3,655,957
Nonoperating Revenues (Expenses):										
Interest income	571,237	2,406,197	76,567	20,031	1,198		191,094	595,135	3,861,459	737,240
Net gain on retirement of capital assets	1,692	(1,431,985)						4,700	(1,425,593)	103,512
Interest expense and fiscal charges	(1,405,920)	(1,225,180)	(1,231,965)	(766)	(75,273)	(102)	(188,478)	(1,877)	(4,129,561)	(1,361)
Property taxes								10,998,459	10,998,459	
Total Nonoperating Revenues (Expenses)	(832,991)	(250,968)	(1,155,398)	19,265	(74,075)	(102)	2,616	11,596,417	9,304,764	839,391
Income (Loss) Before Contributions and Transfers	2,703,676	4,488,954	478,878	22,374	(243,576)	(68,737)	1,942,452	2,000,222	11,324,243	4,495,348
Transfers and contributions:										
Capital contributions			668,917						668,917	
Transfers in (Note 7)	1,618,153	78,400					91,815	3,686,882	5,475,250	697,055
Transfers out (Note 7)	(820,349)	(1,451,391)				(8,786)	(826,718)	(1,091,647)	(4,198,891)	(707,619)
Changes in Net Assets	3,501,480	3,115,963	1,147,795	22,374	(243,576)	(77,523)	1,207,549	4,595,457	13,269,519	4,484,784
Net Assets - July 1, 2006	44,520,104	73,122,647	25,148,130	809,618	844,226	946,296	7,722,062	16,782,441	169,895,524	14,792,365
Net Assets - June 30, 2007	\$48,021,584	\$76,238,610	\$26,295,925	\$831,992	\$600,650	\$868,773	\$8,929,611	\$21,377,898	\$183,165,043	\$19,277,149

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

CITY OF ANN ARBOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds								Governmental Activities	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Cash flow from operating activities:										
Receipts from customers	\$18,060,956	\$18,849,533	\$3,305,205	\$186,089	\$870,970	\$777,381	\$4,214,706	\$877,928	\$47,142,768	\$35,015,822
Receipts from interfund services provided	563,059	830,784	275,400	3,442	302,719	969	68,229	35,324	2,079,926	2,367,314
Payments to suppliers	(5,733,484)	(6,653,478)	(43,425)	(50,118)	(399,140)	(394,259)	(1,011,524)	(6,199,204)	(20,484,632)	(23,072,277)
Payments on behalf of employees	(5,572,429)	(4,639,729)		(92,592)	(566,613)	(409,868)	(1,001,653)	(2,898,584)	(15,181,468)	(5,333,228)
Payments for interfund services used					(6,301)			(1,046)	(7,347)	(310,999)
Net cash provided by (used in) operating activities	7,318,102	8,387,110	3,537,180	46,821	207,936	(32,078)	2,269,758	(8,185,582)	13,549,247	8,666,632
Cash flows from noncapital financing activities:										
Transfers in	1,618,153	78,400					91,815	3,686,882	5,475,250	697,055
Transfers out	(820,349)	(1,451,391)				(8,786)	(826,718)	(1,091,647)	(4,198,891)	(707,619)
Property taxes								10,998,459	10,998,459	
Net cash provided by (used in) noncapital financing activities	797,804	(1,372,991)				(8,786)	(734,903)	13,593,694	12,274,818	(10,564)
Cash flows from capital and related financing activities:										
Proceeds from sales of bonds and notes	105,391	986,538	4,250,000						5,341,929	
Capital contributions			668,917						668,917	
Acquisition and construction of capital assets	(5,583,251)	(7,165,036)	(3,665,657)				(410,175)	(4,588,178)	(21,412,297)	(1,445,913)
leases and notes	(3,225,391)	(1,615,000)	(2,099,387)		(133,454)		(377,596)		(7,450,828)	
Interest paid on bonds, notes, and capital leases	(1,284,444)	(1,235,918)	(1,262,958)	(766)	(74,482)	(102)	(187,436)	(1,877)	(4,047,983)	(1,361)
Proceeds from sale of equipment	1,692							4,700	6,392	110,333
Net cash used in capital and related financing activities	(9,986,003)	(9,029,416)	(2,109,085)	(766)	(207,936)	(102)	(975,207)	(4,585,355)	(26,893,870)	(1,336,941)
Cash flows from investing activities:										
Purchase of investment securities	(2,151,899)	(3,911,537)	(4,195,366)					(1,787)	(10,260,589)	
Sale of investment securities	3,870,199	3,461,444	2,986,622						10,318,265	
Interest and dividends on investments	566,849	2,393,079	75,666	20,031	1,198		191,094	595,135	3,843,052	737,240
Net cash provided by (used in) investing activities	2,285,149	1,942,986	(1,133,078)	20,031	1,198		191,094	593,348	3,900,728	737,240
Net increase (decrease) in cash and cash equivalents	415,052	(72,311)	295,017	66,086	1,198	(40,966)	750,742	1,416,105	2,830,923	8,056,367
Cash and cash equivalents at beginning of the year	5,796,718	38,368,552	2,041,096	550,999	29,992	45,672	3,549,042	7,279,010	57,661,081	12,236,737
Cash and cash equivalents at end of the year	\$6,211,770	\$38,296,241	\$2,336,113	\$617,085	\$31,190	\$4,706	\$4,299,784	\$8,695,115	\$60,492,004	\$20,293,104

(Continued)

CITY OF ANN ARBOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007
(Concluded)

	Business-Type Activities Enterprise Funds								Governmental Activities	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Net operating income (loss)	\$ 3,536,667	\$ 4,739,922	\$ 1,634,276	\$ 3,109	\$ (169,501)	\$ (68,635)	\$ 1,939,836	\$ (9,596,195)	\$ 2,019,479	\$3,655,957
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation and amortization	2,721,712	2,622,478	1,620,477	8,982	115,734	40,312	172,173	1,180,442	8,482,310	971,595
Allowance for uncollectible accounts	(10,911)			221	(1,183)	23,982	328	(2,382)	10,055	(3,874)
(Increase) decrease in assets and increase (decrease) in liabilities										
Accounts receivable	(1,001,946)	86,810		(800)	1,586	(37,259)	(159,470)	155,667	(955,412)	36,151
Due from other funds									-	25,159
Inventory	88,248	(14,312)			2,270				76,206	419
Prepaid items							5,755		5,755	1,342,106
Accounts payable	1,429,170	233,500	7,027	(671)	(6,424)	10,272	105,197	(163,822)	1,614,249	489,009
Accrued compensated absences	151,779	(79,403)		1,735	(39,998)	(15,052)	128,575	179,952	327,588	155,841
Estimated claims payable										(290,601)
Accrued liabilities	(130,453)	(32,669)		(28,886)	2,733	3,360	9,135	26,478	(150,302)	253,714
Due to other funds	40,801	293,884	275,400	551	256,627	(6,301)	6,303	35,324	902,589	2,031,156
Due to other governments	522,258	536,900		2,891	46,092	969	61,926	(1,046)	1,169,990	
Deposits	(29,223)					(600)			(29,823)	
Unearned revenue				59,689		16,874			76,563	
Net cash provided by (used in) operating activities	<u>\$ 7,318,102</u>	<u>\$ 8,387,110</u>	<u>\$ 3,537,180</u>	<u>\$ 46,821</u>	<u>\$ 207,936</u>	<u>\$ (32,078)</u>	<u>\$ 2,269,758</u>	<u>\$ (8,185,582)</u>	<u>\$ 13,549,247</u>	<u>\$ 8,666,632</u>

NONCASH CAPITAL FINANCING ACTIVITIES:

During this fiscal year, the City's Parking System Fund received noncash capital contributions from the Downtown Development Authority in the amount of \$668,917 in the form of additions made towards the construction of Fourth & William parking structure.

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

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	Employees' Benefit Trust Funds	Agency Funds
ASSETS		
Cash	\$242,600	\$2,727,719
Equity in pooled cash and investments (Note 2)	756,874	
Investments, at fair value (Note 2)		
Short term investments	5,028,963	
U.S. Government obligations	64,687,012	
Guaranteed investment contracts	12,932,089	
Collateralized Mortgage Obligations	8,682,104	
Domestic corporate bonds	37,221,116	
Domestic stocks	285,830,958	
International stocks	47,686,202	
Municipal bonds	1,002,522	
Real Estate-Direct & funds	51,608,464	
Accrued interest and dividends	1,038,614	
Due from other governments	35,394	
Property, plant & equipment (net of depreciation of \$25,622)	2,775	
	<u>\$516,755,687</u>	<u>\$2,727,719</u>
Total Assets		
LIABILITIES		
Accounts payable	2,689,050	\$2,556,048
Accrued liabilities	5,459	
Accrued compensated absences	123,651	
Due to other governments		128,670
Deposits		43,001
	<u>2,818,160</u>	<u>\$2,727,719</u>
Total Liabilities		
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	<u>\$513,937,527</u>	

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

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Total Employees' Benefit Trust Funds</u>
ADDITIONS	
Investment income:	
Net realized and unrealized appreciation in fair value of investments	\$23,169,075
Interest	6,862,734
Dividends	<u>45,367,870</u>
Total investment income	75,399,679
Less investment expense	<u>2,027,892</u>
Net investment income	<u>73,371,787</u>
Contributions:	
Employer	5,103,346
Plan member	<u>2,653,369</u>
Total contributions	<u>7,756,715</u>
Total additions	<u>81,128,502</u>
DEDUCTIONS	
Benefits	24,505,435
Refund of contributions	1,023,624
Administrative expense	<u>593,642</u>
Total deductions	<u>26,122,701</u>
Change in net assets	55,005,801
Net assets held in trust for benefits at beginning of year	<u>458,931,726</u>
Net assets held in trust for benefits at end of year	<u><u>\$513,937,527</u></u>

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

CITY OF ANN ARBOR

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL 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 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 City's population is approximately 114,328 people within an area of 28.6 square miles. 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 and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," (as amended by GASB Statement No. 39), these financial statements present the City (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

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

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The DDA's primary source of funding is Tax Increment Financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$2 million to the City as part of an agreement between the City and DDA. Also, during the fiscal year the DDA transferred \$4.7 million for debt service payments and other transfers for maintenance. The DDA issues separate audited financial statements.

Ann Arbor Housing Commission. The Housing Commission was created to provide low-income housing for City residents. Commissioners of the Housing Commission are appointed by the Mayor and approved by City Council. City Council is notified of all grant applications and any changes to contracts with the 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. FINANCIAL REPORTING ENTITY (continued)

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 respectively by the cities of Ann Arbor and Ypsilanti in June 2002 to encourage high tech business investment within the boundaries of the SmartZone, comprising portions of City of Ann Arbor and the City of Ypsilanti, and the funding of the SmartZone through a Local Development Financing Authority. The LDFA provides financing through a tax capture mechanism within a specific district. Presently, TIF 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 LDFA operates under bylaws initially approved by Ann Arbor and Ypsilanti City Councils. The City maintains the accounting records for the SmartZone LDFA.

Separate combining statements for the discretely presented Component Units are not presented as each Component Unit is shown as a separate column on the government wide financial statements. Complete financial statements of the individual Component Units can be requested from the City of Ann Arbor Finance Department. With respect to SmartZone LDFA, no separate financial statements are necessary as the financial activities are contained in one fund.

Related Organizations. The Ann Arbor Transportation Authority (AATA) and the Ann Arbor Economic Development Corporation (EDC), are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making the 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, as of June 30, 2007, assets and a fund balance of \$9,278.

B. DESCRIPTION OF CITY OPERATIONS AND FUND TYPES

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental Accounting Standards Board Statement #34, (hereafter known as GASB #34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section. The City reports the following major funds:

Governmental Funds.

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

Maintenance Facility Fund. This fund is used to account for revenues expended for the construction of a new vehicle maintenance facility.

Open Space and Parkland Preservation Millage Fund. This fund is used to account for funds derived from property tax millage and bond proceeds earmarked for parks acquisition and development rights for open space.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DESCRIPTION OF CITY OPERATIONS AND FUND TYPES (continued)**Proprietary Funds.**

Water Supply System - To account for the provision of treated water of the City and some township residents.

Sewage Disposal System - To account for the collection and treatment of the sewage of the City and some township residents.

Parking System - To account for the operations of the City's parking structures, lots and meters.

Market - To account for the costs of operating the City's Farmers' Market.

Golf Courses - To account for the operation of the City's two 18-hole golf courses.

Airport - To account for the operation of the City's airport including the rental of hangars and tie-down space.

Stormwater Sewer System - To account for the collection and disposal of the City's stormwater.

Solid Waste - To account for the collection and disposal of the City's solid waste and recycling.

Other Fund Types.

Internal Service Funds. These funds are used to account for goods or services provided by the Central Stores, Fleet Services, Information Technology, Project Management, Insurance, or Park Headquarters to service areas of the City on a cost-reimbursement basis.

Employee Retirement/Benefits Funds. To account for the accumulation of resources to be used for retirement pension and annuity payments. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

Permanent Fund. To account 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.

Agency Funds. These funds are used to account for assets held by the City as an agent for individuals, private organizations, or other governments. Agency funds are, by nature, custodial; therefore, operation results are not measured. Such funds include: Current Tax, Delinquent Tax, Contractor's Retainage and Fifteenth District Court.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual basis, using the economic resource measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, Public Services, etc.), which are otherwise being supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Police, Fire, Public Services, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenue include 1) charges for services, 2) federal and state operating grants, and 3) special assessments.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund), to address administrative services (finance, personnel, purchasing, legal, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The major governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (concluded)

Internal service funds of the City (which provide services primarily to other funds of the City) are presented, in summary form, as part of the proprietary fund financial statement. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (Police, Fire, Public Services, etc.).

When appropriate, surplus or deficits in the Internal Service funds may be allocated back to customers at the entity-wide Statement of Activities.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other legal governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the Statement #34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary presentation, and the statements provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

D. BASIS OF ACCOUNTING

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major sources of revenue considered susceptible to accrual are community development grants, state shared revenues and grants, delinquent property taxes collected during the fiscal year or within a period of 60 days thereafter, and interest on investments.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The government-wide financial statements and the proprietary, fiduciary and component unit financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BASIS OF ACCOUNTING (concluded)

The City reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received before qualifying expenditures are incurred. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The measurement focus of the governmental funds is based on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income determination.

The Enterprise and Fiduciary Funds are maintained on the accrual basis. These Funds' revenues are recognized when earned, and expenses recorded when incurred. Unbilled Water and Sewer Fund utility service provided is recorded as receivables and revenue at year-end. The measurement focus for enterprise funds is based on cost of service and maintenance of capital. Enterprise funds follow Generally Accepted Accounting Principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board standards issued prior to November 30, 1989. The City also has the option of following subsequent private-sector guidance for business-type activities and enterprise funds to the extent that the guidance does not contradict guidance of the GASB. The City has elected not to follow subsequent private-sector guidance.

E. ADDITIONAL INFORMATION

Budgetary Accounting Controls. 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, Debt Service Funds 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 the General Fund departments. Budgetary control for the Debt Service Funds and 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. Enterprise, Internal Service, and Pension Trust Funds also have legally adopted budgets. One Special Revenue Fund, Economic Development, does not have a legally adopted budget as the new fund was required at the end of the fiscal year but no expenditures were anticipated until fiscal year 2008.

Investments. Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ADDITIONAL INFORMATION (continued)

Inventories. 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.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), 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 \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

<u>Type</u>	<u>Years</u>
Structures and improvements	40-50
Improvements other than buildings	20-99
Machinery, equipment and vehicles	3-15
Infrastructure	15-25

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

Interfund Transactions. During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The basic financial statements generally record such transactions as operating transfers. Operating subsidies are also recorded as transfers. Internal Service Funds are used to record charges for services to all City service areas and funds as operating revenue for the services provided. All City funds record payments to the Internal Service Funds as operating expenditures.

Certain funds remit payments for municipal service charges in lieu of taxes to the General Fund based on a pro rata share of general administrative overhead of the City government. Payments are recorded as revenue in the General Fund and as operating expense in Enterprise Funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ADDITIONAL INFORMATION (continued))

Compensated Absences. The City accrues vacation pay, compensatory time off, severance pay for sick leave, and any salary-related payments for these compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The current obligations of all funds and the long-term obligations of Proprietary Funds are recorded in the respective funds. City employees are granted vacation time based on length of service. Most employees have the option of receiving compensatory time off in lieu of pay for overtime worked up to 40 hours. Sick pay is earned at the rate of one day per month, and unused sick days may be accumulated without limitation. An employee is paid, in most cases, a maximum 960 unused sick hours and the total of any remaining accumulated hours upon retirement or death. City policy provides for payment of unused vacation and compensatory time off, but not unused sick hours, to terminated employees. Paid time off that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Paid time off is accrued when incurred in proprietary funds and reported as a liability. For all funds, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, the non-current 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.

Self Insurance. The City is self-insured for property, casualty, and employee benefit coverage. Costs of actual claims and estimated incurred but not reported claims, less any excess insurance coverage, are expensed in the Insurance Internal Service Fund at the time the liability is estimated.

Reserves and Designations. In the fund financial statements, reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use. Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change, and may never be legally authorized or result in expenditures. 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.

Grants and Other Intergovernmental Revenues. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

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

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

Cash with escrow agent. The City at June 30, 2007 had funds with an escrow agent for the purchase of the Huron Valley Girl Scouts Camp Hilltop property. The property settlement was completed on July 25, 2007 and the escrow was released. The land purchase will be recorded as an asset in fiscal year 2008.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. ADDITIONAL INFORMATION (concluded)

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

Property Taxes. Property tax revenue is derived pursuant to a tax increment financing agreement between the SmartZone LDFA and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment-financing district. The City of Ann Arbor bills and collects the taxes on behalf of the SmartZone LDFA. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments." The Consolidated Investment Fund is eliminated for financial reporting purposes. In addition, the cash resources of the Pension Trust Fund and certain other funds are invested separately. The following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances) as of June 30, 2007:

	<u>Cash</u>	<u>Equity in pooled cash and investments</u>	<u>Investments</u>
Governmental activities	\$4,036,222	\$104,112,740	\$15,405,341
Business-type activities	7,586,553	52,905,451	11,885,294
Component units	2,641,163	535,447	16,097,932
Fiduciary funds	<u>2,970,319</u>	<u>756,874</u>	<u>514,679,430</u>
Totals	<u>\$17,234,257</u>	<u>\$158,310,512</u>	<u>\$558,067,997</u>
Total Equity in Pooled Cash and Investments		<u>\$716,378,509</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

U. S. Government Agencies	\$99,709,733
U. S. Treasury Bonds & Notes	138,084,808
Corporate Bonds and Notes	37,221,116
Commercial Paper	6,972,071
Municipal Bonds	1,002,522
Repurchase Agreements	15,751,425
Stocks - Common	333,517,160
Guaranteed Investment Contracts	12,932,089
Real Estate Participation Interest	51,608,464
Collateralized Mortgage Obligations	<u>8,682,104</u>
Total	<u>\$705,481,492</u>
Mutual Funds - unclassified as to risk	<u>10,897,017</u>
Total Investments	<u><u>\$716,378,509</u></u>

Custodial Credit Risk for Deposits. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. At year end, the carrying amount of the City's deposits, including component units was \$17,234,257 and the bank balance was \$12,928,289. Of the bank balance, \$106,656 was covered by federal depository insurance. The remaining \$12,821,633 was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

Investments. Michigan statutes and City policy authorize the City to invest in obligations of the U. S. Treasury, where interest and principal are backed by the full faith and credit of the U.S. Government (including GNMA), commercial paper (rated at the time of purchase by at least two of the major rating agencies within one of their two highest ratings), bankers acceptances, repurchase agreements, bank investment pools and the State Treasurer's Investment Pool. Pension fund investment policy is governed by the Pension Trustees and makes additional allowances for investments in equities, long-term securities and other securities of relatively higher risk.

Custodial Credit Risk for 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, 2007, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Credit Risk. The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. 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, 2007, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated A-1+ by Standard & Poor's and P1 by Moody's. The City also held investments in U.S. treasuries and money market mutual funds, which are not rated. 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, 2007, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U. S. Treasury Bonds & Notes		50.54%
U. S. Government Agencies	Federal Home Loan Bank	11.67%
	Federal Home Loan Mortgage Corporation	7.07%
	Federal National Mortgage Association	10.61%
	Federal Farm Credit Bank	6.18%
Commercial Paper	Apreco Inc.	2.50%
Commercial Paper	Merrill Lynch	1.81%
Repurchase Agreements	Mizuho	4.27%
Cash and Cash Equivalents		5.35%

The City's investment policy states that the amount of investments in Repurchase Agreements and U.S. Treasury securities shall at no time be less than 50% of the total portfolio and there shall be no maximum limits on these investments. The balance will not exceed the following maximum limits in each of the categories listed below as a percentage of the total portfolio.

35% in Instrumentality Securities
 50% in Commercial Paper
 30% in Bankers Acceptances
 20% in FDIC insured Certificates of Deposit
 30% in Money Market Mutual Funds
 10% in Investment Pools
 10% in Joint Interlocal Investment Ventures

No more than 5% of the total portfolio shall be invested in any one issuer of commercial paper or bankers' acceptances.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Interest Rate Risk. As of June 30, 2007, maturities of the City's debt securities were as follows:

	City Investments	
	Fair Value	Weighted Average Maturity
U. S. Government Agencies	\$62,246,645	0.92 - 4.79 years
U. S. Treasury Bonds & Notes	98,253,269	0.13 - 3.49 years
Commercial Paper	6,972,071	0.12 - 0.13 years
Repurchase Agreements	<u>15,751,425</u>	
Total	<u>\$183,223,410</u>	
Mutual Funds - unclassified as to risk	<u>2,377,737</u>	
Total Investments	<u><u>\$185,601,147</u></u>	

Of the above balances, \$47,826,295 of U.S. agencies securities were callable.

To the extent possible, the Treasurer shall match investments with anticipated cash flow requirements. Unless matched to a specific cash flow liability and approved by the Chief Financial Officer in writing the City will not invest in securities maturing more than seven years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 3.5 years. The City shall maintain at least 10% of its total portfolio in instruments maturing in 90 days or less.

PENSION TRUST FUNDS

The City of Ann Arbor's Employees' Retirement System trust funds (the "trust funds" or the "System") deposits and investments are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the System's deposits and investments are presented separately.

Deposits - The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

The System's investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2007

U. S. Government Agencies	\$24,870,168
U. S. Treasury Bonds & Notes	39,816,844
Corporate Bonds and Notes	37,221,116
Municipal Bonds	1,002,522
Stocks - Common	333,517,160
Guaranteed Investment Contracts	12,932,089
Real Estate Participation Interest	51,608,464
Collateralized Mortgage Obligations	<u>8,682,104</u>
 Total	 <u>\$509,650,467</u>
 Mutual Funds - unclassified as to risk	 <u>5,028,963</u>
 Total Investments	 <u><u>\$514,679,430</u></u>

Credit Risk. The System's investment policy provides that its investments in fixed income securities be limited to those rated investment grade by a nationally recognized statistical rating organization. As of June 30, 2007 the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

Pension Investments

AAA	\$ 1,738,010
AA	1,144,121
A	6,581,024
BBB	6,658,965
BB	903,835
B	747,564
not rated	<u>19,447,597</u>
	<u><u>\$ 37,221,116</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 investment 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 subject to custodial credit risk.

Concentration of Credit Risk. The System's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund and no more than 30% of the total fund should be invested in any one industry.

Interest Rate Risk. As of June 30, 2007, maturities of the System's debt securities were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
U.S. treasuries	\$22,598,035	1.68
U.S. agencies	\$24,870,169	6.46
Municipal bonds	1,002,522	0.08
Corporate bonds	37,221,116	3.55
Domestic corporate securities	<u>8,682,104</u>	<u>3.59</u>
Total debt securities	<u>\$94,373,946</u>	
Portfolio weighted average maturity		15.36

COMPONENT UNITS

Deposits and investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the DDA's deposits may not be returned. State law does not require and the DDA does not have a policy for deposit custodial credit risk. As of year end, \$632,565 of the DDA's bank balance of \$809,700 was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investment. Following is a summary of the DDA's investments as of June 30, 2007:

U. S. Government Agencies	\$12,592,920
U. S. Treasury Bonds & Notes	<u>14,695</u>
Total	<u>\$12,607,615</u>
Mutual Funds - unclassified as to risk	<u>3,490,317</u>
Total Investments	<u><u>\$16,097,932</u></u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the DDA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the DDA does not have a policy for investment custodial credit risk. \$3,475,147 of the investments listed above are unclassified as to custodial credit risk as the invested amount is part of an investment pool. \$12,489,059 of the investments above are uninsured and unregistered, with securities held by the agent in the Authority's name.

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. For the U.S. Government Agencies investments, the total amount of \$12,489,059 has a maturity of one to five years. None of the other investments are subject to investment rate risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2007, all of the investments in U.S. Government Agencies were rated Aaa by Moody's.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The DDA does not have an investment policy that limits concentration of credit risk. All investments held at year- end are reported above. At June 30, 2007, 78% of the DDA's investments were concentrated in U.S. Government Agencies.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. INTERFUND RECEIVABLES AND PAYABLES

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	<u>\$6,691,765</u>	<u>\$3,470,914</u>
Special Revenue Funds:		
Open Space & Parkland Preservation		1,930
Nonmajor funds	<u>2,854,624</u>	<u>1,996,952</u>
Debt Service Funds - Nonmajor Funds	<u>1,394,136</u>	<u>1,583,630</u>
Capital Projects Fund - Maintenance Facility	<u>1,394,136</u>	<u>984,105</u>
Enterprise Funds:		
Water Supply System	79,587	552,617
Sewage Disposal System	9,032	640,082
Parking System		281,029
Market		1,009
Golf Courses		1,106,558
Airport		1,925
Stormwater Sewer System	28	9,723
Solid Waste	<u>5,116</u>	<u>220,530</u>
Internal Service Funds	<u>633,843</u>	<u>2,211,235</u>
Permanent Fund - Elizabeth R. Dean Fund	<u> </u>	<u>28</u>
Total	<u>\$13,062,267</u>	<u>\$13,062,267</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY TAXES

Each July 1st 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, 2006, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1856 mills. Other tax rates are as follows: Employee Benefits (2.0618), Refuse Collection (2.4740), Ann Arbor Transportation Authority (2.0618), Street Repair (1.9382), Parks Repair and Restoration (0.4616), Parks Rehabilitation and Development (0.4528), Open Space and Parkland Preservation Millage (0.4793), and Debt Service (0.5454). Real and personal property located in the City as of December 31, 2005 were assessed and equalized at \$5,882,301,200, 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 2006 taxable value on March 8, 2007 was \$4,484,018,968. 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. The County pays municipalities from a revolving fund for delinquent real property taxes. Delinquent personal property taxes are negligible.

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance			Balance
	July 1, 2006	Additions	Retirements	June 30, 2007
Governmental Activities				
Non-Depreciable Assets:				
Land	\$29,041,413	\$3,073,148		\$32,114,561
Construction in progress	10,596,780	27,140,562	(1,807,192)	35,930,150
Depreciable Assets:				
Buildings	22,299,050	2,010,604	(1,117,547)	23,192,107
Improvements other than buildings	8,687,236	1,630		8,688,866
Machinery and equipment	15,707,758	1,215,515	(1,092,823)	15,830,450
Vehicles	11,116,129	1,040,455	(1,199,754)	10,956,830
Infrastructure	666,756,085	9,521,345	(1,868,691)	674,408,739
Total at historical cost	764,204,451	44,003,259	(7,086,007)	801,121,703
Less accumulated depreciation for:				
Buildings	(10,031,861)	(526,722)	843,698	(9,714,885)
Improvements other than buildings	(4,812,953)	(359,524)		(5,172,477)
Machinery and equipment	(11,278,856)	(1,036,982)	1,049,426	(11,266,412)
Vehicles	(8,852,416)	(874,984)	1,184,409	(8,542,991)
Infrastructure	(88,796,876)	(6,734,838)	1,472,153	(94,059,561)
Total accumulated depreciation	(123,772,962)	(9,533,050)	4,549,686	(128,756,326)
Governmental activities capital assets, net	\$640,431,489	\$34,470,209	(\$2,536,321)	\$672,365,377

NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN CAPITAL ASSETS (Concluded)

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Business-type Activities				
Non-Depreciable Assets:				
Land	\$7,374,728			\$7,374,728
Construction in progress	33,521,684	\$21,118,171	(\$10,090,171)	44,549,684
Depreciable Assets:				
Buildings	109,059,691		(2,399,939)	106,659,752
Improvements other than buildings	138,297,028	6,719,011		145,016,039
Machinery and equipment	35,614,491	5,876,126	(3,842,701)	37,647,916
Vehicles	8,014,439	799,464	(175,556)	8,638,347
Total at historical cost	331,882,061	34,512,772	(16,508,367)	349,886,466
Less accumulated depreciation for:				
Buildings	(44,037,883)	(2,625,857)	973,988	(45,689,752)
Improvements other than buildings	(59,023,831)	(2,327,342)		(61,351,173)
Machinery and equipment	(28,879,149)	(2,397,020)	3,733,213	(27,542,956)
Vehicles	(5,114,743)	(1,028,522)	175,442	(5,967,823)
Total accumulated depreciation	(137,055,606)	(8,378,741)	4,882,643	(140,551,704)
Business-type activities capital assets, net	\$194,826,455	\$26,134,031	(\$11,625,724)	\$209,334,762

Depreciation expense was charged to governmental functions as follows:

General government	\$492,347
Public safety	746,334
Public works	7,593,907
Community and economic development	88,051
Culture and Recreation	612,411
	<u>\$9,533,050</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LEASES

Operating Lease Obligations Payable. The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2011. The expenses and related revenues in connection with the leases are recorded in the General, Special Revenue and Pension Trust Funds. The total rent expense for fiscal year 2007 was \$822,547. The following is a table of future minimum noncancellable lease payments by the City:

2008	\$	843,597
2009		456,000
2010		456,000
2011		<u>228,000</u>
Total	\$	<u>1,983,597</u>

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

Operating Lease Obligations Receivable. The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2021. Revenues and the related expenses for these leases are recorded in the Enterprise Funds. The total rent revenue for fiscal year 2007 was \$249,676. The total revenue includes \$194,830 for cell towers, \$17,815 for office space, and \$37,031 for airport hangers. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2008	\$	273,616
2009		271,747
2010		303,731
2011		261,045
2012		271,842
2013-2017		1,071,720
2018-2021		<u>276,769</u>
Total	\$	<u>2,730,470</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LEASES (Concluded)

Capital Lease Obligations Payable. The City has entered into certain lease agreements as lessee for financing the purchase of (primarily) various types of equipment, as well as several drain construction projects. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases as of June 30, 2007:

<u>Asset Type</u>	<u>Enterprise Fund</u>
Equipment	\$195,977
Drains	<u>3,016,913</u>
	3,212,890
Less: Accumulated Depreciation	<u>(144,831)</u>
Net book value	<u><u>\$3,068,059</u></u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2007:

<u>Year Ended June 30</u>	<u>Enterprise Fund</u>
2008	\$304,706
2009	344,145
2010	263,228
2011	256,802
2012	158,349
2013-2017	737,209
2018-2022	509,801
2023-2027	<u>404,645</u>
Total minimum lease payments	2,978,885
Less: amount representing interest	<u>(414,961)</u>
Present value of future minimum lease payments	<u><u>\$2,563,924</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. TRANSFERS

A reconciliation of the interfund transfers is as follows:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
General Fund	\$413,582	\$2,867,816
Open Space & Parkland Preservation		1,253,592
Maintenance Facility		64,845
Water Supply System	1,618,153	820,349
Sewage Disposal System	78,400	1,451,391
Airport		8,786
Stormwater System	91,815	826,718
Solid Waste	3,686,882	1,091,647
Nonmajor governmental funds	8,948,440	6,441,564
Internal Service Funds	<u>697,055</u>	<u>707,619</u>
 Total Transfers	 <u><u>\$15,534,327</u></u>	 <u><u>\$15,534,327</u></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.

NOTES TO FINANCIAL STATEMENTS (Continued)

8. CONTINGENT LIABILITIES

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

Landfill. The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup are funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget. Therefore, no liability has been accrued in the Statement of Net Assets. 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.

The City and DTE Energy have been working together on a methane gas project situated at the closed landfill. DTE Energy and/or its subsidiary has owned and operated the methane gas facility. The landfill gas is captured and delivered to a third party and utilized to generate electricity that is then sold to DTE Energy. Under the terms of the contract, after about ten years of operations, DTE Energy is opting out of the contract. The facility becomes the City's to own and operate on January 1, 2008.

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.

Other. Effective 1998, the City and the VEBA Board of Trustees entered into a funding agreement for the allocation of Retirement System annual excess earnings (if any) to payment of City retiree health benefit costs thereby allowing the City to allocate the equivalent budgetary amount to prefund the City's VEBA. This agreement and all transfers were executed in compliance with Michigan Public Act 28 (PA 28). It has come to the City's attention that the VEBA may not have fully complied with Section 420 of the Internal Revenue Code with respect to the transfers to the VEBA. The City has committed to compliance with both State and Federal law (as applicable) and will address any required compliance matters through the Internal Revenue Service Voluntary Correction Program. The City expects that any compliance matters which may need to be addressed will not adversely affect the tax qualified status of the Plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS

The following is a summary of the governmental activities long-term debt obligations (including accrued compensated absences) for the year ended June 30, 2007:

	Governmental Activities					Total Principal	Governmental Activities Accrued Compensated Absences	Total Governmental Activities Debt
	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	General Obligation Portion of Special Revenue Bonds	Special Assessment Bonds	Other Long-term Debt			
Bonds and other debt payable at July 1, 2006	\$35,411,122	\$756,509	\$23,707,775	\$1,160,232	\$3,500,000	\$64,535,638	\$14,324,858	\$78,860,496
Debt issued and other increases:								
Debt issued/accrued							4,801,092	4,801,092
Amortization of bond discounts	3,825	304	4,100	521		8,750		8,750
Debt retired and other decreases:								
Decrease in accrued compensated absences							(4,939,651)	(4,939,651)
Debt retired	(2,460,000)	(140,000)	(445,000)	(360,000)		(3,405,000)		(3,405,000)
Bonds and other debt payable at June 30, 2007	\$32,954,947	\$616,813	\$23,266,875	\$800,753	\$3,500,000	\$61,139,388	\$14,186,299	\$75,325,687
Balance due within one year	\$2,500,000	\$75,000	\$475,000	\$125,000		\$3,175,000	\$1,021,200	\$4,196,200

(Continued)

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the business-type long-term debt obligations (including accrued compensated absences) for the year ended June 30, 2007:

	Business-Type Activities					Total Proprietary Fund Type Debt	Component Unit
	Ann Arbor Building Authority Bonds	Revenue Bonds	Other Long-Term Debt	Other Bonds	Accrued Compensated Absences		Downtown Development Authority Bonds
Bonds and other debt payable at July 1, 2006	\$26,555,000	\$66,750,000	\$2,972,239	\$1,061,497	\$2,942,056	\$100,280,792	\$5,313,503
Debt issued and other increases:							
Debt issued/accrued			3,202,991	4,250,000	1,214,837	8,667,828	
Debt retired and other decreases:							
Decrease in accrued compensated absences					(887,249)	(887,249)	
Debt retired	(1,845,000)	(4,710,000)	(441,050)	(349,387)		(7,345,437)	(1,120,613)
Bonds and other debt payable at June 30, 2007	\$24,710,000	\$62,040,000	\$5,734,180	\$4,962,110	\$3,269,644	\$100,715,934	\$4,192,890
Balance due within one year	\$1,810,000	\$4,805,000	\$438,593	\$352,054	\$209,909	\$7,615,556	\$1,157,946

(Continued)

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds are collateralized by the full faith and credit of the City; Other Long-Term Debt is collateralized by the revenues of the related funds or the full faith and credit of the City or General Fund appropriations. General Obligation Bonds' requirements will be met primarily through the debt service property tax levy. Special Assessment Bonds are serviced by the underlying special assessments. The Special Assessment Bonds are backed by the full faith and credit of the City to the extent that liens foreclosed against property involved in the special assessment districts are insufficient to retire the outstanding bonds.

Other obligations are as follows: Revenue Bonds are serviced by the Water Supply System (\$31,090,000) in bond principal at June 30, 2007; Sewage Disposal System (\$30,665,000) and Stormwater Disposal System (\$285,000). Other Long-Term Debt includes various long-term obligations (notes and contracts) paid from general operations and other sources. In addition, the City did not receive additional funds from the Michigan Municipal Bond Authority (MMBA) from the Drinking Water Revolving Fund during fiscal year 2007. At June 30, 2007, the outstanding balance was \$417,891. The City received \$986,538 from the MMBA from the Strategic Water Quality Initiatives Fund during fiscal year 2007. At June 30, 2007, the outstanding balance was \$2,752,364. Revenue bonds are collateralized by the revenues of the related funds.

Other Bonds will be serviced from the revenues of the Downtown Development Authority for the Parking System (\$4,962,110). Various limitations and restrictions are contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Additionally, the City issued \$13,305,000 in refunding bonds to partially advance refund \$6,550,000 of the 1999 Ann Arbor Building Authority Bonds and \$6,700,000 of the 2000 Ann Arbor Building Authority Bonds. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result, the bonds are considered defeased and the liability for the bonds has been removed from the balance sheet. The City advance refunded the bonds to reduce its total debt service payments by \$812,682 over the next fourteen years and to obtain an economic gain (difference between the present value for the debt service payments on the old and new debt) of \$662,859. In accordance with GASB #23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the loss on bond refunding has been amortized over the life of the old debt or the new debt, whichever is shorter. As the old and new debt was still outstanding at the end of the fiscal year, the City has deferred the entire loss of \$949,794 in the Parking System Enterprise Fund.

In fiscal years 2005 and 2006, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. This advance refunding met the requirements of an in-substance debt defeasance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balances of the defeased bonds outstanding at June 30, 2007 are as follows:

1999 Ann Arbor Building Authority Bonds	\$6,550,000
2000 Ann Arbor Building Authority Bonds	\$6,700,000
Water Supply System Revenue Bonds Series U	\$2,425,000
Water Supply System Revenue Bonds Series V	\$3,425,000

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

Below is a summary of general long-term debt (with various issue dates) and annual debt service requirements as of June 30, 2007:

Governmental Activities Debt													
FY	General Obligation Portion										Total Governmental Activities Debt		
	Capital Projects Bonds		Special Assessment Bonds		Special Revenue Bonds		Special Assessment Bonds		Other Debt				
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2008	\$2,500,000	\$1,431,607	\$75,000	\$29,570	\$475,000	\$978,802	\$125,000	\$37,771		\$136,522	\$3,175,000	\$2,614,272	\$5,789,272
2009	2,560,000	1,321,820	75,000	26,190	510,000	960,795	125,000	31,930	3,500,000	\$68,261	6,770,000	2,408,996	9,178,996
2010	2,590,000	1,211,507	80,000	22,725	550,000	941,035	125,000	25,945			3,345,000	2,201,212	5,546,212
2011	2,625,000	1,101,556	80,000	18,925	585,000	919,360	120,000	19,960			3,410,000	2,059,801	5,469,801
2012	1,315,000	1,017,105	80,000	15,075	625,000	895,905	90,000	14,893			2,110,000	1,942,978	4,052,978
2013	1,345,000	958,255	80,000	11,175	650,000	871,216	80,000	10,617			2,155,000	1,851,263	4,006,263
2014	750,000	913,832	80,000	7,225	685,000	845,366	80,000	6,710			1,595,000	1,773,133	3,368,133
2015	785,000	883,830	20,000	3,225	720,000	817,914	25,000	2,750			1,550,000	1,707,719	3,257,719
2016	820,000	852,432	25,000	2,325	755,000	788,835	20,000	1,625			1,620,000	1,645,217	3,265,217
2017	860,000	819,630	25,000	1,175	795,000	757,953	15,000	705			1,695,000	1,579,463	3,274,463
2018	895,000	785,232			835,000	725,200					1,730,000	1,510,432	3,240,432
2019	935,000	748,312			875,000	690,605					1,810,000	1,438,917	3,248,917
2020	980,000	708,575			915,000	653,534					1,895,000	1,362,109	3,257,109
2021	1,025,000	664,475			965,000	614,176					1,990,000	1,278,651	3,268,651
2022	1,070,000	618,350			1,010,000	572,470					2,080,000	1,190,820	3,270,820
2023	1,115,000	570,200			1,060,000	527,888					2,175,000	1,098,088	3,273,088
2024	1,165,000	520,025			800,000	481,938					1,965,000	1,001,963	2,966,963
2025	1,220,000	467,600			840,000	446,663					2,060,000	914,263	2,974,263
2026	1,275,000	412,700			885,000	408,698					2,160,000	821,398	2,981,398
2027	1,330,000	354,050			930,000	368,503					2,260,000	722,553	2,982,553
2028	1,390,000	292,538			975,000	326,339					2,365,000	618,877	2,983,877
2029	1,455,000	228,250			1,030,000	280,913					2,485,000	509,163	2,994,163
2030	1,520,000	155,500			1,080,000	232,875					2,600,000	388,375	2,988,375
2031	1,590,000	79,500			1,135,000	182,419					2,725,000	261,919	2,986,919
2032					1,195,000	129,319					1,195,000	129,319	1,324,319
2033					1,255,000	73,519					1,255,000	73,519	1,328,519
2034					1,320,000	14,850					1,320,000	14,850	1,334,850
	\$33,115,000	\$17,116,881	\$620,000	\$137,610	\$23,455,000	\$15,507,090	\$805,000	\$152,906	\$3,500,000	\$204,783	\$61,495,000	\$33,119,270	\$94,614,270
Interest		4.00 -		3.70 -		2.75 -		3.70 -					

NOTES TO FINANCIAL STATEMENTS (Continued)

Ranges 5.50% 5.20% 4.50% 5.70% 3.89%

9 LONG TERM OBLIGATIONS (Continued)

Below is a summary of business-type activity and component unit debt (with various issue dates) and annual debt service requirements as of June 30, 2007:

FY Ending	Enterprise Funds										Component Units			
	Ann Arbor Building Authority Bonds		Water, Sewer & Storm Revenue Bonds		Other Debt		Other Bonds		Total Enterprise Debt			Downtown Development Authority		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
2008	\$1,810,000	\$1,095,959	\$4,805,000	\$2,327,408	\$243,592	\$61,114	\$352,054	\$175,303	\$7,210,646	\$3,659,784	\$10,870,430	\$1,157,946	\$154,672	\$1,312,618
2009	1,710,000	1,021,862	4,905,000	2,140,761	287,446	56,699	505,056	176,900	7,407,502	3,396,222	10,803,724	1,199,944	107,213	1,307,157
2010	1,790,000	942,261	4,940,000	1,942,997	218,389	44,839	150,000	166,544	7,098,389	3,096,641	10,195,030	575,000	72,825	647,825
2011	1,870,000	864,322	5,150,000	1,750,555	218,390	38,412	155,000	160,544	7,393,390	2,813,833	10,207,223	610,000	50,400	660,400
2012	1,945,000	787,628	5,110,000	1,564,925	126,442	31,907	165,000	154,344	7,346,442	2,538,804	9,885,246	650,000	26,000	676,000
2013	2,025,000	702,591	5,250,000	1,375,023	131,178	28,734	170,000	147,744	7,576,178	2,254,092	9,830,270			
2014	2,095,000	605,364	3,310,000	1,205,719	135,131	25,357	180,000	140,942	5,720,131	1,977,382	7,697,513			
2015	2,160,000	504,086	2,750,000	1,097,670	135,132	21,897	190,000	133,744	5,235,132	1,757,397	6,992,529			
2016	2,130,000	402,701	2,820,000	992,574	139,085	18,378	200,000	126,144	5,289,085	1,539,797	6,828,882			
2017	2,195,000	298,064	2,915,000	882,095	86,983	15,334	205,000	118,144	5,401,983	1,313,637	6,715,620			
2018	1,665,000	212,510	2,290,000	779,042	86,984	13,921	215,000	109,944	4,256,984	1,115,417	5,372,401			
2019	1,710,000	128,890	2,365,000	689,923	90,937	12,508	225,000	101,344	4,390,937	932,665	5,323,602			
2020	1,070,000	56,950	2,465,000	594,681	90,937	11,040	235,000	92,344	3,860,937	755,015	4,615,952			
2021	260,000	22,417	2,570,000	493,706	90,937	9,562	250,000	82,944	3,170,937	608,629	3,779,566			
2022	275,000	9,167	2,665,000	386,574	94,891	8,084	260,000	72,942	3,294,891	476,767	3,771,658			
2023			2,760,000	272,567	94,891	6,553	275,000	62,544	3,129,891	341,664	3,471,555			
2024			2,845,000	153,496	94,890	5,011	285,000	51,544	3,224,890	210,051	3,434,941			
2025			2,125,000	45,156	98,845	3,469	300,000	39,788	2,523,845	88,413	2,612,258			
2026					98,844	1,874	315,000	27,412	413,844	29,286	443,130			
2027						268	330,000	14,025	330,000	14,293	344,293			
	\$24,710,000	\$7,654,772	\$62,040,000	\$18,694,872	\$2,563,924	\$414,961	\$4,962,110	\$2,155,184	\$94,276,034	\$28,919,789	\$123,195,823	\$4,192,890	\$411,110	\$4,604,000

Interest Ranges 2.10 - 5.50% 2.25 - 5.75% 1.625 - 6.800% 4.00 - 4.25% 3.50 - 5.00%

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

FY	CAPITAL PROJECTS BONDS								
	1993 Environmental Bonds Series C \$8,950,000 Dated 4/1/93 Due 3-1 & 9-1		1998 Environmental Bonds Refunding \$11,420,000 Dated 12/1/98 Due 3-1 & 9-1		2006 Maintenance Facility Bonds \$24,635,000 Dated 6/1/06 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$600,000	\$175,875	\$1,325,000	\$186,700	\$575,000	\$1,069,032	\$2,500,000	\$1,431,607	\$3,931,607
2009	625,000	142,188	1,330,000	133,600	605,000	1,046,032	2,560,000	1,321,820	3,881,820
2010	625,000	109,375	1,335,000	80,300	630,000	1,021,832	2,590,000	1,211,507	3,801,507
2011	625,000	78,125	1,340,000	26,799	660,000	996,632	2,625,000	1,101,556	3,726,556
2012	625,000	46,875			690,000	970,230	1,315,000	1,017,105	2,332,105
2013	625,000	15,625			720,000	942,630	1,345,000	958,255	2,303,255
2014					750,000	913,832	750,000	913,832	1,663,832
2015					785,000	883,830	785,000	883,830	1,668,830
2016					820,000	852,432	820,000	852,432	1,672,432
2017					860,000	819,630	860,000	819,630	1,679,630
2018					895,000	785,232	895,000	785,232	1,680,232
2019					935,000	748,312	935,000	748,312	1,683,312
2020					980,000	708,575	980,000	708,575	1,688,575
2021					1,025,000	664,475	1,025,000	664,475	1,689,475
2022					1,070,000	618,350	1,070,000	618,350	1,688,350
2023					1,115,000	570,200	1,115,000	570,200	1,685,200
2024					1,165,000	520,025	1,165,000	520,025	1,685,025
2025					1,220,000	467,600	1,220,000	467,600	1,687,600
2026					1,275,000	412,700	1,275,000	412,700	1,687,700
2027					1,330,000	354,050	1,330,000	354,050	1,684,050
2028					1,390,000	292,538	1,390,000	292,538	1,682,538
2029					1,455,000	228,250	1,455,000	228,250	1,683,250
2030					1,520,000	155,500	1,520,000	155,500	1,675,500
2031					1,590,000	79,500	1,590,000	79,500	1,669,500
	\$3,725,000	\$568,063	\$5,330,000	\$427,399	\$24,060,000	\$16,121,419	\$33,115,000	\$17,116,881	\$50,231,881
Interest		5.00 -				4.00 -		4.00 -	
Range		5.50%		4.00%		5.00%		5.50%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

GENERAL OBLIGATION PORTION OF SPECIAL ASSESSMENT BONDS

FY	Bonds \$760,000 Dated 6/1/99 Due 3-1 & 9-1		Bonds \$290,000 Dated 5/1/02 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$55,000	\$20,635	\$20,000	\$8,935	\$75,000	\$29,570	\$104,570
2009	55,000	17,995	20,000	8,195	\$75,000	26,190	101,190
2010	60,000	15,300	20,000	7,425	\$80,000	22,725	102,725
2011	60,000	12,300	20,000	6,625	\$80,000	18,925	98,925
2012	60,000	9,270	20,000	5,805	\$80,000	15,075	95,075
2013	60,000	6,210	20,000	4,965	\$80,000	11,175	91,175
2014	60,000	3,120	20,000	4,105	\$80,000	7,225	87,225
2015			20,000	3,225	\$20,000	3,225	23,225
2016			25,000	2,325	\$25,000	2,325	27,325
2017			25,000	1,175	\$25,000	1,175	26,175
	<u>\$410,000</u>	<u>\$84,830</u>	<u>\$210,000</u>	<u>\$52,780</u>	<u>\$620,000</u>	<u>\$137,610</u>	<u>\$757,610</u>
Interest Range		4.80 - 5.20%		3.70- 4.70%		3.70- 5.20%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL REVENUE BONDS

FY	2003		2005		Total		
	MTF Bonds		Open Space Bonds		Principal	Interest	Requirements
	\$4,000,000		\$20,250,000				
	Dated 4/1/03		Dated 4/1/06				
	Due 6-1 & 12-1		Due 4-1 & 10-1				
	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$155,000	\$136,277	\$320,000	\$842,525	\$475,000	\$978,802	\$1,453,802
2009	160,000	131,970	350,000	828,825	510,000	960,795	1,470,795
2010	170,000	127,110	380,000	813,925	550,000	941,035	1,491,035
2011	175,000	121,535	410,000	797,825	585,000	919,360	1,504,360
2012	185,000	115,380	440,000	780,525	625,000	895,905	1,520,905
2013	190,000	108,891	460,000	762,325	650,000	871,216	1,521,216
2014	200,000	102,191	485,000	743,175	685,000	845,366	1,530,366
2015	210,000	94,889	510,000	723,025	720,000	817,914	1,537,914
2016	220,000	86,960	535,000	701,875	755,000	788,835	1,543,835
2017	230,000	78,378	565,000	679,575	795,000	757,953	1,552,953
2018	240,000	69,125	595,000	656,075	835,000	725,200	1,560,200
2019	250,000	59,230	625,000	631,375	875,000	690,605	1,565,605
2020	260,000	48,673	655,000	604,861	915,000	653,534	1,568,534
2021	275,000	37,417	690,000	576,759	965,000	614,176	1,579,176
2022	285,000	25,256	725,000	547,214	1,010,000	572,470	1,582,470
2023	300,000	12,375	760,000	515,513	1,060,000	527,888	1,587,888
2024			800,000	481,938	800,000	481,938	1,281,938
2025			840,000	446,663	840,000	446,663	1,286,663
2026			885,000	408,698	885,000	408,698	1,293,698
2027			930,000	368,503	930,000	368,503	1,298,503
2028			975,000	326,339	975,000	326,339	1,301,339
2029			1,030,000	280,913	1,030,000	280,913	1,310,913
2030			1,080,000	232,875	1,080,000	232,875	1,312,875
2031			1,135,000	182,419	1,135,000	182,419	1,317,419
2032			1,195,000	129,319	1,195,000	129,319	1,324,319
2033			1,255,000	73,519	1,255,000	73,519	1,328,519
2034			1,320,000	14,850	1,320,000	14,850	1,334,850
	<u>\$3,505,000</u>	<u>\$1,355,657</u>	<u>\$19,950,000</u>	<u>\$14,151,433</u>	<u>\$23,455,000</u>	<u>\$15,507,090</u>	<u>\$38,962,090</u>
Interest Range		2.75 - 4.50%		4.00 - 4.50%		2.75 - 4.50%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL ASSESSMENT BONDS

FY	Bonds \$455,000 Dated 6/1/96 Due 3-1 & 9-1		Bonds \$770,000 Dated 6/1/99 Due 3-1 & 9-1		Bonds \$525,000 Dated 5/1/02 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$35,000	\$6,539	\$55,000	\$19,360	\$35,000	\$11,872	\$125,000	\$37,771	\$162,771
2009	35,000	4,632	55,000	16,720	35,000	10,578	\$125,000	\$31,930	156,930
2010	35,000	2,690	55,000	14,025	35,000	9,230	\$125,000	\$25,945	150,945
2011	30,000	855	55,000	11,275	35,000	7,830	\$120,000	\$19,960	139,960
2012			55,000	8,498	35,000	6,395	\$90,000	\$14,893	104,893
2013			55,000	5,692	25,000	4,925	\$80,000	\$10,617	90,617
2014			55,000	2,860	25,000	3,850	\$80,000	\$6,710	86,710
2015					25,000	2,750	\$25,000	\$2,750	27,750
2016					20,000	1,625	\$20,000	\$1,625	21,625
2017					15,000	705	\$15,000	\$705	15,705
	<u>\$135,000</u>	<u>\$14,716</u>	<u>\$385,000</u>	<u>\$78,430</u>	<u>\$285,000</u>	<u>\$59,760</u>	<u>\$805,000</u>	<u>\$152,906</u>	<u>\$957,906</u>
Interest Range		5.40 - 5.70%		4.80 - 5.20%		3.70 - 4.70%		3.70 - 5.70%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

ANN ARBOR BUILDING AUTHORITY BONDS

FY	Parking/Refunding Bonds \$10,100,000 Dated 12/1/98 Due 3-1 & 9-1		Parking Bonds \$1,525,000 Dated 6/1/99 Due 3-1 & 9-1		Parking Bonds \$2,265,000 Dated 2/1/00 Due 3-1 & 9-1		Parking Bonds \$3,600,000 Dated 5/1/02 Due 3-1 & 9-1		Golf Course Refunding \$1,160,000 Dated 7/15/03 Due 3-1 & 9-1		Parking/Refunding Bonds \$13,305,000 Dated 7/28/05 Due 3-1 & 9-1		Total		Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$680,000	\$194,350	\$425,000	\$41,346	\$465,000	\$71,775	\$140,000	\$135,918	\$100,000	\$25,070		\$627,500	\$1,810,000	\$1,095,959	\$2,905,959
2009	395,000	176,650	575,000	18,592	490,000	45,742	150,000	130,658	100,000	22,720		627,500	1,710,000	1,021,862	2,731,862
2010	425,000	159,495			505,000	18,517	155,000	124,791	105,000	19,958	600,000	619,500	1,790,000	942,261	2,732,261
2011	445,000	141,016					160,000	118,471	110,000	16,735	1,155,000	588,100	1,870,000	864,322	2,734,322
2012	465,000	121,433					170,000	111,689	110,000	13,206	1,200,000	541,300	1,945,000	787,628	2,732,628
2013	485,000	100,456					180,000	104,233	115,000	9,352	1,245,000	488,550	2,025,000	702,591	2,727,591
2014	505,000	78,403					185,000	96,178	120,000	5,150	1,285,000	425,633	2,095,000	605,364	2,700,364
2015	530,000	54,825					195,000	87,638	120,000	740	1,315,000	360,883	2,160,000	504,086	2,664,086
2016	555,000	30,038					205,000	78,446			1,370,000	294,217	2,130,000	402,701	2,532,701
2017	575,000	4,313					215,000	68,618			1,405,000	225,133	2,195,000	298,064	2,493,064
2018							225,000	58,210			1,440,000	154,300	1,665,000	212,510	1,877,510
2019							240,000	47,090			1,470,000	81,800	1,710,000	128,890	1,838,890
2020							250,000	35,083			820,000	21,867	1,070,000	56,950	1,126,950
2021							260,000	22,417					260,000	22,417	282,417
2022							275,000	9,167					275,000	9,167	284,167
	<u>\$5,060,000</u>	<u>\$1,060,979</u>	<u>\$1,000,000</u>	<u>\$59,938</u>	<u>\$1,460,000</u>	<u>\$136,034</u>	<u>\$3,005,000</u>	<u>\$1,228,607</u>	<u>\$880,000</u>	<u>\$112,931</u>	<u>\$13,305,000</u>	<u>\$5,056,283</u>	<u>\$24,710,000</u>	<u>\$7,654,772</u>	<u>\$32,364,772</u>
Interest Range	4.000 - 4.500%		4.750 - 4.850%			5.500%		3.600- 5.000%		2.100- 3.700%		4.000- 5.000%		2.100- 5.500%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

WATER REVENUE BONDS

FY	1998 Series W		2002 Series X		2003 Series Y		2004 Series Z		2005 Series 2005-A		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
	\$6,750,000		\$5,210,000		\$13,265,000		\$9,765,000		\$6,795,000				
	Dated 12/1/98		Dated 5/1/02		Dated 11/5/03		Dated 2/1/04		Dated 6/29/05				
	Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1				
2008	\$250,000	\$102,353	\$130,000	\$206,486	\$1,530,000	\$344,410	\$225,000	\$349,937	\$1,040,000	\$197,995	\$3,175,000	\$1,201,181	\$4,376,181
2009	350,000	90,322	205,000	200,472	1,375,000	271,139	235,000	343,390	1,145,000	159,468	3,310,000	1,064,791	4,374,791
2010	365,000	75,513	285,000	191,178	1,380,000	202,285	245,000	336,215	1,175,000	117,509	3,450,000	922,700	4,372,700
2011	380,000	59,920	380,000	178,115	1,400,000	141,618	265,000	328,615	1,175,000	74,303	3,600,000	782,571	4,382,571
2012	395,000	43,698	500,000	160,492	1,505,000	89,833	520,000	316,936	605,000	38,517	3,525,000	649,476	4,174,476
2013	405,000	26,933	575,000	138,205	1,480,000	33,454	535,000	299,554	610,000	14,233	3,605,000	512,379	4,117,379
2014	405,000	9,923	650,000	112,033			550,000	281,000			1,605,000	402,956	2,007,956
2015			675,000	82,553			575,000	261,386			1,250,000	343,939	1,593,939
2016			675,000	51,559			595,000	240,659			1,270,000	292,218	1,562,218
2017			700,000	19,396			615,000	218,468			1,315,000	237,864	1,552,864
2018							640,000	194,748			640,000	194,748	834,748
2019							665,000	169,292			665,000	169,292	834,292
2020							690,000	142,275			690,000	142,275	832,275
2021							720,000	113,800			720,000	113,800	833,800
2022							740,000	83,371			740,000	83,371	823,371
2023							760,000	51,567			760,000	51,567	811,567
2024							770,000	19,090			770,000	19,090	789,090
	<u>\$2,550,000</u>	<u>\$408,662</u>	<u>\$4,775,000</u>	<u>\$1,340,489</u>	<u>\$8,670,000</u>	<u>\$1,082,739</u>	<u>\$9,345,000</u>	<u>\$3,750,303</u>	<u>\$5,750,000</u>	<u>\$602,025</u>	<u>\$31,090,000</u>	<u>\$7,184,218</u>	<u>\$38,274,218</u>
Interest Ranges	4.125 - 4.200%		3.650- 4.750%		3.500- 5.000%		2.750- 4.250%		3.500 - 4.000%		2.750- 5.000%		

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SEWER REVENUE BONDS

FY	1995 Series XVI \$1,525,000 Dated 10/1/95 Due 1/1 & 7/1		1996 Series XVII \$1,480,000 Dated 6/1/96 Due 1/1 & 7/1		1998 Series XVIII \$8,900,000 Dated 12/1/98 Due 1/1 & 7/1		2004 Series XIX \$27,170,000 Dated 2/1/04 Due 1/1 & 7/1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$125,000	\$18,750	\$125,000	\$28,650	\$890,000	\$90,883	\$350,000	\$972,356	\$1,490,000	\$1,110,639	\$2,600,639
2009	125,000	12,500	125,000	22,025	400,000	74,883	800,000	958,919	1,450,000	1,068,327	2,518,327
2010	125,000	6,250	125,000	15,275	340,000	60,603	900,000	938,169	1,490,000	1,020,297	2,510,297
2011	125,000		125,000	8,400	350,000	45,728	950,000	913,856	1,550,000	967,984	2,517,984
2012			150,000		335,000	31,155	1,100,000	884,294	1,585,000	915,449	2,500,449
2013					345,000	15,975	1,300,000	846,669	1,645,000	862,644	2,507,644
2014					355,000		1,350,000	802,763	1,705,000	802,763	2,507,763
2015							1,500,000	753,731	1,500,000	753,731	2,253,731
2016							1,550,000	700,356	1,550,000	700,356	2,250,356
2017							1,600,000	644,231	1,600,000	644,231	2,244,231
2018							1,650,000	584,294	1,650,000	584,294	2,234,294
2019							1,700,000	520,631	1,700,000	520,631	2,220,631
2020							1,775,000	452,406	1,775,000	452,406	2,227,406
2021							1,850,000	379,906	1,850,000	379,906	2,229,906
2022							1,925,000	303,203	1,925,000	303,203	2,228,203
2023							2,000,000	221,000	2,000,000	221,000	2,221,000
2024							2,075,000	134,406	2,075,000	134,406	2,209,406
2025							2,125,000	45,156	2,125,000	45,156	2,170,156
	<u>\$500,000</u>	<u>\$37,500</u>	<u>\$650,000</u>	<u>\$74,350</u>	<u>\$3,015,000</u>	<u>\$319,227</u>	<u>\$26,500,000</u>	<u>\$11,056,346</u>	<u>\$30,665,000</u>	<u>\$11,487,423</u>	<u>\$42,152,423</u>
Interest Ranges		4.900 - 5.000%		5.200 - 5.600%		4.000 - 4.500%		2.250 - 4.250%		2.250 - 5.600%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

STORMWATER REVENUE BONDS

1994 Stormwater Bonds \$1,525,000 Dated 7/1/94 Due 6/1 & 12/1					
FY	Principal	Interest	Principal	Interest	Requirements
2008	\$140,000	\$15,588	\$140,000	\$15,588	\$155,588
2009	145,000	7,643	145,000	7,643	152,643
	\$285,000	\$23,231	\$285,000	\$23,231	\$308,231
Interest Range		5.650 - 5.750%		5.650 - 5.750%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER DEBT
FISCAL YEAR 2007

Fiscal Year	Traver Creek 2 Sandy Reagan Project Dated 3/30/05 Due 6-1		Traver Creek Drain Crossing Project Dated 6/1/01 Due 4-1		Traver Creek/Traver Knoll Drain Project Dated 6/1/06 Due 4-1 & 10-1		Mallets Creek Wetland Detention Dated 4/1/06 Due 3-1 & 9-1		Golf Course Golf Carts Dated 6/18/04 Due 8-1, 9-1 & 10-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$36,949	\$3,838	\$55,000	\$9,515	\$47,365	\$17,030	\$75,122	\$26,995	\$29,156	\$3,736	\$243,592	\$61,114	\$304,706
2009	36,948	2,871	55,000	7,260	47,365	15,253	75,122	25,775	73,011	5,540	287,446	56,699	344,145
2010	36,948	1,914	55,000	4,895	47,365	13,476	79,076	24,554			218,389	44,839	263,228
2011	36,948	957	55,000	2,475	47,366	11,700	79,076	23,280			218,390	38,412	256,802
2012					47,366	9,913	79,076	21,994			126,442	31,907	158,349
2013					52,102	8,024	79,076	20,710			131,178	28,734	159,912
2014					52,102	5,933	83,029	19,424			135,131	25,357	160,488
2015					52,102	3,810	83,030	18,087			135,132	21,897	157,029
2016					52,102	1,641	86,983	16,737			139,085	18,378	157,463
2017							86,983	15,334			86,983	15,334	102,317
2018							86,984	13,921			86,984	13,921	100,905
2019							90,937	12,508			90,937	12,508	103,445
2020							90,937	11,040			90,937	11,040	101,977
2021							90,937	9,562			90,937	9,562	100,499
2022							94,891	8,084			94,891	8,084	102,975
2023							94,891	6,553			94,891	6,553	101,444
2024							94,890	5,011			94,890	5,011	99,901
2025							98,845	3,469			98,845	3,469	102,314
2026							98,844	1,874			98,844	1,874	100,718
2027								268				268	268
Total	\$147,793	\$9,580	\$220,000	\$24,145	\$445,236	\$86,780	\$1,648,729	\$285,180	\$102,167	\$9,276	\$2,563,924	\$414,961	\$2,978,885

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER DEBT (CONCLUDED)
FISCAL YEAR 2007

The City of Ann Arbor has the following debt outstanding with the Michigan Municipal Bond Authority from the Drinking Water Revolving Fund (DWRF) and the Strategic Water Quality Initiatives Fund (SWQIF) but until the projects are completed a final repayment schedule cannot be determined.

<u>Loan Segment</u>	<u>Date</u>	<u>Draws at 06/30/07</u>	<u>Payments at 06/30/07</u>	<u>Outstanding Debt at 06/30/07</u>
2004 DWRF, Project #7146-01	03/25/04	\$517,891	\$100,000	\$417,891
2004 SWQIF, Project #3002-01	08/10/04	874,672	115,000	759,672
2005 SWQIF, Project #3002-02	02/03/05	879,382	75,000	804,382
2006 SWQIF, Project #3002-03	04/13/06	889,903	40,000	849,903
2007 SWQIF, Project #3002-04	05/14/07	338,407		338,407
		<u>\$3,500,255</u>	<u>\$330,000</u>	<u>\$3,170,255</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER BONDS							
FY	Refunding Bonds \$4,040,000 Dated 12/1/98 Due 3/1 & 9/1		2007 Parking Facility Bonds \$4,250,000 Dated 5/1/07 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$352,054	\$31,683		\$143,620	\$352,054	\$175,303	\$527,357
2009	360,056	4,556	145,000	172,344	505,056	176,900	681,956
2010			150,000	166,544	150,000	166,544	316,544
2011			155,000	160,544	155,000	160,544	315,544
2012			165,000	154,344	165,000	154,344	319,344
2013			170,000	147,744	170,000	147,744	317,744
2014			180,000	140,942	180,000	140,942	320,942
2015			190,000	133,744	190,000	133,744	323,744
2016			200,000	126,144	200,000	126,144	326,144
2017			205,000	118,144	205,000	118,144	323,144
2018			215,000	109,944	215,000	109,944	324,944
2019			225,000	101,344	225,000	101,344	326,344
2020			235,000	92,344	235,000	92,344	327,344
2021			250,000	82,944	250,000	82,944	332,944
2022			260,000	72,942	260,000	72,942	332,942
2023			275,000	62,544	275,000	62,544	337,544
2024			285,000	51,544	285,000	51,544	336,544
2025			300,000	39,788	300,000	39,788	339,788
2026			315,000	27,412	315,000	27,412	342,412
2027			330,000	14,025	330,000	14,025	344,025
	<u>\$712,110</u>	<u>\$36,239</u>	<u>\$4,250,000</u>	<u>\$2,118,945</u>	<u>\$4,962,110</u>	<u>\$2,155,184</u>	<u>\$7,117,294</u>
Interest Range		4.00 - 4.05%		4.00 - 4.25%		4.00 - 4.25%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

DOWNTOWN DEVELOPMENT AUTHORITY BONDS

FY	DDA Bonds \$3,750,000 Dated 7/1/92 Due 3-1 & 9-1		DDA Refunding Bonds \$4,040,000 Dated 12/1/98 Due 3-1 & 9-1		DDA Bonds \$4,925,000 Dated 5/1/02 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2008	\$350,000	\$26,250	\$307,946	\$18,837	\$500,000	\$109,585	\$1,157,946	\$154,672	\$1,312,618
2009	350,000	8,750	314,944	6,378	535,000	92,085	1,199,944	107,213	1,307,157
2010					575,000	72,825	575,000	72,825	647,825
2011					610,000	50,400	610,000	50,400	660,400
2012					650,000	26,000	650,000	26,000	676,000
	<u>\$700,000</u>	<u>\$35,000</u>	<u>\$622,890</u>	<u>\$25,215</u>	<u>\$2,870,000</u>	<u>\$350,895</u>	<u>\$4,192,890</u>	<u>\$411,110</u>	<u>\$4,604,000</u>
Interest Range		5.00%		4.00 - 4.05%		3.50 - 4.00%		3.50 - 5.00%	

NOTES TO FINANCIAL STATEMENTS (Continued)

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1969, the City established an Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Insurance Fund currently provides coverage for up to a maximum of \$1,000,000 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 Fund as well as full coverage for workers' compensation claims. 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 \$1,557,853 at June 30, 2007 and is included in Estimated Claims Payable. The total Estimated Claims Payable of \$2,344,455 is reflected in the Insurance fund at June 30, 2007. 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 in fiscal years 2005, 2006, and 2007 are summarized below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2005	\$2,797,742	\$14,794,093	(\$11,947,402)	\$5,644,433
2006	5,644,433	9,721,423	(12,730,800)	2,635,056
2007	2,635,056	13,576,536	(13,867,137)	2,344,455

11. DEFERRED COMPENSATION PLAN

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

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

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

12. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees in accordance with Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits are provided by either a health maintenance organization or through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. Life and health insurance premiums are based on the forecasted benefits to be paid. The City records the cost of providing these benefits as expenses when paid. The costs of providing these benefits for 740 retirees for the year ending June 30, 2007 was estimated at \$7,616,064.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2008.

13. RETIREMENT COMMITMENTS

Plan Description. The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit plan administered by the City of Ann Arbor Employees' Retirement System (CAAERS). CAAERS provides retirement, disability and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries per the Ann Arbor City Code Section 1:573 of Chapter 18. Chapter 17.1 of the Ann Arbor City Charter assigns the authority to establish and amend benefit provisions to City Council. CAAERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to City of Ann Arbor Employees' Retirement System, 301 E. Liberty St., Suite 680, Ann Arbor, Michigan, 48104 or by calling 734-994-4590.

Summary of Significant Accounting Policies

Basis of Accounting. CAAERS' financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. There are no concentrations where investments are five percent or more of the net plan assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

13. RETIREMENT COMMITMENTS (Concluded)

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for the most current actuarial report, was 5.69% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to CAAERS for the current year were as follows (dollar amounts in thousands):

Fiscal Year Ending <u>June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2007	5,103	100.0%	-
2006	2,897	100.0%	-
2005	1,045	100.0%	-

The annual required contribution for the current year was determined as part of the June 30, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of .04% to 6.3% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases which are funded as a pay-as-you-go basis through City Council appropriation. Unfunded actuarial accrued liabilities were amortized as a level percent-of-payroll over an open 15-year period for the shortfall of gains and losses and over a closed 26-year period for the early retirement window. The single equivalent period for the amortization of all unfunded actuarial accrued liabilities was 25.5 years. The employer contributions consisted of \$6,758,239 for normal cost and (\$3,860,600) for amortization of the unfunded actuarial accrued liability.

14. ENDOWMENT FUNDS

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

15. SIGNIFICANT COMMITMENTS

As of June 30, 2007, the City had \$8,317,860 in construction commitments for various projects including resurfacing of streets, bridge reconstruction and other road improvements.

NOTES TO FINANCIAL STATEMENTS (Continued)

16. SUBSEQUENT EVENTS

Subsequent to year-end, the City settled two of eight union contracts with the Police Command covering the period of July 1, 2006 thru June 30, 2009 and with the Police CSA/PSA covering the period July 1, 2005 through June 30, 2009.

17. EXTERNALLY RESTRICTED NET ASSETS

A portion of the City's net assets are presented as restricted, due to external requirements either by the source of the funding (i.e., state or federal funding) or by the nature of the funding (i.e. millage funding) to indicate they are not available to meet the City's ongoing needs. The purpose of these restrictions is evident from the Statement of Net Assets except for the following:

Major Streets	\$9,271,034
Local Streets	3,004,080
Community Television Network	2,564,727
Street Repair Millage	17,581,617
Metro Expansion	677,140
Michigan Justice Training	104,410
Parks Repair & Maintenance Millage	40
Parks Repair & Restoration Millage	934,103
Parks Rehab & Development Millage	4,946,933
Open Space and Parkland Preservation	22,109,955
Open Space Endowment	95,676
Court Facilities	1,157,761
Federal Equitable Sharing Forfeiture	106,239
Police and Fire Relief	640,472
Restricted for other purposes	<u>\$63,194,187</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

18. RESTATEMENT OF FUND BALANCE/NET ASSETS

The following is an explanation of the adjustments to the beginning balance as of July 1, 2006, for the governmental funds fund balance and the government-wide statement of net assets.

	<u>Governmental Activities</u>	<u>Total Governmental Funds</u>
Net Assets/Fund Balance at July 1, 2006	\$ 693,899,267	\$117,878,951
Prior Period Restatement for Accrual of Grant Revenue	<u>791,100</u>	<u>791,100</u>
Restated Net Assets/Fund Balance at July 1, 2006	<u>\$ 694,690,367</u>	<u>\$118,670,051</u>

19. SPECIAL ITEM-EMERALD ASH BORER

During fiscal year 2005, the City estimated the cost of the Emerald Ash borer liability at \$4.1 million which was recorded as a liability in the government-wide financial statements. During fiscal year 2006, the City set up a new special revenue fund, the Tree Removal Fund. The City spent \$2.4 million to remove dead and dying trees over the past two fiscal years. As the remaining liability for tree removal cannot be reasonably estimated no additional liability has been recorded on the government-wide statements.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

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

SPECIAL REVENUE FUND

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

CITY OF ANN ARBOR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. The City uses the "Target Based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenue. Targets are established based on anticipated revenues and growth in expenditures.
2. In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenses to remain within the target while meeting the assigned goals.
3. 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.
4. 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.
5. After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members of City Council.

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. The amount of \$2,507,630 was made in fiscal 2007 for supplemental appropriations. Budgets are prepared in accordance with Generally Accepted Accounting Principles using the modified-accrual basis of accounting.

The City Administrator is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions which alter the total appropriations of any department must be approved by City Council. For budgeting purposes, the General Fund is composed of several departments. Expenditures may not legally exceed appropriations at the department level.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts and other commitments are reported as reservations of fund balances at year-end. 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.

CITY OF ANN ARBOR
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 (Concluded)

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following categories:

	Budget	Actual	Negative Variance
General Fund:			
District court	3,865,427	3,912,089	(46,662)
Parks Operation & Forestry	3,894,951	3,899,534	(4,583)
Public transportation	9,156,266	9,169,355	(13,089)

General Fund:

District court \$46,662

This deficit is attributable to higher than anticipated costs while transferring to the new JIS Case Processing program.

Parks Operation & Forestry \$4,583

This deficit is attributable to unanticipated overtime costs.

Public transportation \$13,089

This deficit is attributable to the collection of more revenue than budgeted for and subsequently more money passed through to AATA than originally anticipated.

Police and Fire Relief Fund \$50,000

This fund was an expendable trust fund used for death benefits to fallen fire fighters. A death benefit was paid out on behalf of a fallen fire fighter during this fiscal year.

CITY OF ANN ARBOR
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes:				
General operations	\$27,199,327	\$27,199,327	\$27,499,056	\$299,729
Transportation (AATA)	9,066,149	9,066,149	9,165,947	99,798
Employee benefits	9,066,149	9,066,149	9,165,947	99,798
Interest, penalties, payments in lieu of taxes and excess of roll	2,146,000	2,146,000	2,412,689	266,689
Total taxes	47,477,625	47,477,625	48,243,639	766,014
Licenses, permits and registrations	1,097,582	1,097,582	1,210,631	113,049
State shared revenues and grants	11,234,062	11,329,062	11,464,818	135,756
Charges for services:				
Police department	1,621,659	1,621,659	1,587,740	(33,919)
Fire department	442,600	442,600	1,133,951	691,351
Ann Arbor Transportation Authority	88,284	88,284	91,589	3,305
Construction overhead	367,016	367,016	1,998,207	1,631,191
Central services	30,000	30,000	68,027	38,027
Recreation facilities	2,432,340	2,432,340	2,087,524	(344,816)
Cemetery	6,500	6,500	3,390	(3,110)
Public services	1,606,630	1,606,630	1,688,397	81,767
Miscellaneous	386,406	386,406	566,960	180,554
Total charges for services	6,981,435	6,981,435	9,225,785	2,244,350

CITY OF ANN ARBOR
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007
 (Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues (Concluded):				
Fines and forfeits:				
Standing violations	\$2,904,345	\$2,904,345	\$2,748,982	(\$155,363)
District court	2,485,400	2,485,400	2,904,405	419,005
Total fines and forfeits	5,389,745	5,389,745	5,653,387	263,642
Investment income	774,567	774,567	2,178,650	1,404,083
Rentals	9,000	9,000	179,523	170,523
Miscellaneous revenue:				
Sale of property and equipment	750	750	30,797	30,047
Other	251,959	459,560	612,825	153,265
Total miscellaneous revenue	252,709	460,310	643,622	183,312
Total Revenues	73,216,725	73,519,326	78,800,055	5,280,729
Expenditures:				
General government:				
Mayor and Council	266,898	266,898	265,276	1,622
Administration	681,336	662,836	597,152	65,684
Human resources	1,312,297	1,312,297	1,303,742	8,555
Attorney	1,744,254	1,893,580	1,885,634	7,946
Clerk/Elections	772,795	791,295	790,957	338
Finance	3,695,743	3,877,743	3,868,542	9,201
Environmental Coordinaton Services	185,957	189,457	189,089	368
District court	3,770,427	3,865,427	3,912,089	(46,662)
Parks operation & forestry	3,781,451	3,894,951	3,899,534	(4,583)
Miscellaneous	1,668,861	938,561	222,412	716,149
Municipal service charge	(3,966,057)	(3,966,057)	(3,966,084)	27
Total general government expenditures	13,913,962	13,726,988	12,968,343	758,645

CITY OF ANN ARBOR
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007
 (Concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Expenditures (Concluded):				
Public safety:				
Police department	\$25,695,978	\$25,918,433	\$25,802,202	\$116,231
Fire department	12,530,302	12,725,561	12,640,085	85,476
Building department	1,893,252	2,223,758	2,111,731	112,027
Total public safety expenditures	<u>40,119,532</u>	<u>40,867,752</u>	<u>40,554,018</u>	<u>313,734</u>
Public works:				
Public services	3,759,896	3,742,741	3,625,840	116,901
Total public works expenditures	<u>3,759,896</u>	<u>3,742,741</u>	<u>3,625,840</u>	<u>116,901</u>
Community and economic development:				
Transfers to other agencies	1,980,986	2,254,153	2,240,116	14,037
Other	35,000	35,000	33,013	1,987
Total community and economic development expenditures	<u>2,015,986</u>	<u>2,289,153</u>	<u>2,273,129</u>	<u>16,024</u>
Culture and recreation:				
Parks and recreation	3,809,169	3,777,184	3,768,380	8,804
Historic district commission	39,000	39,000	39,000	
Total culture and recreation expenditures	<u>3,848,169</u>	<u>3,816,184</u>	<u>3,807,380</u>	<u>8,804</u>
Other:				
Public transportation	9,156,266	9,156,266	9,169,355	(13,089)
Total other expenditures	<u>9,156,266</u>	<u>9,156,266</u>	<u>9,169,355</u>	<u>(13,089)</u>
Total Expenditures	<u>72,813,811</u>	<u>73,599,084</u>	<u>72,398,065</u>	<u>1,201,019</u>
Excess of Revenues over Expenditures	<u>402,914</u>	<u>(79,758)</u>	<u>6,401,990</u>	<u>6,481,748</u>
Other Financing Sources (Uses):				
Transfers in (Note 7)	348,737	413,582	413,582	
Transfers out (Note 7)	(881,867)	(3,071,867)	(2,867,816)	204,051
Total Other Financing Sources (Uses)	<u>(533,130)</u>	<u>(2,658,285)</u>	<u>(2,454,234)</u>	<u>204,051</u>
Net change in fund balance	(130,216)	(2,738,043)	3,947,756	6,685,799
Fund Balance - July 1, 2006	<u>130,216</u>	<u>2,738,043</u>	<u>12,448,705</u>	<u>9,710,662</u>
Fund Balance - June 30, 2007			<u>\$16,396,461</u>	<u>\$16,396,461</u>

CITY OF ANN ARBOR
 BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE AND PARKLAND PRESERVATION FUND
 For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	\$2,107,434	\$2,107,434	\$2,130,653	\$23,219
Federal grants		801,300	466,300	(335,000)
Investment income			1,190,866	1,190,866
Miscellaneous			3,392	3,392
Total Revenues	2,107,434	2,908,734	3,791,211	882,477
Expenditures:				
Current:				
Culture and recreation	948,309	948,309	238,678	709,631
Capital outlay		7,758,521	3,806,812	3,951,709
Total Expenditures	948,309	8,706,830	4,045,490	4,661,340
Excess of Revenues over (under) Expenditures	1,159,125	(5,798,096)	(254,279)	5,543,817
Other Financing Sources (Uses):				
Transfers in		6,957,221		6,957,221
Transfers out (Note 10)	(1,159,125)	(1,159,125)	(1,253,592)	(94,467)
Total Other Financing Sources (Uses)	(1,159,125)	5,798,096	(1,253,592)	(7,051,688)
Net change in fund balances			(1,507,871)	(1,507,871)
Fund Balances - July 1, 2006, as restated			23,617,826	23,617,826
Fund Balances - June 30, 2007			\$22,109,955	\$22,109,955

CITY OF ANN ARBOR
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL [UAAL (OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) as a Percentage of Covered Payroll [(b-a)/c]
6/30/2007	\$413,712	\$413,490	(\$222)	100.1%	\$50,678	-0.4%
6/30/2006	398,258	407,302	9,044	97.8%	49,627	18.2%
6/30/2005	398,690	384,369	(14,321)	103.7%	47,225	-30.3%
6/30/2004	409,324	370,409	(38,915)	110.5%	47,109	-82.6%
6/30/2003	417,623	353,620	(64,003)	118.1%	46,213	-138.5%
6/30/2002	426,440	336,340	(90,100)	126.8%	46,744	-192.8%

CITY OF ANN ARBOR
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(amounts expressed in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2007	\$5,039	100%
2006	2,871	100%
2005	1,045	100%
2004	0	100%
2003	0	100%
2002	0	100%

NONMAJOR SPECIAL REVENUE FUNDS

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.

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

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

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

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.

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

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

Street Repair Millage - to account for the proceeds of a special millage to repair streets.

Tree Removal & Disposal – to account for the costs associated with the removal and disposal of dead and dying trees due to the Emerald Ash borer infestation.

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

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.

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

Parks Maintenance and Repair Millage - to account for funds derived from property tax millage earmarked for parks maintenance.

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

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

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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.

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

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

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

Federal Equitable Sharing Forfeitures - 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.

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

Economic Development - to account for funds set aside to promote economic development in the City.

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.

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

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

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

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

NONMAJOR DEBT SERVICE FUNDS

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

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

NONMAJOR CAPITAL PROJECTS FUNDS

1991/1992/1993 Environmental Bonds - to account for bond proceeds and related revenues expended for improvements to the City's landfill.

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

Special Assessments – to account for bond proceeds and related revenues expended for various public improvements financed in part by assessments against benefited properties.

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

NONMAJOR PERMANENT FUND

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

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

Special Revenue

	Major Streets	Local Streets	Community Development	Home Program	Affordable Housing	Community Television Network	Homeland Security Fund	Construction Code	Alternative Transportation	Street Repair Millage	Tree Removal & Disposal	Drug Enforcement	Metro Expansion	Michigan Justice Training	Parks Maintenance & Repair Millage	Parks Repair & Restoration Millage
ASSETS																
Cash	\$231,425		\$293	\$850	\$405	\$35,275	\$282	\$17,640	\$11	\$63,708	\$685			\$16,684	\$49	\$4,119
Equity in pooled cash and investments (Note 2)	8,288,739	2,886,778			630,952	2,243,373		1,625,989	821,933	18,462,723		11,623	718,637	88,793		1,144,440
Investments, at fair value (Note 2)																
Receivables:																
Taxes								6,040		41,953					2,214	7,734
Accounts	293,886	5,149				353,825	326,694	45,846		107,876						
Special assessments										3,107						
Accrued interest and dividends																
Improvement charges																
Loans			116,711	179,095												
Unbilled district costs																
Less: Allowance for uncollectibles	(74,943)	(1,539)						(33,079)		(147,923)				(2,201)	(7,293)	
Due from other funds (Note 3)	180,138	15,495	18,772	296			6,731	82,047								16,222
Due from other governments	915,487	259,545	262,909	397,442	3,336											
Total Assets	\$9,834,732	\$3,165,428	\$398,685	\$577,683	\$634,693	\$2,632,473	\$333,707	\$1,744,483	\$821,944	\$18,531,444	\$339,152	\$11,623	\$718,637	\$105,477	\$62	\$1,165,222
LIABILITIES AND FUND BALANCES																
Liabilities:																
Accounts payable	\$55,553	\$15,615	\$49,210	\$14,398		\$25,424	\$3,457	\$14,675		\$920,349	\$43,470		\$40,751			\$104,843
Accrued liabilities	72,546	11,164	8,334	2,348		21,600		41,253	2,268	12,922	2,481		746			23,502
Accrued interest payable																
Due to other funds (Note 3)	377,636	134,411	211,676	306,265		3,344	330,250	63,481	78,638	8,642	266,222		1,067	22		92,768
Deposits	10,000					10,000										
Deferred revenue			129,465	254,672						6,560						
Accrued compensated absences (Note 9)	47,963	158				7,378		22,605	288	1,354						10,006
Total Liabilities	563,698	161,348	398,685	577,683		67,746	333,707	142,014	81,194	949,827	312,173		41,497	1,067	22	231,119
Fund Balances:																
Reserved for encumbrances	561,661	167,725							6,998	6,418,092	26,979		23,157			8,335
Reserved for endowment																
Reserved for debt service																
Unreserved balances:																
Designated, nonmajor capital projects funds																
Undesignated, nonmajor special revenue funds	8,709,373	2,836,355			634,693	2,564,727		1,602,469	733,752	11,163,525		11,623	653,983	104,410	40	925,768
Total Fund Balances	9,271,034	3,004,080			634,693	2,564,727		1,602,469	740,750	17,581,617	26,979	11,623	677,140	104,410	40	934,103
Total Liabilities and Fund Balances	\$9,834,732	\$3,165,428	\$398,685	\$577,683	\$634,693	\$2,632,473	\$333,707	\$1,744,483	\$821,944	\$18,531,444	\$339,152	\$11,623	\$718,637	\$105,477	\$62	\$1,165,222

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007
(continued)

	Special Revenue														
	Parks Rehab & Development Millage	Open Space Endowment	Special Assistance	Parks Memorial & Contributions	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Economic Development	Cemetary Perpetual Care	Local Forfeiture	Police and Fire Relief	Energy Projects	Sidewalk Improvement
ASSETS															
Cash	\$16,756	\$71,600	\$5,151		\$22,319		\$611	\$2,795							
Equity in pooled cash and investments (Note 2)	5,055,628	24,076	9,435	71,051	1,135,442			104,307	296,473		62,500	46,418	\$581,209 59,263	488,878	372,985
Receivables:															
Taxes	9,799														
Accounts			9				203,304								43,650
Special assessments															
Accrued interest and dividends															
Improvement charges															
Loans															
Unbilled district costs															
Less: Allowance for uncollectibles	(9,354)														(4,331)
Due from other funds (Note 3)		5,178	25				11,253			2,180,000					
Due from other governments							82,200								
Total Assets	\$5,072,829	\$100,854	\$14,620	\$71,051	\$1,157,761		\$297,368	\$107,102	\$296,473	\$2,180,000	\$62,500	\$46,418	\$640,472	\$488,878	\$412,304
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$121,832						\$87,345							\$4,051	\$8,378
Accrued liabilities	2,149														
Accrued interest payable															
Due to other funds (Note 3)	1,867						119,800	863							
Deposits															
Deferred revenue		5,178					90,160								
Accrued compensated absences (Note 9)	48														
Total Liabilities	125,896	5,178					297,305	863						4,051	8,378
Fund Balances:															
Reserved for encumbrances	84,163													7,075	
Reserved for endowment															
Reserved for debt service															
Unreserved balances:															
Designated, nonmajor capital projects funds															
Undesignated, nonmajor special revenue funds	4,862,770	95,676	14,620	71,051	1,157,761		63	106,239	296,473	2,180,000	62,500	46,418	640,472	477,752	403,926
Total Fund Balances	4,946,933	95,676	14,620	71,051	1,157,761		63	106,239	296,473	2,180,000	62,500	46,418	640,472	484,827	403,926
Total Liabilities and Fund Balances	\$5,072,829	\$100,854	\$14,620	\$71,051	\$1,157,761		\$297,368	\$107,102	\$296,473	\$2,180,000	\$62,500	\$46,418	\$640,472	\$488,878	\$412,304

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007
(concluded)

	Debt Service		Capital Projects				Permanent	Total
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Special Assessments	Municipal Center	Elizabeth R. Dean Trust	
ASSETS								
Cash	\$91,805	\$661		\$2,748	\$40,099	\$171,240	\$6,123	\$803,334
Equity in pooled cash and investments (Note 2)	272,676	1,187,125	542,694	635,210	84,473	8,243,362	76,691	56,214,613
Investments, at fair value (Note 2)							2,027,739	2,087,002
Receivables:								
Taxes	13,754							81,494
Accounts								1,380,239
Special assessments		505,800						508,907
Accrued interest and dividends							27,141	27,141
Improvement charges		10,538						10,538
Loans								295,806
Unbilled district costs		187,423						187,423
Less: Allowance for uncollectibles	(13,110)							(293,773)
Due from other funds (Note 3)	1,394,136							4,248,760
Due from other governments								1,920,919
Total Assets	\$1,759,261	\$1,891,547	\$542,694	\$637,958	\$124,572	\$8,414,602	\$2,137,694	\$67,472,403
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		(\$854)	\$97,757		\$2,400	\$213,931	\$2,469	\$1,825,054
Accrued liabilities						966		202,279
Accrued interest payable	\$92,912							92,912
Due to other funds (Note 3)	1,396,630	187,000					28	3,580,610
Deposits								20,000
Deferred revenue		703,761						1,189,796
Accrued compensated absences (Note 9)								89,800
Total Liabilities	1,489,542	889,907	97,757		2,400	214,897	2,497	7,000,451
Fund Balances:								
Reserved for encumbrances			444,937			962,600		8,711,722
Reserved for endowment							2,135,197	2,135,197
Reserved for debt service	269,719	1,001,640						1,271,359
Unreserved balances:								
Designated, nonmajor capital projects funds				637,958	122,172	7,237,105		7,997,235
Undesignated, nonmajor special revenue funds								40,356,439
Total Fund Balances	269,719	1,001,640	444,937	637,958	122,172	8,199,705	2,135,197	60,471,952
Total Liabilities and Fund Balances	\$1,759,261	\$1,891,547	\$542,694	\$637,958	\$124,572	\$8,414,602	\$2,137,694	\$67,472,403

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

Special Revenue Funds																
	Major Streets	Local Streets	Community Development	Home Program	Affordable Housing	Community Television Network	Homeland Security Grant	Construction Code	Alternative Transportation	Street Repair Millage	Tree Removal & Disposal	Drug Enforcement	Metro Expansion	Michigan Justice Training	Parks Maintenance & Repair Millage	Parks Repair & Restoration Millage
Revenues:																
Taxes										\$8,616,462						\$2,051,967
Special assessments/improvement charges																
Federal grants			1,523,087	1,081,678			267,251									
State shared revenues and grants	5,768,894	1,580,617			3,336					11,923			328,568	35,318		
Charges for services	1,369,548	153,315				1,462,206		2,292,804		94,826						
Fines and forfeits												10,137				
Interest and penalties																
Investment income	394,773	133,761			67,104	130,180		81,286	36,943	1,075,513	5,539	354	18,960	4,204	45	74,489
Rentals																
Contributions and donations					50,000					20,692						
Sale of property and equipment																3,040
Intra-governmental sales	535,049															
Miscellaneous	67,555	5,506						174		4,814				700		2,786
Total Revenues	8,135,819	1,873,199	1,523,087	1,081,678	120,440	1,592,386	267,251	2,374,264	36,943	9,824,230	5,539	10,491	347,528	39,522	745	2,132,282
Expenditures:																
Current:																
General government						1,199,583					563,372					
Public safety							214,476	2,201,739				2,086		35,038		
Public works	6,109,062	1,105,586							358,520	7,853,637			180,005			
Community and economic development			1,523,087	1,081,678	181,202											
Culture and recreation																1,723,774
Capital outlay						16,337	52,775									4,345
Debt Service:																
Principal retirement																
Interest and fiscal charges																
Total Expenditures	6,109,062	1,105,586	1,523,087	1,081,678	181,202	1,215,920	267,251	2,201,739	358,520	7,853,637	563,372	2,086	180,005	35,038		1,728,119
Excess of Revenues over (under) Expenditures	2,026,757	767,613			(60,762)	376,466		172,525	(321,577)	1,970,593	(557,833)	8,405	167,523	4,484	745	404,163
Other Financing Sources (Uses):																
Transfers in (Note 7)	780,486				100,000			100,000	383,191	873,114	139,956					
Transfers out (Note 7)	(1,759,863)	(195,351)			(68,075)	(10,000)		(17,769)	(14,375)	(649,708)		(39,956)		(68,000)	(46,586)	
Total Other Financing Sources (Uses)	(979,377)	(195,351)			31,925	(10,000)		82,231	368,816	223,406	139,956		(39,956)		(68,000)	(46,586)
Net change in fund balances	1,047,380	572,262			(28,837)	366,466		254,756	47,239	2,193,999	(417,877)	8,405	127,567	4,484	(67,255)	357,577
Fund Balances - July 1, 2006, as restated	8,223,654	2,431,818			663,530	2,198,261		1,347,713	693,511	15,387,618	444,856	3,218	549,573	99,926	67,295	576,526
Fund Balances - June 30, 2007	\$9,271,034	\$3,004,080			\$634,693	\$2,564,727		\$1,602,469	\$740,750	\$17,581,617	\$26,979	\$11,623	\$677,140	\$104,410	\$40	\$934,103

(continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(continued)

	Special Revenue Funds														
	Parks Rehab & Development Millage	Open Space Endowment	Special Assistance	Parks Memorial & Contributions	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Economic Development	Cemetery Perpetual Care	Local Forfeiture	Police and Fire Relief	Energy Projects	Sidewalk Improvement
Revenues:															
Taxes	\$2,012,845														
Special assessments/improvement charges															
Federal grants						23,209	440,106								
State shared revenues and grants							21,136								
Charges for services											2,735				73,623
Fines and forfeits					227,807			2,795							
Interest and penalties															
Investment income	264,351	209	246	2,164	40,587			4,391	10,929		2,358	1,729	24,468	19,007	12,381
Rentals									5,650						
Contributions and donations			5,180	44,597								41,539		9,632	
Sale of property and equipment															
Intra-governmental sales															
Miscellaneous	4,316														
Total Revenues	2,281,512	209	5,426	46,761	268,394	23,209	461,242	7,186	16,579		5,093	43,268	24,468	28,639	86,004
Expenditures:															
Current:															
General government					1,100									20,995	
Public safety						4,995	410,907	3,467					50,000		
Public works															332,078
Community and economic development															
Culture and recreation	295,738			7,557					852						
Capital outlay	935,919					18,214	84,000							4,051	
Debt Service:															
Principal retirement															
Interest and fiscal charges															
Total Expenditures	1,231,657			7,557	1,100	23,209	494,907	3,467	852				50,000	25,046	332,078
Excess of Revenues over (under) Expenditures	1,049,855	209	5,426	39,204	267,294		(33,665)	3,719	15,727		5,093	43,268	(25,532)	3,593	(246,074)
Other Financing Sources (Uses):															
Transfers in (Note 7)		95,467					26,800			2,180,000				50,215	650,000
Transfers out (Note 7)														(10,000)	
Total Other Financing Sources (Uses)		95,467					26,800			2,180,000				40,215	650,000
Net change in fund balances	1,049,855	95,676	5,426	39,204	267,294		(6,865)	3,719	15,727	2,180,000	5,093	43,268	(25,532)	43,808	403,926
Fund Balances - July 1, 2006, as restated	3,897,078		9,194	31,847	890,467		6,928	102,520	280,746		57,407	3,150	666,004	441,019	
Fund Balances - June 30, 2007	\$4,946,933	\$95,676	\$14,620	\$71,051	\$1,157,761		\$63	\$106,239	\$296,473	\$2,180,000	\$62,500	\$46,418	\$640,472	\$484,827	\$403,926

(continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(concluded)

	Debt Service		Capital Projects				Permanent	Total
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Special Assessments	Municipal Center	Elizabeth R. Dean Trust	
Revenues:								
Taxes	\$2,424,513							\$15,105,787
Special assessments/improvement charges		107,479			11,719			119,198
Federal grants								3,335,331
State shared revenues and grants								7,749,792
Charges for services						171,240		5,620,297
Fines and forfeits								240,739
Interest and penalties		36,551						36,551
Investment income	14,951	59,023	111,327	25,565	3,093	422,127	111,296	3,153,353
Rentals								5,650
Contributions and donations								171,640
Sale of property and equipment								3,040
Intra-governmental sales								535,049
Miscellaneous	1,718							87,569
Total Revenues	2,441,182	203,053	111,327	25,565	14,812	593,367	111,296	36,163,996
Expenditures:								
Current:								
General government	2,494							1,787,544
Public safety								2,922,708
Public works								15,938,888
Community and economic development								2,785,967
Culture and recreation							79,599	2,107,520
Capital outlay			800	252	2,401	263,371		1,382,465
Debt Service:								
Principal retirement	3,045,000	360,000						3,405,000
Interest and fiscal charges	2,369,661	52,418						2,422,079
Total Expenditures	5,417,155	412,418	800	252	2,401	263,371	79,599	32,752,171
Excess of Revenues over (under) Expenditures	(2,975,973)	(209,365)	110,527	25,313	12,411	329,996	31,697	3,411,825
Other Financing Sources (Uses):								
Transfers in (Note 7)	3,081,285		477,220		10,706			8,948,440
Transfers out (Note 7)			(3,561,881)					(6,441,564)
Total Other Financing Sources (Uses)	3,081,285		(3,084,661)		10,706			2,506,876
Net change in fund balances	105,312	(209,365)	(2,974,134)	25,313	23,117	329,996	31,697	5,918,701
Fund Balances - July 1, 2006, as restated	164,407	1,211,005	3,419,071	612,645	99,055	7,869,709	2,103,500	54,553,251
Fund Balances - June 30, 2007	\$269,719	\$1,001,640	\$444,937	\$637,958	\$122,172	\$8,199,705	\$2,135,197	\$60,471,952

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS

For the Year Ended June 30, 2007

	Major Streets			Local Streets			Community Development		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants	\$6,522,713	\$5,768,894	(\$753,819)	\$1,690,958	\$1,580,617	(\$110,341)	\$2,167,330	\$1,523,087	(\$644,243)
Charges for services	20,200	1,369,548	1,349,348		153,315	153,315			
Fines and forfeits									
Interest and penalties									
Investment income	170,000	394,773	224,773	50,250	133,761	83,511			
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales	125,000	535,049	410,049						
Miscellaneous	42,000	67,555	25,555		5,506	5,506			
Total Revenues	6,879,913	8,135,819	1,255,906	1,741,208	1,873,199	131,991	2,167,330	1,523,087	(644,243)
Expenditures:									
Current:									
General government									
Public safety									
Public works	8,545,400	6,109,062	2,436,338	1,686,616	1,105,586	581,030			
Community and economic development							2,167,330	1,523,087	644,243
Culture and recreation									
Capital outlay	20,000		20,000						
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	8,565,400	6,109,062	2,456,338	1,686,616	1,105,586	581,030	2,167,330	1,523,087	644,243
Excess of Revenues over (under) Expenditures	(1,685,487)	2,026,757	3,712,244	54,592	767,613	713,021			
Other Financing Sources (Uses):									
Transfers in (Note 7)	1,304,675	780,486	(524,189)	150,000		(150,000)			
Transfers out (Note 7)	(2,283,468)	(1,759,863)	523,605	(204,592)	(195,351)	9,241			
Total Other Financing Sources (Uses)	(978,793)	(979,377)	(584)	(54,592)	(195,351)	(140,759)			
Net changes in fund balances	(2,664,280)	1,047,380	3,711,660		572,262	572,262			
Fund Balances - July 1, 2006, as restated	2,664,280	8,223,654	5,559,374		2,431,818	2,431,818			
Fund Balances - June 30, 2007		\$9,271,034	\$9,271,034		\$3,004,080	\$3,004,080			

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	Home Program			Affordable Housing			Community Television Network		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants	\$2,832,436	\$1,081,678	(\$1,750,758)						
State shared revenues and grants				\$14,900	\$3,336	(\$11,564)			
Charges for services							\$1,402,959	\$1,462,206	\$59,247
Fines and forfeits									
Interest and penalties									
Investment income				5,000	67,104	62,104	36,000	130,180	94,180
Rentals									
Contributions and donations				46,000	50,000	4,000			
Sale of property and equipment							1,000		(1,000)
Intra-governmental sales									
Miscellaneous									
Total Revenues	2,832,436	1,081,678	(1,750,758)	65,900	120,440	54,540	1,439,959	1,592,386	152,427
Expenditures:									
Current:									
General government							1,241,805	1,199,583	42,222
Public safety									
Public works									
Community and economic development	2,832,436	1,081,678	1,750,758	814,684	181,202	633,482			
Culture and recreation									
Capital outlay							133,154	16,337	116,817
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	2,832,436	1,081,678	1,750,758	814,684	181,202	633,482	1,374,959	1,215,920	159,039
Excess of Revenues over (under) Expenditures				(748,784)	(60,762)	688,022	65,000	376,466	311,466
Other Financing Sources (Uses):									
Transfers in (Note 7)				100,000	100,000				
Transfers out (Note 7)				(68,075)	(68,075)		(10,000)	(10,000)	
Total Other Financing Sources (Uses)				31,925	31,925		(10,000)	(10,000)	
Net changes in fund balances				(716,859)	(28,837)	688,022	55,000	366,466	311,466
Fund Balances - July 1, 2006, as restated				716,859	663,530	(53,329)		2,198,261	2,198,261
Fund Balances - June 30, 2007					\$634,693	\$634,693	\$55,000	\$2,564,727	\$2,509,727

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS

For the Year Ended June 30, 2007

	Homeland Security Grant			Construction Code			Alternative Transportation		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants	\$375,089	\$267,251	(\$107,838)				\$484,360		(\$484,360)
State shared revenues and grants				\$2,317,219	\$2,292,804	(\$24,415)			
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income					81,286	\$81,286		36,943	36,943
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous				2,600	174	(2,426)			
Total Revenues	375,089	267,251	(107,838)	2,319,819	2,374,264	54,445	484,360	36,943	(447,417)
Expenditures:									
Current:									
General government									
Public safety	321,888	214,476	107,412	2,260,823	2,201,739	59,084			
Public works							1,228,045	358,520	869,525
Community and economic development									
Culture and recreation									
Capital outlay	53,201	52,775	426						
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	375,089	267,251	107,838	2,260,823	2,201,739	59,084	1,228,045	358,520	869,525
Excess of Revenues over (under) Expenditures				58,996	172,525	113,529	(743,685)	(321,577)	422,108
Other Financing Sources (Uses):									
Transfers in (Note 7)				100,000	100,000		383,191	383,191	
Transfers out (Note 7)				(17,769)	(17,769)		(318,600)	(14,375)	304,225
Total Other Financing Sources (Uses)				82,231	82,231		64,591	368,816	304,225
Net changes in fund balances				141,227	254,756	113,529	(679,094)	47,239	726,333
Fund Balances - July 1, 2006, as restated				128,158	1,347,713	1,219,555	691,972	693,511	1,539
Fund Balances - June 30, 2007				\$269,385	\$1,602,469	\$1,333,084	\$12,878	\$740,750	\$727,872

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	Street Repair Millage			Tree Removal & Disposal			Drug Enforcement		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$8,522,664	\$8,616,462	\$93,798						
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants		11,923	11,923						
Charges for services	54,521	94,826	40,305						
Fines and forfeits							\$7,000	\$10,137	\$3,137
Interest and penalties									
Investment income		1,075,513	1,075,513		\$5,539	\$5,539		354	354
Rentals									
Contributions and donations		20,692	20,692						
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous		4,814	4,814						
Total Revenues	8,577,185	9,824,230	1,247,045		5,539	5,539	7,000	10,491	3,491
Expenditures:									
Current:									
General government				828,703	563,372	265,331			
Public safety							12,000	2,086	9,914
Public works	9,625,559	7,853,637	1,771,922						
Community and economic development									
Culture and recreation									
Capital outlay									
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	9,625,559	7,853,637	1,771,922	828,703	563,372	265,331	12,000	2,086	9,914
Excess of Revenues over (under) Expenditures	(1,048,374)	1,970,593	3,018,967	(828,703)	(557,833)	270,870	(5,000)	8,405	13,405
Other Financing Sources (Uses):									
Transfers in (Note 7)	629,631	873,114	243,483	139,956	139,956				
Transfers out (Note 7)	(509,100)	(649,708)	(140,608)						
Total Other Financing Sources (Uses)	120,531	223,406	102,875	139,956	139,956				
Net changes in fund balances	(927,843)	2,193,999	3,121,842	(688,747)	(417,877)	270,870	(5,000)	8,405	13,405
Fund Balances - July 1, 2006, as restated	927,843	15,387,618	14,459,775	688,747	444,856	(243,891)	5,000	3,218	(1,782)
Fund Balances - June 30, 2007		\$17,581,617	\$17,581,617		\$26,979	\$26,979		\$11,623	\$11,623

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS

For the Year Ended June 30, 2007

	Metro Expansion			Michigan Justice Training			Parks Maintenance & Repair Millage		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants	\$350,000	\$328,568	(\$21,432)	\$30,000	\$35,318	\$5,318			
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income		18,960	18,960	1,000	4,204	3,204		45	45
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous								700	700
Total Revenues	350,000	347,528	(2,472)	31,000	39,522	8,522		745	745
Expenditures:									
Current:									
General government									
Public safety				40,000	35,038	4,962			
Public works	310,044	180,005	130,039						
Community and economic development									
Culture and recreation									
Capital outlay									
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	310,044	180,005	130,039	40,000	35,038	4,962			
Excess of Revenues over (under) Expenditures	39,956	167,523	127,567	(9,000)	4,484	13,484		745	745
Other Financing Sources (Uses):									
Transfers in (Note 7)									
Transfers out (Note 7)	(39,956)	(39,956)					(68,000)	(68,000)	
Total Other Financing Sources (Uses)	(39,956)	(39,956)					(68,000)	(68,000)	
Net changes in fund balances		127,567	127,567	(9,000)	4,484	13,484	(68,000)	(67,255)	745
Fund Balances - July 1, 2006, as restated		549,573	549,573	15,000	99,926	84,926	68,000	67,295	(705)
Fund Balances - June 30, 2007		\$677,140	\$677,140	\$6,000	\$104,410	\$98,410		\$40	\$40

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS

For the Year Ended June 30, 2007

	Parks Repair & Restoration Millage			Parks Rehab & Development Millage			Open Space Endowment		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$2,029,919	\$2,051,967	\$22,048	\$1,990,721	\$2,012,845	\$22,124			
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services	2,300		(2,300)						
Fines and forfeits									
Interest and penalties									
Investment income		74,489	74,489	54,000	264,351	210,351	\$209	\$209	
Rentals									
Contributions and donations									
Sale of property and equipment		3,040	3,040						
Intra-governmental sales									
Miscellaneous		2,786	2,786	3,000	4,316	1,316			
Total Revenues	2,032,219	2,132,282	100,063	2,047,721	2,281,512	233,791	209	209	
Expenditures:									
Current:									
General government									
Public safety									
Public works									
Community and economic development									
Culture and recreation	1,936,880	1,723,774	213,106	4,154,157	295,738	3,858,419			
Capital outlay	20,000	4,345	15,655	701,730	935,919	(234,189)			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	1,956,880	1,728,119	228,761	4,855,887	1,231,657	3,624,230			
Excess of Revenues over (under) Expenditures	75,339	404,163	328,824	(2,808,166)	1,049,855	3,858,021	209	209	
Other Financing Sources (Uses):									
Transfers in (Note 7)							95,467	95,467	
Transfers out (Note 7)	(32,000)	(46,586)	(14,586)						
Total Other Financing Sources (Uses)	(32,000)	(46,586)	(14,586)				95,467	95,467	
Net changes in fund balances	43,339	357,577	314,238	(2,808,166)	1,049,855	3,858,021	95,676	95,676	
Fund Balances - July 1, 2006, as restated	60,000	576,526	516,526	2,808,166	3,897,078	1,088,912			
Fund Balances - June 30, 2007	\$103,339	\$934,103	\$830,764		\$4,946,933	\$4,946,933	\$95,676	\$95,676	

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	Special Assistance			Parks Memorial & Contributions			Court Facilities		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services							\$225,000	\$227,807	\$2,807
Fines and forfeits									
Interest and penalties									
Investment income	\$50	\$246	\$196		\$2,164	\$2,164		40,587	40,587
Rentals									
Contributions and donations	5,600	5,180	(420)	70,000	44,597	(25,403)			
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	5,650	5,426	(224)	70,000	46,761	(23,239)	225,000	268,394	43,394
Expenditures:									
Current:									
General government							6,000	1,100	4,900
Public safety									
Public works									
Community and economic development	5,650		5,650						
Culture and recreation				70,000	7,557	62,443			
Capital outlay									
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	5,650		5,650	70,000	7,557	62,443	6,000	1,100	4,900
Excess of Revenues over (under) Expenditures		5,426	5,426		39,204	39,204	219,000	267,294	48,294
Other Financing Sources (Uses):									
Transfers in (Note 7)									
Transfers out (Note 7)							(40,000)		40,000
Total Other Financing Sources (Uses)							(40,000)		40,000
Net changes in fund balances		5,426	5,426		39,204	39,204	179,000	267,294	88,294
Fund Balances - July 1, 2006, as restated		9,194	9,194		31,847	31,847	750,000	890,467	140,467
Fund Balances - June 30, 2007		\$14,620	\$14,620		\$71,051	\$71,051	\$929,000	\$1,157,761	\$228,761

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS

For the Year Ended June 30, 2007

	Local Law Enforcement Block Grant			Major Grants			Federal Equitable Sharing Forfeiture		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants	\$23,209	\$23,209		\$274,882	\$440,106	\$165,224			
State shared revenues and grants				193,413	21,136	(172,277)			
Charges for services									
Fines and forfeits							\$2,795	\$2,795	
Interest and penalties									
Investment income							4,391	4,391	
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	23,209	23,209		468,295	461,242	(7,053)	7,186	7,186	
Expenditures:									
Current:									
General government									
Public safety	4,995	4,995		410,907	410,907		3,467	3,467	
Public works									
Community and economic development									
Culture and recreation									
Capital outlay	18,214	18,214		88,500	84,000	4,500			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	23,209	23,209		499,407	494,907	4,500	3,467	3,467	
Excess of Revenues over (under) Expenditures				(31,112)	(33,665)	(2,553)	(3,467)	3,719	7,186
Other Financing Sources (Uses):									
Transfers in (Note 7)				26,800	26,800				
Transfers out (Note 7)									
Total Other Financing Sources (Uses)				26,800	26,800				
Net changes in fund balances				(4,312)	(6,865)	(2,553)	(3,467)	3,719	7,186
Fund Balances - July 1, 2006, as restated				4,312	6,928	2,616	3,467	102,520	99,053
Fund Balances - June 30, 2007					\$63	\$63		\$106,239	\$106,239

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	Bandemer			Cemetery Perpetual Care			Local Forfeiture		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services					\$2,735	\$2,735			
Fines and forfeits									
Interest and penalties									
Investment income	\$4,180	\$10,929	\$6,749		2,358	2,358	\$1,729	\$1,729	
Rentals	4,200	5,650	1,450						
Contributions and donations							41,539	41,539	
Sale of property and equipment				4,500		(4,500)			
Intra-governmental sales									
Miscellaneous									
Total Revenues	8,380	16,579	8,199	4,500	5,093	593	43,268	43,268	
Expenditures:									
Current:									
General government									
Public safety									
Public works									
Community and economic development									
Culture and recreation	1,295	852	443						
Capital outlay									
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	1,295	852	443						
Excess of Revenues over (under) Expenditures	7,085	15,727	8,642	4,500	5,093	593	43,268	43,268	
Other Financing Sources (Uses):									
Transfers in (Note 7)									
Transfers out (Note 7)									
Total Other Financing Sources (Uses)									
Net changes in fund balances	7,085	15,727	8,642	4,500	5,093	593	43,268	43,268	
Fund Balances - July 1, 2006, as restated		280,746	280,746		57,407	57,407		3,150	3,150
Fund Balances - June 30, 2007	\$7,085	\$296,473	\$289,388	\$4,500	\$62,500	\$58,000	\$46,418	\$46,418	

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	Police and Fire Relief			Energy Projects			Sidewalk Improvement		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services								\$73,623	\$73,623
Fines and forfeits									
Interest and penalties									
Investment income	\$10,000	\$24,468	\$14,468	\$2,000	\$19,007	\$17,007	12,381	12,381	
Rentals									
Contributions and donations					9,632	9,632			
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	10,000	24,468	14,468	2,000	28,639	26,639	12,381	86,004	73,623
Expenditures:									
Current:									
General government				20,127	20,995	(868)			
Public safety		50,000	(50,000)						
Public works							650,000	332,078	317,922
Community and economic development									
Culture and recreation									
Capital outlay				140,000	4,051	135,949			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures		50,000	(50,000)	160,127	25,046	135,081	650,000	332,078	317,922
Excess of Revenues over (under) Expenditures	10,000	(25,532)	(35,532)	(158,127)	3,593	161,720	(637,619)	(246,074)	391,545
Other Financing Sources (Uses):									
Transfers in (Note 7)				50,215	50,215		650,000	650,000	
Transfers out (Note 7)					(10,000)	(10,000)			
Total Other Financing Sources (Uses)				50,215	40,215	(10,000)	650,000	650,000	
Net changes in fund balances	10,000	(25,532)	(35,532)	(107,912)	43,808	151,720	12,381	403,926	391,545
Fund Balances - July 1, 2006, as restated		666,004	666,004	107,912	441,019	333,107			
Fund Balances - June 30, 2007	\$10,000	\$640,472	\$630,472	\$484,827	\$484,827	\$484,827	\$12,381	\$403,926	\$391,545

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2007

	General Debt Service			Special Assessments-Debt Service		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:						
Taxes	\$ 2,423,218	\$2,424,513	\$1,295			
Special assessments/improvement charges				\$107,479	\$107,479	
Federal grants						
State shared revenues and grants						
Charges for services						
Fines and forfeits						
Interest and penalties				100,000	36,551	(63,449)
Investment income	2,000	\$14,951	12,951	9,000	59,023	50,023
Rentals						
Contributions and donations						
Sale of property and equipment						
Intra-governmental sales						
Miscellaneous		\$1,718	1,718			
Total Revenues	2,425,218	2,441,182	15,964	109,000	203,053	94,053
Expenditures:						
Current:						
General government	17,000	\$2,494	14,506			
Public safety						
Public works						
Community and economic development						
Culture and recreation						
Capital outlay						
Debt service:						
Principal retirement	2,822,107	\$3,045,000	(222,893)	360,000	360,000	
Interest and fiscal charges	2,754,647	2,369,661	384,986	53,369	52,418	951
Total Expenditures	5,593,754	5,417,155	176,599	413,369	412,418	951
Excess of Revenues over (under) Expenditures	(3,168,536)	(2,975,973)	192,563	(304,369)	(209,365)	95,004
Other Financing Sources (Uses):						
Transfers in (Note 7)	3,242,955	3,081,285	(161,670)			
Transfers out (Note 7)						
Total Other Financing Sources (Uses)	3,242,955	3,081,285	(161,670)			
Net changes in fund balances	74,419	105,312	30,893	(304,369)	(209,365)	95,004
Fund Balances - July 1, 2006, as restated		164,407	164,407	304,369	1,211,005	906,636
Fund Balances - June 30, 2007	\$74,419	\$269,719	\$195,300	\$1,001,640	\$1,001,640	

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Total
Current Assets:							
Cash	\$15,447	\$9,670	\$3,550	\$119,963	\$26,921	\$7	\$175,558
Equity in pooled cash and investments (Note 2)	1,079,199	4,100,582	55,882	4,575,547	116,798	10,189,538	20,117,546
Accounts receivable				133	21,555	4,256	25,944
Less: allowance for uncollectibles				(133)	(8,244)	(4,256)	(12,633)
Due from other funds (Note 3)	38,209	198,403		3,678	98,215	295,338	633,843
Prepaid items						543,115	543,115
Inventory, at cost	443,783			323,490			767,273
Total Current Assets	1,576,638	4,308,655	59,432	5,022,678	255,245	11,027,998	22,250,646
Noncurrent Assets:							
Capital assets (Note 5):							
Land			98,440	96,267			194,707
Buildings	90,663	205,043	152,159	257,843			705,708
Improvements other than buildings				62,407			62,407
Vehicles				7,187,213			7,187,213
Machinery and equipment	75,733	447,756		2,695,905			3,219,394
Less: Accumulated depreciation	(128,397)	(87,504)	(152,159)	(7,518,352)			(7,886,412)
Total Capital Assets (net of accumulated depreciation)	37,999	565,295	98,440	2,781,283			3,483,017
Total Noncurrent Assets	37,999	565,295	98,440	2,781,283			3,483,017
TOTAL ASSETS	1,614,637	4,873,950	157,872	7,803,961	255,245	11,027,998	25,733,663
LIABILITIES							
Current Liabilities:							
Accounts payable	35,975	528,933	1,831	362,815	5,174	69,281	1,004,009
Estimated claims payable						2,344,455	2,344,455
Accrued liabilities	8,396	37,037	1,900	39,116	47,001	279,054	412,504
Due to other funds (Note 3)	16,133	25,067	387	602,659	264	1,566,725	2,211,235
Accrued compensated absences - short term (Note 9)	3,894			18,578	29,785	768	53,025
Total Current Liabilities	64,398	591,037	4,118	1,023,168	82,224	4,260,283	6,025,228
Noncurrent Liabilities:							
Accrued compensated absences (Note 9)	27,528			314,607	25,099	64,052	431,286
Total Noncurrent Liabilities	27,528			314,607	25,099	64,052	431,286
TOTAL LIABILITIES	91,926	591,037	4,118	1,337,775	107,323	4,324,335	6,456,514
Net Assets:							
Invested in Capital Assets	37,999	565,295	98,440	2,781,283			3,483,017
Unrestricted	1,484,712	3,717,618	55,314	3,684,903	147,922	6,703,663	15,794,132
TOTAL NET ASSETS	\$1,522,711	\$4,282,913	\$153,754	\$6,466,186	\$147,922	\$6,703,663	\$19,277,149

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Total
Operating Revenues:							
Charges for services	\$1,082,225	\$5,926,693	\$156,913	\$5,620,732	\$1,710,819	\$20,012,655	\$34,510,037
Miscellaneous revenues	1,499	12,004		2,280	7,328	450,397	473,508
Total Operating Revenues	1,083,724	5,938,697	156,913	5,623,012	1,718,147	20,463,052	34,983,545
Operating Expenses:							
Personal services	305,478	2,052,908	22,176	1,429,660	1,562,495	370,066	5,742,783
Materials and supplies	44,566	1,260,581	7,867	29,955	14,136	22,924	1,380,029
Utilities	3,678	18,183	46,656	5,349	9,069	1,145	84,080
Insurance	696	1,740	4,848	34,896	1,200	18,099,887	18,143,267
Contractual services	96,900	196,268	1,220	8,194	4,113		306,695
Maintenance	3,356	68,139	7,625	64,483	8,690	135	152,428
Professional fees		264,552		1,030	4,743	207,418	477,743
Miscellaneous	13,505	31,112	1,263	4,628	16,400	2,403	69,311
Cost of goods sold	461,269			1,451,142			1,912,411
Municipal service charge	33,504	806,052	4,200	101,508	384,108	210,288	1,539,660
Information Technology Charges	2,880	171,252	2,880	100,944	225,360	44,270	547,586
Depreciation and amortization	4,996	74,617	1,666	890,316			971,595
Total Operating Expenses	970,828	4,945,404	100,401	4,122,105	2,230,314	18,958,536	31,327,588
Operating Income (Loss)	112,896	993,293	56,512	1,500,907	(512,167)	1,504,516	3,655,957
Nonoperating Revenues (Expenses):							
Investment income	38,937	172,871	1,506	193,152		330,774	737,240
Interest expense and fiscal charges					(1,361)		(1,361)
Net gain on retirement of capital assets				103,512			103,512
Total Nonoperating Revenues (Expenses)	38,937	172,871	1,506	296,664	(1,361)	330,774	839,391
Income (Loss) Before Transfers	151,833	1,166,164	58,018	1,797,571	(513,528)	1,835,290	4,495,348
Transfers In (Note 7)				250,000	447,055		697,055
Transfers Out (Note 7)	(6,127)			(651,048)	(50,444)		(707,619)
Net Transfers In (Out)	(6,127)			(401,048)	396,611		(10,564)
Change in Net Assets	145,706	1,166,164	58,018	1,396,523	(116,917)	1,835,290	4,484,784
Net Assets - July 1, 2006	1,377,005	3,116,749	95,736	5,069,663	264,839	4,868,373	14,792,365
Net Assets - June 30, 2007	\$1,522,711	\$4,282,913	\$153,754	\$6,466,186	\$147,922	\$6,703,663	\$19,277,149

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Total
Cash flow from operating activities:							
Receipts from customers	\$1,083,724	\$5,938,697	\$156,913	\$5,628,743	\$1,744,693	\$20,463,052	\$35,015,822
Receipts from interfund services provided	27,110	14,642	145	784,709	257,200	1,283,508	2,367,314
Payments to suppliers	(659,547)	(2,500,898)	(79,506)	(1,556,177)	(663,343)	(17,612,806)	(23,072,277)
Payments on behalf of employees	(270,786)	(2,043,051)	(20,977)	(1,372,103)	(1,503,811)	(122,500)	(5,333,228)
Payments for interfund services used		(177,045)			(133,954)		(310,999)
Net cash provided by (used in) operating activities	180,501	1,232,345	56,575	3,485,172	(299,215)	4,011,254	8,666,632
Cash flows from noncapital financing activities:							
Transfers in				250,000	447,055		697,055
Transfers out	(6,127)			(651,048)	(50,444)		(707,619)
Interest expense							
Net cash flows provided by (used in) noncapital financing activities	(6,127)			(401,048)	396,611		(10,564)
Cash flows from capital and related financing activities:							
Principal paid on capital leases and notes					(1,361)		(1,361)
Interest paid on capital leases and notes							
Proceeds from sale of equipment				110,333			110,333
Acquisition of capital assets		(306,267)		(1,139,646)			(1,445,913)
Net cash flows used in capital and related financing activities		(306,267)		(1,029,313)	(1,361)		(1,336,941)
Cash flows from investing activities:							
Interest and dividends on investments	38,937	172,871	1,506	193,152		330,774	737,240
Net cash flows provided by investing activities	38,937	172,871	1,506	193,152		330,774	737,240
Net increase in cash and cash equivalents	213,311	1,098,949	58,081	2,247,963	96,035	4,342,028	8,056,367
Cash and cash equivalents at beginning of the year	881,335	3,011,303	1,351	2,447,547	47,684	5,847,517	12,236,737
Cash and cash equivalents at end of the year	\$1,094,646	\$4,110,252	\$59,432	\$4,695,510	\$143,719	\$10,189,545	\$20,293,104

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007
(Concluded)

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Net operating income (loss)	\$112,896	\$993,293	\$56,512	\$1,500,907	(\$512,167)	\$1,504,516	\$3,655,957
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	4,996	74,617	1,666	890,316			971,595
(Increase) decrease in assets and increase (decrease) in liabilities:							
Allowance for uncollectible accounts					(3,874)		(3,874)
Accounts receivable				5,731	30,420		36,151
Inventory	(14,992)			15,411			419
Prepaid items		1,884				1,340,222	1,342,106
Accounts payable	15,799	315,097	(2,947)	230,541	4,476	(73,957)	489,009
Accrued compensated absences	29,702			39,636	41,165	45,338	155,841
Estimated claims payable						(290,601)	(290,601)
Accrued liabilities	4,990	9,857	1,199	17,921	17,519	202,228	253,714
Due to other funds	10,185	14,642	135	580,866	(133,954)	1,559,282	2,031,156
Due from other funds	16,925	(177,045)	10	203,843	257,200	(275,774)	25,159
Net cash provided by (used in) operating activities	<u>\$180,501</u>	<u>\$1,232,345</u>	<u>\$56,575</u>	<u>\$3,485,172</u>	<u>(\$299,215)</u>	<u>\$4,011,254</u>	<u>\$8,666,632</u>

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	Employees' Benefit Trust Funds		Total Employees' Benefit Trust Funds
	Employees' Benefit Retirement System	VEBA Trust Fund	
	ASSETS		
Cash	\$242,600		\$242,600
Equity in pooled cash and investments (Note 2)	755,345	1,529	756,874
Investments, at fair value (Note 2):			
Short term investments	4,341,341	687,622	5,028,963
U.S. Government obligations	47,468,203	17,218,809	64,687,012
Guaranteed investment contracts	12,932,089		12,932,089
Collateralized Mortgage Obligations	8,682,104		8,682,104
Domestic corporate bonds	37,221,116		37,221,116
Domestic stocks	243,079,630	42,751,328	285,830,958
International stocks	47,686,202		47,686,202
Municipal bonds	1,002,522		1,002,522
Real Estate-Direct & funds	48,372,241	3,236,223	51,608,464
Accrued interest and dividends	876,411	162,203	1,038,614
Due from other governments	35,394		35,394
Property, plant & equipment (net of depreciation of \$25,622)	2,775		2,775
Total Assets	452,697,973	64,057,714	516,755,687
LIABILITIES			
Accounts payable	2,653,172	35,878	2,689,050
Accrued liabilities	5,459		5,459
Accrued compensated absences	123,651		123,651
Total Liabilities	2,782,282	35,878	2,818,160
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	\$449,915,691	\$64,021,836	\$513,937,527

CITY OF ANN ARBOR
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2007

	Agency Funds				Total Agency Funds
	Treasurer's Current Tax	Treasurer's Delinquent Tax	Contractors' Retainage	Fifteenth District Court	
ASSETS					
Cash	\$124,056	\$66,745	\$2,374,258	\$162,660	\$2,727,719
Total Assets	<u>\$124,056</u>	<u>\$66,745</u>	<u>\$2,374,258</u>	<u>\$162,660</u>	<u>\$2,727,719</u>
LIABILITIES					
Due to others	\$124,056	\$57,734	\$2,374,258		\$2,556,048
Due to other governments		9,011		119,659	128,670
Deposits				43,001	43,001
Total Liabilities	<u>\$124,056</u>	<u>\$66,745</u>	<u>\$2,374,258</u>	<u>\$162,660</u>	<u>\$2,727,719</u>

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Employees' Benefit Trust Funds		Total Employees' Benefit Trust Funds
	Employees' Benefit Retirement System	VEBA Trust Fund	
ADDITIONS			
Investment income:			
Net realized and unrealized appreciation in fair value of investments	\$16,391,668	\$6,777,407	\$23,169,075
Interest	5,670,591	1,192,143	6,862,734
Dividends	44,748,679	619,191	45,367,870
Total investment income	66,810,938	8,588,741	75,399,679
Less investment expense	1,801,665	226,227	2,027,892
Net investment income	65,009,273	8,362,514	73,371,787
Contributions:			
Employer	5,103,346		5,103,346
Plan member	2,653,369		2,653,369
Total contributions	7,756,715		7,756,715
Total additions	72,765,988	8,362,514	81,128,502
DEDUCTIONS			
Benefits	24,505,435		24,505,435
Refund of contributions	1,023,624		1,023,624
Administrative expense	592,010	1,632	593,642
Total deductions	26,121,069	1,632	26,122,701
Change in net assets	46,644,919	8,360,882	55,005,801
Net assets held in trust for benefits at beginning of year	403,270,772	55,660,954	458,931,726
Net assets held in trust for benefits at end of year	\$449,915,691	\$64,021,836	\$513,937,527

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
TREASURER'S CURRENT TAX FUND				
ASSETS				
Cash	\$82,878	\$929,568,096	\$929,526,918	\$124,056
Equity in pooled cash and investments		35,339,167	35,339,167	
Accrued interest		103,304	103,304	
Due from other funds		22,265	22,265	
		<hr/>	<hr/>	
Total Assets	<u>\$82,878</u>	<u>\$965,032,832</u>	<u>\$964,991,654</u>	<u>\$124,056</u>
LIABILITIES				
Due to others	\$82,878	\$237,110,881	\$237,069,703	\$124,056
Due to other funds		1,217,471	1,217,471	
		<hr/>	<hr/>	
Total Liabilities	<u>\$82,878</u>	<u>\$238,328,352</u>	<u>\$238,287,174</u>	<u>\$124,056</u>

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
TREASURER'S DELINQUENT TAX FUND				
ASSETS				
Cash	\$1,316	\$1,968,823	\$1,903,394	\$66,745
Equity in pooled cash and investments		960,560	960,560	
Due from other funds		9,012	9,012	
Total Assets	\$1,316	\$2,938,395	\$2,872,966	\$66,745
LIABILITIES				
Due to others	\$1,316	\$136,372	\$79,954	\$57,734
Due to other funds		21,089	21,089	
Due to other governments		781,061	772,050	9,011
Total Liabilities	\$1,316	\$938,522	\$873,093	\$66,745
CONTRACTORS' RETAINAGES FUND				
ASSETS				
Cash	\$673,637	\$3,657,845	\$1,957,224	\$2,374,258
Equity in pooled cash and investments		646,681	646,681	
Total Assets	\$673,637	\$4,304,526	\$2,603,905	\$2,374,258
LIABILITIES				
Due to others	\$673,637	\$2,993,418	\$1,292,797	\$2,374,258
Due to other funds		2,210	2,210	
Total Liabilities	\$673,637	\$2,995,628	\$1,295,007	\$2,374,258

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
FIFTEENTH DISTRICT COURT				
ASSETS				
Cash	\$178,865	\$515,429	\$531,634	\$162,660
LIABILITIES				
Due to other funds		\$269,029	\$269,029	
Due to other governments	\$111,001	8,658		\$119,659
Deposits	67,864		24,863	43,001
Total Liabilities	\$178,865	\$277,687	\$293,892	\$162,660
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$936,696	\$935,710,193	\$933,919,170	\$2,727,719
Equity in pooled cash and investments		36,946,408	36,946,408	
Accrued interest		103,304	103,304	
Due from other funds		31,277	31,277	
Total Assets	\$936,696	\$972,791,182	\$971,000,159	\$2,727,719
LIABILITIES				
Due to others	\$757,831	\$240,240,671	\$238,442,454	\$2,556,048
Due to other funds		1,509,799	1,509,799	
Due to other governments	111,001	789,719	772,050	128,670
Deposits	67,864		24,863	43,001
Total Liabilities	\$936,696	\$242,540,189	\$240,749,166	\$2,727,719

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Ann Arbor, Michigan as of and for the year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ann Arbor's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ann Arbor's financial statements that is more than inconsequential will not be prevented or detected by the City of Ann Arbor's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1 FRAUD RISK MANAGEMENT PROGRAM

Criteria: Management is responsible for the detection and prevention of fraud. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Condition: During the course of our audit, we noted that the City has not developed or implemented a fraud risk management program. A similar condition was noted and reported in our audit comments last year.

Effect: Due to the City not developing a fraud risk assessment and monitoring program management is unable to assess the City's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

Recommendation: We recommend that the City develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Corrective Action Response: Management has investigated developing a fraud risk management program in cooperation with the City's insurance broker during fiscal year 2007. We are in the process of developing a fraud policy appropriate for the size and complexity of the City and expect completion during fiscal year 2008.

2007-2 PERFORMANCE DEPOSITS AND TREE ESCROW DEPOSITS

Criteria: Management is responsible for the establishment of a system of internal controls 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 accordance with accounting principles generally accepted in the United States of America,

Condition: The City currently holds performance deposits and tree escrow deposits that have been collected as security for satisfactory completion of certain projects. Currently these amounts total approximately \$874,630 and are recorded as cash and liabilities of the General Fund. During our review of documentation for these deposits, we noted that some of the performance deposits go back as far as the 1980's and some of the tree escrow amounts go back as far as 1997. A similar condition was noted and reported in our audit comments last year.

Effect: The City is holding old performance deposits and tree escrow deposits that should be remitted to the rightful owners, escheated to the State, or remitted to the City.

Recommendation: We recommend that the City review these deposits and take steps necessary to return the funds to the rightful owners, escheat the funds to the State under that unclaimed property laws, or remit the amounts to the City due to unsatisfactory outcome of the related project.

Corrective Action Response: Staff has reviewed old accounts related to performance bonds and tree escrow accounts during fiscal year 2007. Refunds of over \$400,000 were issued during the fiscal year. Staff is continuing to investigate old accounts to ensure their proper disposition.

2007-3 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Condition: Material journal entries for the proper recognition accounts payable, capital assets, and beginning fund balance were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the City's general ledger.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls. One of the transactions, had the City recorded it properly in the prior year, would have resulted in additional Federal expenditures being reported on the Schedule of Expenditures of Federal Awards. The program would have been audited as major but was not. The program was audited during the current year with no compliance findings.

Recommendation: We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Management agrees with this recommendation and has made the appropriate changes to financial procedures to ensure this does not re-occur.

2007-4 COMMUNICATION WITH THE DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Criteria: The Downtown Development Authority (DDA) periodically purchases capital assets in the normal course of business. Once purchased, these capital assets become property of the City.

Condition: There is no line of communication currently in place to ensure that all capital asset purchases made by the DDA are recorded as capital assets in the City's financial statements. Material assets purchased by the DDA may be missing from the City's financial statements.

Effect: Without communication of asset purchases between the City and the DDA, there is no mechanism in place to ensure that all material capital assets purchased by the DDA are recorded as capital assets of the City.

Recommendation: We recommend that management of the City work with management of the DDA to develop lines of communication to ensure that all material capital assets purchased by the DDA are reported to the City, and subsequently recorded in the City's financial statements.

Corrective Action Response: Management will implement procedural changes to ensure the City receives the proper level of detail relating to financial transactions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ann Arbor's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above as 2007-3 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ann Arbor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters, which are described below.

2007-5 UNFAVORABLE BUDGET VARIANCES

Criteria: The Uniform Budgeting and Accounting Act (Public Act 621 of 1978) requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined." The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body." The City adopted the budget for the General Fund at the department level and the total expenditure level for the Special Revenue funds.

Condition: As noted in the annual financial statements, some of the budgeted activities of the City exceeded the amounts appropriated. The variances noted were in the General Fund and two (2) Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

Effect: The City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustments as needed.

Corrective Action Response: Management brought a budget amendment to Council in June of 2007 to adjust budgets as needed based on forecasted expenditures. Subsequent to this budget amendment, additional expenditures beyond the forecast were incurred. As this was a new procedure for fiscal year 2007, management will work to refine the forecasts for fiscal year 2008 to ensure sufficient budget amendments are adopted by Council.

2006-1 USE OF CITY CREDIT CARDS

Criteria: Compliance with City administrative policy. City administrative policy #512 provides (among other things) that documentation be maintained for all purchases, that purchases be made only for official City business, that meals, office supplies, and travel expenses not be incurred (except under a departure from policy ordered by the City Administrator), and that use of the City credit card does not exempt the user from compliance with Federal or State regulations as well as City ordinances, policies and procedures.

Condition: During our testing of transactions related to the use of purchasing cards it was determined that the City did not comply with established administrative policy and financial management procedures. This condition was noted and reported in our audit comments last year. It was noted that:

- None of the transactions sampled contained any explanation that would allow a user to determine that the purchase was made for official City business.
- Instances were noted where purchases were made using the City credit cards (meals, recognition functions) that violate Michigan State law or Attorney General Opinions as compiled in Michigan Department of Treasury's document "Determining Lawful Expenditures".

Effect: The City is not in compliance with administrative policy #512.

2006-1 USE OF CITY CREDIT CARDS - CONTINUED

Recommendation: We recommend the City take steps to ensure that supporting documentation be maintained that includes the business purpose of all charges. We further recommend that the cards be used only for lawful expenditures allowed by the State of Michigan.

Corrective Action Response: Management has changed the purchasing card policy and implemented several new procedures during fiscal year 2007. The full effect of these changes should be evident in fiscal year 2008.

2006-2 UNLAWFUL EXPENDITURES

Criteria: Guidance concerning lawful expenditures is given by the Michigan Department of Treasury in a document called "Determining Lawful Expenditures" that is available on their website. Specifically disallowed are expenditures for meals (with some exceptions) and employee recognition.

Condition: Numerous instances of meals being purchased and employee recognition being provided were noted. Each department of the City has a budget each year for employee recognition. This condition was noted and reported in our audit comments last year.

Effect: The City is not in compliance with applicable guidance from the Michigan Department of Treasury.

Recommendation: We recommend that all expenditures that do not have a documented public purpose be discontinued. Also, in the instances where expenditures for employee meals are for a public purpose, we recommend that all supporting documentation be retained, including a written statement of the public purpose for each expenditure.

Corrective Action Response: Management adopted a new policy subsequent to the fiscal year-end that clarifies allowable expenditures for employee recognition and meals.

The City of Ann Arbor's responses to the findings identified in our audit are described above. We did not audit the City of Ann Arbor's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, the Mayor, and the members of the City Council of the City of Ann Arbor, and the federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 18, 2007

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	125
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	131
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	135
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	140
Operating Information These schedules contain service and infrastructure data to help the reader understand how the Information in the government’s financial report relates to the services the government provides and the activities it performs.	142

CITY OF ANN ARBOR
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

TABLE I

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 583,715,108	\$ 598,685,040	\$ 603,474,157	\$ 575,895,851	\$ 611,225,989
Restricted	19,772,929	18,488,574	14,535,869	101,447,127	79,571,639
Unrestricted	41,910,911	48,319,797	44,040,557	17,347,389	25,703,229
Total governmental activities net assets	<u>\$ 645,398,948</u>	<u>\$ 665,493,411</u>	<u>\$ 662,050,583</u>	<u>\$ 694,690,367</u>	<u>\$ 716,500,857</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 95,615,594	\$ 67,551,963	\$ 90,066,898	\$ 97,487,787	\$ 111,888,472
Restricted	13,049,290	16,493,596	16,634,604	15,918,577	15,291,215
Unrestricted	29,295,034	58,330,509	58,691,676	56,489,160	55,985,356
Total business-type activities net assets	<u>\$ 137,959,918</u>	<u>\$ 142,376,068</u>	<u>\$ 165,393,178</u>	<u>\$ 169,895,524</u>	<u>\$ 183,165,043</u>
Primary government					
Invested in capital assets, net of related debt	\$ 679,330,702	\$ 666,237,003	\$ 693,541,055	\$ 673,383,638	\$ 723,114,461
Restricted	32,822,219	34,982,170	31,170,473	117,365,704	94,862,854
Unrestricted	71,205,945	106,650,306	102,732,233	73,836,549	81,688,585
Total primary government net assets	<u>\$ 783,358,866</u>	<u>\$ 807,869,479</u>	<u>\$ 827,443,761</u>	<u>\$ 864,585,891</u>	<u>\$ 899,665,900</u>

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

TABLE II

CITY OF ANN ARBOR
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 21,638,200	\$ 22,240,005	\$ 13,732,411	\$ 13,908,277	\$ 15,219,894
Public safety	36,517,037	38,535,603	43,656,127	44,026,682	42,368,701
Public works	15,913,431	16,728,351	22,554,703	19,659,069	16,388,169
Community and economic development	14,392,069	4,158,934	5,425,385	2,188,427	5,146,231
Culture and recreation	11,586,697	9,190,992	7,697,210	6,810,978	6,464,261
Other - Public Transportation	7,613,357	7,951,457	8,349,044	8,666,141	9,169,355
Debt service	943,997	1,218,936	934,007	1,539,263	2,737,333
Unallocated depreciation	27,326	41,414	37,375	71,575	55,005
Total governmental activities expenses	<u>108,632,114</u>	<u>100,065,692</u>	<u>102,386,262</u>	<u>96,870,412</u>	<u>97,548,949</u>
Business-type activities:					
Water	14,521,017	15,772,718	16,671,468	16,881,883	16,943,066
Sewer	13,665,415	14,102,932	14,019,208	13,488,810	15,247,981
Parking	2,630,276	2,478,172	2,368,344	3,684,777	2,902,894
Market	121,863	149,660	115,892	124,754	124,636
Golf courses	1,465,206	1,275,010	1,152,354	1,134,301	1,115,341
Airport	837,252	804,005	860,515	904,514	842,521
Stormwater	1,879,044	1,875,871	1,662,144	1,556,229	2,622,490
Solid Waste			8,086,147	9,876,503	10,322,715
Hydropower	420,254	467,783	259,773		
Total business-type activities expenses	<u>35,540,327</u>	<u>36,926,151</u>	<u>45,195,845</u>	<u>47,651,771</u>	<u>50,121,644</u>
Total primary government expenses	<u>\$ 144,172,441</u>	<u>\$ 136,991,843</u>	<u>\$ 147,582,107</u>	<u>\$ 144,522,183</u>	<u>\$ 147,670,593</u>

TABLE II

CITY OF ANN ARBOR
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS-CONTINUED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,376,855	\$ 8,974,662	\$ 5,425,726	\$ 10,716,589	\$ 4,968,702
Public safety	10,347,613	10,189,485	11,539,080	11,624,431	12,119,252
Public works	2,172,513	7,495,156	3,220,105	1,834,707	4,224,568
Community and economic development		1,109,134	(81,681)	890	
Culture and Recreation	2,119,851	2,650,541	2,280,083	2,482,219	2,447,072
Other - Public Transportation	76,113	79,541	83,507	86,770	91,589
Operating grants and contributions	21,132,464	10,608,459	12,245,420	12,604,477	10,659,938
Capital grants and contributions	893,925	1,806,735	1,213,663	791,100	479,321
Total governmental activities program revenues	<u>45,119,334</u>	<u>42,913,713</u>	<u>35,925,903</u>	<u>40,141,183</u>	<u>34,990,442</u>
Business-type activities:					
Charges for services:					
Water	16,174,325	15,997,464	18,085,363	18,377,961	19,075,505
Sewer	16,042,136	15,830,994	18,330,302	18,933,853	17,330,738
Parking	4,328,687	3,691,597	3,462,633	3,066,276	3,305,205
Market	80,162	151,244	131,348	125,347	126,979
Golf courses	1,201,935	1,172,313	1,042,785	998,218	870,567
Airport	687,558	716,242	830,657	719,842	773,784
Stormwater	2,641,035	2,881,077	3,529,955	3,758,240	4,373,848
Solid Waste			478,493	814,140	729,343
Hydropower	214,556	261,730			
Capital grants and contributions					668,917
Total business-type activities program revenues	<u>41,370,394</u>	<u>40,702,661</u>	<u>45,891,536</u>	<u>46,793,877</u>	<u>47,254,886</u>
Total primary government program revenues	<u>\$ 86,489,728</u>	<u>\$ 83,616,374</u>	<u>\$ 81,817,439</u>	<u>\$ 86,935,060</u>	<u>\$ 82,245,328</u>

TABLE II

CITY OF ANN ARBOR
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS-CONCLUDED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (Expense) Revenue					
Governmental activities	\$ (63,512,780)	\$ (57,151,979)	\$ (66,460,359)	\$ (56,729,229)	\$ (62,558,507)
Business-type activities	5,830,067	3,776,510	695,691	(857,894)	(2,866,758)
Total primary government net expense	<u>\$ (57,682,713)</u>	<u>\$ (53,375,469)</u>	<u>\$ (65,764,668)</u>	<u>\$ (57,587,123)</u>	<u>\$ (65,425,265)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	\$ 53,597,747	\$ 56,035,123	\$ 51,423,077	\$ 45,587,059	\$ 48,243,639
Property taxes, levied for debt services	7,686,425	8,127,043	8,029,733	16,430,807	17,236,440
Special Assessment					
State-shared revenues and grants (unrestricted)	13,227,051	11,865,469	11,674,762	11,469,467	11,464,818
Investment income	2,495,814	907,722	2,181,348	4,246,277	7,990,673
Gain on sale of assets	268,143				
Special Item				4,100,000	
Transfers	1,623,844	646,593	1,870,457	7,134,212	(1,276,359)
Other	1,104,228	(335,508)	367,458	194,410	709,786
Total governmental activities	<u>80,003,252</u>	<u>77,246,442</u>	<u>75,546,835</u>	<u>89,162,232</u>	<u>84,368,997</u>
Business-type activities:					
Taxes					
Property taxes, levied for general purposes			10,011,080	10,399,700	10,998,459
Property taxes, levied for debt services					
State-shared revenues and grants (unrestricted)					
Investment income	1,083,726	304,132	1,651,492	2,177,470	3,861,459
Gain on sale of assets	46,255				
Transfers	(1,623,844)	335,508	(1,870,457)	(7,134,212)	1,276,359
Total business-type activities	<u>(493,863)</u>	<u>639,640</u>	<u>9,792,115</u>	<u>5,442,958</u>	<u>16,136,277</u>
Total primary government	<u>\$ 79,509,389</u>	<u>\$ 77,886,082</u>	<u>\$ 85,338,950</u>	<u>\$ 94,605,190</u>	<u>\$ 100,505,274</u>
Change in Net Assets					
Governmental activities	\$ 16,490,472	\$ 20,094,463	\$ 9,086,476	\$ 32,433,003	\$ 21,810,490
Business-type activities	5,336,204	4,416,150	10,487,806	4,585,064	13,269,519
Total primary government	<u>\$ 21,826,676</u>	<u>\$ 24,510,613</u>	<u>\$ 19,574,282</u>	<u>\$ 37,018,067</u>	<u>\$ 35,080,009</u>

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

TABLE III

CITY OF ANN ARBOR
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 497,526	\$ 571,515	\$ 1,580,541	\$ 2,156,339	\$ 1,128,857	\$ 798,049	\$ 1,346,170	\$ 920,078	\$ 485,868	\$ 270,048
Unreserved	13,248,759	13,644,975	13,800,396	7,964,747	6,488,557	7,759,394	8,117,344	9,740,289	11,962,837	16,126,413
Total General Fund	<u>\$ 13,746,285</u>	<u>\$ 14,216,490</u>	<u>\$ 15,380,937</u>	<u>\$ 10,121,086</u>	<u>\$ 7,617,414</u>	<u>\$ 8,557,443</u>	<u>\$ 9,463,514</u>	<u>\$ 10,660,367</u>	<u>\$ 12,448,705</u>	<u>\$ 16,396,461</u>
All Other Governmental Funds										
Reserved	\$ 7,837,630	9,731,247	\$ 8,975,856	\$ 9,271,201	\$ 11,954,731	\$ 15,115,496	\$ 13,463,689	\$ 7,410,788	\$ 33,451,679	\$ 14,783,804
Unreserved, reported in:										
Special revenue funds	13,226,904	7,159,520	15,000,029	15,096,984	23,169,533	26,026,533	21,250,565	35,852,445	34,425,813	70,463,629
Capital projects funds	3,271,365	6,505,968	11,497,955	13,088,634	13,724,712	15,260,231	21,486,018	10,799,473	11,709,820	
Central duplicating projects	92,617	2,543								
Information Services projects	84,868	672,242	1,412,317	2,060,987	321,977					
Debt service funds						1,990,759	1,828,253	1,621,672		
Subsequent year's expenditures	1,982,598	10,148,173	1,092,341	1,512,921	2,527,377	1,963,668				
Undesignated									26,634,034	
Total all other governmental funds	<u>\$ 26,495,982</u>	<u>\$ 34,219,693</u>	<u>\$ 37,978,498</u>	<u>\$ 41,030,727</u>	<u>\$ 51,698,330</u>	<u>\$ 60,356,687</u>	<u>\$ 58,028,525</u>	<u>\$ 55,684,378</u>	<u>\$ 106,221,346</u>	<u>\$ 85,247,433</u>

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

TABLE IV

CITY OF ANN ARBOR
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 48,174,774	\$ 50,960,730	\$ 52,787,520	\$ 54,797,240	\$ 57,801,733	\$ 61,284,172	\$ 64,162,166	\$ 59,452,810	\$ 62,017,866	\$ 65,480,079
Special Assessments/improvement charges	464,143	460,225	499,979	471,113	293,355	893,925	714,075	130,872	122,147	119,198
Licenses, fees & permits	2,698,512	2,945,101	4,099,147	3,122,293	2,856,377	3,001,458	3,145,919	3,715,412	3,229,331	1,210,631
Federal grants	2,775,261	3,335,371	2,480,560	3,279,419	2,475,059	3,018,503	2,132,556	3,842,697	4,853,737	3,801,631
State shared revenues and grants	19,987,187	20,399,496	21,460,079	22,428,861	24,055,728	31,341,012	20,341,372	20,077,485	20,011,307	19,214,610
Charges for services	9,564,778	9,154,370	10,368,179	10,196,953	7,251,540	8,175,886	13,268,471	9,343,486	9,608,385	14,846,082
Fines & penalties	5,052,292	5,238,081	5,737,482	5,541,929	5,321,733	5,901,225	5,479,578	5,787,212	5,997,715	5,894,126
Interest and penalties	174,726	142,938	104,810	100,644	120,128	86,841	95,095	50,227	39,894	36,551
Investment income	3,458,246	3,204,491	3,129,341	5,495,927	3,355,595	2,324,906	786,244	1,830,015	3,844,416	7,216,882
Rental	71,993	52,171	50,107	49,163	53,363	52,839	109,655	58,482	128,882	185,173
Contributions and donations	81,807	56,379	295,672	104,087	50,176	140,025	398,211	232,206	164,162	171,640
Sale of property and equipment	122,071	105,267	420,055	15,051	15,227	97,668	49,471	18,370	3,470	33,837
Intra-governmental sales	27,879	18,622	24,183	143,388	83,826	47,048	526,340	57,020	157,850	535,049
Reimbursements and refunds			44,564	482,100						
Miscellaneous	721,536	1,807,085	646,367	467,197	503,275	1,104,228	646,593	367,458	194,410	709,786
Total Revenues	93,375,205	97,880,327	102,148,045	106,695,365	104,237,115	117,469,736	111,855,746	104,963,752	110,373,572	119,455,275
Expenditures										
General government	53,038,505	61,093,707	66,528,891	67,977,909	64,786,881	76,380,826	71,949,620	62,580,503	58,196,427	54,702,644
Public Safety	27,018,077	27,613,214	28,230,695	34,397,326	31,924,968	31,920,806	33,472,092	34,559,387	37,492,113	43,476,726
Capital outlay	1,719,513	400,631	2,151,920	4,324,540	1,110,978	1,687,981	7,216,099	2,438,127	10,943,071	31,209,188
Debt service:										
Principal	3,309,691	2,940,190	3,449,129	3,330,792	2,544,562	2,470,661	2,556,100	2,516,100	2,508,050	3,405,000
Interest	2,361,936	2,147,998	1,656,535	1,472,433	1,066,153	970,388	1,187,383	971,713	1,329,166	2,422,079
Total expenditures	87,447,722	94,195,740	102,017,170	111,503,000	101,433,542	113,430,662	116,381,294	103,065,830	110,468,827	135,215,637
Excess of revenues over (under) expenditures	5,927,483	3,684,587	130,875	(4,807,635)	2,803,573	4,039,074	(4,525,548)	1,897,922	(95,255)	(15,760,362)
Other Financing Sources (Uses):										
Transfers in	11,448,159	25,545,391	19,136,672	18,173,436	16,973,562	9,652,384	7,927,995	11,784,483	21,817,720	9,362,022
Transfers out	(10,757,737)	(21,130,404)	(17,102,352)	(15,704,753)	(15,126,528)	(8,037,958)	(8,324,538)	(9,577,715)	(12,938,988)	(10,627,817)
Proceeds of refunding bonds		13,204,633								
Payment to refunded bond escrow agent		(15,180,758)								
Bond Proceeds		1,507,050			815,000	4,000,000			44,885,000	
Bond Discount						(55,114)				
Bond Issuance Costs					(12,225)				(305,812)	
Note Proceeds		563,417		263,041			3,500,000			
Total other financing sources (uses)	690,422	4,509,329	2,034,320	2,731,724	2,649,809	5,559,312	3,103,457	2,206,768	53,457,920	(1,265,795)
Net change in fund balances	\$ 6,617,905	\$ 8,193,916	\$ 2,165,195	\$ (2,075,911)	\$ 5,453,382	\$ 9,598,386	\$ (1,422,091)	\$ 4,104,690	\$ 53,362,665	\$ (17,026,157)
Debt service as a percentage of noncapital expenditures	6.6%	5.4%	5.1%	4.5%	3.9%	3.4%	4.2%	4.1%	4.3%	6.2%

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

TABLE V

CITY OF ANN ARBOR
TAXABLE VALUE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
1998	\$2,561,309,025	\$242,149,600		\$2,803,458,625	17.2215
1999	2,696,959,403	260,367,000		2,957,326,403	17.3056
2000	2,812,309,779	280,181,600		3,092,491,379	17.1320
2001	2,949,820,311	267,104,900		3,216,925,211	17.1295
2002	3,153,455,816	269,398,975		3,422,854,791	17.0025
2003	3,375,930,999	299,043,900		3,674,974,899	16.8691
2004	3,554,607,491	274,842,600		3,829,450,091	16.9015
2005	3,755,255,488	273,920,800		4,029,176,288	16.9013
2006	3,964,733,709	256,014,650		4,220,748,359	16.8156
2007	4,227,329,588	254,272,500		4,481,602,088	16.6605

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

TABLE VI

CITY OF ANN ARBOR
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$1,000 OF TAXABLE VALUE)
LAST TEN FISCAL YEARS
(Unaudited)

	City of Ann Arbor Direct Rate								Overlapping Rates					Total
	Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Total Direct Tax Rate	Ann Arbor Public Schools**	Ann Arbor District Library***	Washtenaw County	Washtenaw Community College	
Homestead	1998	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	21.4759	1.6500	5.5322	3.9029	49.7825
Non-Homestead	1998	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	30.5031	1.6500	5.5322	3.9029	58.8097
Homestead	1999	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	20.6808	1.6500	5.5629	4.1029	49.3022
Non-Homestead	1999	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	30.2352	1.6500	5.5629	4.1029	58.8566
Homestead	2000	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	19.9233	1.6500	5.5809	4.0319	48.3181
Non-Homestead	2000	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	29.6256	1.6500	5.5809	4.0319	58.0204
Homestead	2001	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	18.8558	1.9500	5.5317	3.9944	47.4614
Non-Homestead	2001	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	29.4965	1.9500	5.5317	3.9944	58.1021
Homestead	2002	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	18.1505	1.9500	5.7269	3.9721	46.8020
Non-Homestead	2002	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	29.1050	1.9500	5.7269	3.9721	57.7565
Homestead	2003	6.0315	2.5302	2.1085	2.1085	0.6916	1.4166	1.9822	16.8691	19.2398	1.9500	5.6420	3.8559	47.5568
Non-Homestead	2003	6.0315	2.5302	2.1085	2.1085	0.6916	1.4166	1.9822	16.8691	30.6320	1.9500	5.6420	3.8559	58.9490
Homestead	2004	6.0315	2.5264	2.1054	2.1054	0.7300	1.4236	1.9792	16.9015	17.1741	1.9500	5.5819	3.8343	45.4418
Non-Homestead	2004	6.0315	2.5264	2.1054	2.1054	0.7300	1.4236	1.9792	16.9015	29.5202	1.9500	5.5819	3.8343	57.7879
Principal Residence Exemption (PRE)	2005	6.2125	2.5137	2.0948	2.0948	0.6000	1.4162	1.9693	16.9013	19.1890	1.9476	5.5493	3.7748	47.3620
Non-PRE	2005	6.2125	2.5137	2.0948	2.0948	0.6000	1.4162	1.9693	16.9013	31.5090	1.9476	5.5493	3.7748	59.6820
Principal Residence Exemption (PRE)	2006	6.2318	2.4925	2.0772	2.0772	0.5800	1.4042	1.9527	16.8156	18.7994	1.9332	5.5024	3.7249	46.7755
Non-PRE	2006	6.2318	2.4925	2.0772	2.0772	0.5800	1.4042	1.9527	16.8156	31.2636	1.9332	5.5024	3.7249	59.2397
Principal Residence Exemption (PRE)	2007	6.1856	2.4740	2.0618	2.0618	0.5454	1.3937	1.9382	16.6605	18.2226	1.9214	5.6768	3.7082	46.1895
Non-PRE	2007	6.1856	2.4740	2.0618	2.0618	0.5454	1.3937	1.9382	16.6605	31.2154	1.9214	5.6768	3.7082	59.1823

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 3.9970 mills and State Education Tax of 6.0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 12.3461 mills is included for School Operating Tax.

*** Ann Arbor District Library is now a separate taxing unit, beginning with 1996 tax, and previously was included in Ann Arbor Public Schools millage.

The City has enjoyed a stable property tax rate in all taxing jurisdictions due to annual increases in valuations as a result of economic growth.

Source: City of Ann Arbor Financial Services, Assessing Unit

TABLE VII

CITY OF ANN ARBOR
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR & NINE YEARS AGO
(Unaudited)

Taxpayer	Type of Business	2007			1998		
		Taxable Value	Rank	Percentage of Total City Assessed Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Pfizer-Parke Davis	Pharmaceuticals	\$ 222,976,534	1	4.98%	\$ 98,825,800	1	3.53%
Briarwood Shopping Complex	Shopping Center	38,891,632	2	0.87%	35,630,475	2	1.27%
Detroit Edison	Utility	33,044,692	3	0.74%	24,962,414	3	0.89%
Arbor Land	Shopping Center	29,604,200	4	0.66%			
Geddes Lakes Cooperative	Co-op Housing	18,794,447	5	0.42%	12,496,200	5	0.45%
Windemere Park Apartments	Apartments	17,520,000	6	0.39%	11,771,700	6	0.42%
McKinley Associates	Apartments	16,599,036	7	0.37%			
Great Lakes REIT	Office Building	20,874,300	8	0.47%			
Village Cooperative	Co-op Housing	14,773,312	9	0.33%	10,866,500	7	0.39%
Michigan Consolidated Gas Co.	Utility	14,085,700	10	0.31%	20,924,500	4	0.75%
Woodbury Garden Associates	Apartments				10,279,500	8	0.37%
Woodland Meadows Apartments	Apartments				9,595,902	9	0.34%
777 Eisenhower	Office Building				8,429,600	10	0.30%
Total		\$ 427,163,853		9.54%	\$ 243,782,591		8.71%

Source: City of Ann Arbor Financial Services, Assessing Unit

CITY OF ANN ARBOR
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE VIII

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amounts	Percentage of Levy
1998	\$47,465,910	\$46,477,106	97.9%	\$875,092	\$47,352,198	99.8%
1999	50,297,248	49,305,383	98.0%	883,949	50,189,332	99.8%
2000	52,075,252	51,162,749	98.3%	795,259	51,958,008	99.8%
2001	54,210,561	53,385,722	98.5%	753,115	54,138,837	99.9%
2002	57,214,924	56,263,669	98.3%	832,408	57,096,077	99.8%
2003	61,993,518	60,937,583	98.3%	844,144	61,781,727	99.7%
2004	64,735,506	63,519,485	98.1%	1,015,842	64,535,327	99.7%
2005	68,096,928	66,903,671	98.2%	1,050,334	67,954,005	99.8%
2006	71,971,311	70,772,145	98.3%	1,054,936	71,827,081	99.8%
2007	75,936,565	74,440,502	98.0%	1,449,352	75,889,854	99.9%

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.

Source: City of Ann Arbor Financial Services, Treasury Unit

TABLE IX

CITY OF ANN ARBOR
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)
(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	General Obligation Portion of Special Revenue Bonds	Special Assessment Bonds	Other Long-Term Debt	Ann Arbor Building Authority Bonds	Lease Contract Payable	Revenue Bonds	Other Long-term Debt	Other Bonds			
1998	\$24,150	\$960	\$6,050	\$3,440	\$2,445	\$8,090	\$3,400	\$44,875	\$740	\$5,690	\$99,840	1.00%	912
1999	21,895	1,485	5,910	3,595	2,523	22,355	2,800	50,780	923	5,470	117,736	1.10%	1,076
2000	20,620	1,220	5,332	3,030	1,921	32,035	2,200	47,615	732	4,973	119,678	1.04%	1,093
2001	19,245	1,055	4,752	2,550	1,446	30,795	1,600	44,285	571	4,463	110,762	0.94%	972
2002	17,770	1,250	2,730	876	33,040	1,200	45,855	896	3,939	107,556	0.88%	943	
2003	16,180	1,150	4,000	2,335	460	31,505	800	42,210	721	3,269	102,630	0.79%	900
2004	14,515	1,025	3,925	1,930	3,644	29,965	400	75,240	782	2,587	134,013	1.00%	1,175
2005	12,760	895	3,790	1,530	3,548	28,270		71,405	2,260	1,406	125,864	0.92%	1,101
2006	35,575	760	23,900	1,165	3,500	26,555		66,750	2,972	1,061	162,238	1.17%	1,419
2007	33,115	620	23,455	805	3,500	24,710		62,040	5,734	4,962	158,941	1.14%	1,390

Note: For fiscal year 2007 percent of personal income, the divisor used was for 2006 since 2007 Personal income is not available until September 2008.

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

TABLE X

CITY OF ANN ARBOR
 RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)
 (Unaudited)

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	General Obligation Portion of Special Revenue Bonds	Total		
1998	\$24,150	\$960	\$6,050	\$31,160	1.11%	\$284.72
1999	21,895	1,485	5,910	29,290	0.99%	267.64
2000	20,620	1,220	5,332	27,172	0.88%	248.21
2001	19,245	1,055	4,752	25,052	0.78%	219.77
2002	17,770	1,250		19,020	0.56%	166.81
2003	16,180	1,150	4,000	21,330	0.58%	187.01
2004	14,515	1,025	3,925	19,465	0.51%	170.65
2005	12,760	895	3,790	17,445	0.43%	152.59
2006	35,575	760	23,900	60,235	1.43%	526.86
2007	33,115	620	23,455	57,190	1.28%	500.23

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 See Schedule 5 (Exhibit C-1) for property value data.
 Population data can be found in Schedule 14 (Exhibit E-1)

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

TABLE XI

CITY OF ANN ARBOR
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2007
 (dollars in thousands)
 (Unaudited)

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
DIRECT DEBT			
General Obligation Bonds	\$ 33,572		
Ann Arbor Building Authority Bonds	24,710		
Other Long-Term Debt	3,500		
City direct debt	<u>\$ 61,782</u>		
OVERLAPPING DEBT			
Ann Arbor School District	\$ 198,085	60.660%	\$ 120,158
Washtenaw Community College	78,652	30.620%	24,083
Washtenaw County at Large	58,950	31.350%	18,481
Overlapping debt	<u>\$ 335,687</u>		<u>\$ 162,722</u>
Total direct & overlapping debt			<u>\$ 224,504</u>

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

TABLE XII

CITY OF ANN ARBOR
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2007

Taxable value of real and personal property	\$ 4,481,602,088
Debt limit (10% of assessed value)	448,160,209
Debt applicable to limit:	
Net direct debt	61,781,760
Less: Special Assessment bonds (general obligation portion)	<u>(800,753)</u>
Total net debt applicable to limit	60,981,007
Legal debt margin	<u>\$ 387,179,202</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 280,345,863	\$ 295,732,640	\$ 309,249,138	\$ 321,692,521	\$ 342,285,479	\$ 367,497,490	\$ 382,945,009	\$ 402,917,629	\$ 422,074,836	\$ 448,160,209
Total net debt applicable to limit	34,684,605	46,956,121	54,575,642	51,485,511	51,625,889	47,909,852	48,124,150	43,944,619	63,436,196	60,981,007
Legal debt margin	<u>\$ 245,661,258</u>	<u>\$ 248,776,519</u>	<u>\$ 254,673,496</u>	<u>\$ 270,207,010</u>	<u>\$ 290,659,590</u>	<u>\$ 319,587,638</u>	<u>\$ 334,820,859</u>	<u>\$ 358,973,010</u>	<u>\$ 358,638,640</u>	<u>\$ 387,179,202</u>

Total net debt applicable to the limit
as a percentage of debt limit

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

CITY OF ANN ARBOR
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
Water Supply System:							
1998	\$14,385,459	\$10,208,257	\$4,177,202	\$1,520,000	\$1,963,116	\$3,483,116	1.2
1999	13,491,641	10,398,392	3,093,249	1,525,000	1,862,659	3,387,659	0.9
2000	15,347,694	10,323,987	5,023,707	1,880,000	2,000,997	3,880,997	1.3
2001	15,324,166	9,654,378	5,669,788	1,985,000	1,775,399	3,760,399	1.5
2002	17,772,569	9,955,579	7,816,990	2,235,000	1,653,572	3,888,572	2.0
2003	16,510,943	10,629,592	5,881,351	2,240,000	1,779,305	4,019,305	1.5
2004	16,105,264	11,065,321	5,039,943	2,470,000	1,580,236	4,050,236	1.2
2005	18,365,626	12,229,142	6,136,484	2,665,000	1,753,678	4,418,678	1.4
2006	18,719,846	12,793,461	5,926,385	3,090,000	1,266,128	4,356,128	1.4
2007	19,645,050	12,815,434	6,829,616	3,085,000	1,311,200	4,396,200	1.6
Sewage Disposal System:							
1998	\$14,896,297	\$9,650,824	\$5,245,473	\$1,040,000	\$653,672	\$1,693,672	3.1
1999	12,610,932	9,673,398	2,937,534	1,095,000	575,047	1,670,047	1.8
2000	14,181,088	11,236,645	2,944,443	1,200,000	528,680	1,728,680	1.7
2001	15,140,567	12,526,551	2,614,016	1,250,000	478,705	1,728,705	1.5
2002	16,870,157	10,147,750	6,722,407	1,305,000	411,860	1,716,860	3.9
2003	16,555,436	9,578,002	6,977,434	1,300,000	367,060	1,667,060	4.2
2004	15,938,987	10,904,443	5,034,544	1,115,000	322,820	1,437,820	3.5
2005	19,351,456	9,667,652	9,683,804	1,125,000	1,694,292	2,819,292	3.4
2006	20,291,760	9,621,514	10,670,246	1,440,000	1,243,005	2,683,005	4.0
2007	21,168,920	11,400,323	9,768,597	1,495,000	1,166,739	2,661,739	3.7
Stormwater Sewer System:							
1998	\$2,054,249	\$1,533,796	\$520,453	\$80,000	\$69,204	\$149,204	3.5
1999	2,137,340	1,713,109	424,231	80,000	64,506	144,506	2.9
2000	1,999,327	1,721,429	277,898	85,000	61,750	146,750	1.9
2001	2,129,529	1,666,023	463,506	95,000	56,508	151,508	3.1
2002	2,487,424	1,581,689	905,735	100,000	51,781	151,781	6.0
2003	2,688,709	1,681,136	1,007,573	105,000	45,270	150,270	6.7
2004	2,859,418	1,691,556	1,167,862	110,000	41,366	151,366	7.7
2005	3,578,596	1,449,544	2,129,052	115,000	36,243	151,243	14.1
2006	3,810,641	1,333,400	2,477,241	125,000	51,547	176,547	14.0
2007	4,564,942	2,261,839	2,303,103	130,000	22,802	152,802	15.1

Notes:

- (1) Includes interest income.
(2) Excludes depreciation expense.

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

CITY OF ANN ARBOR
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (Unaudited)

TABLE XIV

Year	Population (1)	Personal income (thousands of dollars) (2)	Per Capita Personal Income (2)	Median Age (1)	Education Level in Years of Schooling (1)	School Enrollment (3)	Unemployment Rate % (4)
1998	109,440	9,994,082	31,971	27.9	16.5	16,800	2.0
1999	109,440	10,710,960	33,654	27.9	16.5	16,330	1.8
2000	109,472	11,541,043	35,593	27.9	16.5	16,530	1.5
2001	113,992	11,774,476	35,873	27.9	16.5	16,589	2.9
2002	114,024	12,226,644	36,783	28.1	16.5	16,768	2.9
2003	114,061	12,989,048	38,706	28.1	16.5	16,664	4.1
2004	114,061	13,391,280	39,528	28.1	16.5	16,724	4.4
2005	114,328	13,751,795	40,228	28.1	16.5	16,980	4.7
2006	114,328	13,892,850	40,381	27.3	16.5	16,980	4.4
2007	114,328	n/a*	n/a*	27.3	16.5	16,680	5.2

Sources:

(1) U. S. Census Bureau

(2) Bureau of Economic Analysis: Regional Economic
<http://www.bea.gov/region/reis/default.cfm?catable=CA1-3§ion=2>

*Note: Accelerated estimates of personal income for 2006 from metropolitan statistical areas (MSAs) were released September 2007. 2007 data is not available until September 2008.

(3) Ann Arbor Public School's Child Accounting Office.
http://www.aaps.k12.mi.us/aaps.about/demographic_data

(4) Michigan Employment Security Commission statistics for Washtenaw County.
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

CITY OF ANN ARBOR
PRINCIPAL EMPLOYERS
CURRENT YEAR & NINE YEARS AGO
(Unaudited)

TABLE XV

Taxpayer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Michigan	29,165	1	46.38%	18,300	1	47.60%
Univ. of Mich Hospitals & Health System	17,057	2	27.13%	7,736	2	20.12%
St. Joseph Mercy Health System	5,077	3	8.07%	4,255	3	11.07%
Ann Arbor Public Schools	3,000	4	4.77%	1,900	4	4.94%
Pfizer Inc.	2,500	5	3.97%			
Washtenaw Community College	1,500	6	2.39%	1,400	6	3.64%
Borders Group, Inc.	1,330	7	2.12%	1,600	5	4.16%
Veterans Administration Medical Center	1,230	8	1.96%			
Washtenaw County	1,200	9	1.91%			
City of Ann Arbor	822	10	1.30%	974	8	2.53%
Bell & Howell Learning and Information				1,000	7	2.60%
Domino's Pizza				650	9	1.44%
NSK Corp				628	10	1.63%
Total	<u>62,881</u>		<u>100.00%</u>	<u>\$ 38,443</u>		<u>99.73%</u>

Source: Ann Arbor Business Review (Prime Numbers: Top 100 Employers, January's Edition) for 2007
Crain's List (Washtenaw County's Largest Employers) May 1999 Edition

TABLE XVI

CITY OF ANN ARBOR
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

Full-Time Equivalent Employees as of June 30										
Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Financial Services	68	74	90	66	67	66	54	49	47	50
Community Services	39	37	37	37	72	73	65	67	56	41
Parks & Recreation	70	71	78	82	32	34	23	18	24	23
City Administrator Services	6	8	8	8	20	20	20	18	16	31
Mayor & Council	2	2	2	2	1	1	1	1	1	1
Other					1	1				
Police										
Officers	235	234	235	232	242	240	236	225	159	159
Civilians	11	10	11	12				67	67	
Fire										
Firefighters & Officers	116	116	122	126	114	115	100	102	94	94
Civilians	5	5	5	5						
Public Services										
Project Management	32	32	33	35	35	35	34	19	17	16
Water	70	70	52	70	32	32	28	24	21	24
Wastewater Treatment	64	64	63	63	45	39	36	35	32	34
Field Operations	145	146	149	151	188	174	155	146	124	128
Other	51	47	50	55	50	50	50	74	103	92
15th District Court	40	40	40	40	40	40	41	41	41	41
Retirement System	3	3	3	4	4	4	4	4	4	4
Downtown Development Authority	1	3	2	2	2	3	3	3	3	3
City Attorney	12	12	12	14	14	14	13	14	14	14
Per Budget Book	970	974	992	1,004	959	941	863	840	823	822

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

TABLE XVII

CITY OF ANN ARBOR
OPERATING INDICATORS BY FUNCTION/PROGRAM
CURRENT AND PRIOR FISCAL YEAR
(Unaudited)

Function/Program	2006	2007
Police		
Physical arrests	1,786	1,731
Parking violations	193,498	191,563
Traffic violations	348	26,459
Fire		
Emergency responses	5,629	5,966
Fire extinguished	330	316
Inspections	238	1,088
Refuse Collection		
Refuse collected (tons per day)	117.61	125.00
Recyclables collected (tons per day)	6.42	9.00
Other Public works		
Street resurfacing (miles)	6.25	6.20
Potholes repaired (tons)	449.43	273.00
Parks and Recreation		
Athletic field permits issued	1,142	1,040
Community center admissions	10,764	10,168
Water		
New connections	27,156	27,813
Water mains breaks	80	104
Average daily consumption (millions of gallons)	13,960	11.947
Peak daily consumption (millions of gallons)	21,594	22.007
Wastewater		
Average daily sewage treatment (millions of gallons)	19,600	19,085

Source: Various services areas within City of Ann Arbor
Reporting for FY2006 and FY2007 only, not required to report retroactively.
*GASB Statement No. 44 (Economic Condition Reporting: The Statistical Section)

TABLE XVIII

CITY OF ANN ARBOR
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	4	4	4	4	4	2	2	2	2	2
Patrol units	36	36	36	36	36	36	37	35	35	34
Fire Stations	6	6	6	6	6	6	5	5	5	5
Refuse Collection										
Collection Trucks	18	18	18	18	18	18	17	16	14	14
Other Public works										
Streets (miles)	282.93	283.83	283.83	289.74	289.74	289.74	291.46	295.13	295.13	295.13
Streetlights	6,784	8,369	8,483	8,547	8,685	8,701	8,786	8,858	7,028	7,134
Traffic signals	146	147	147	149	150	150	153	154	154	154
Parks and Recreation										
Acreage	2,040	1,983	1,983	2,027	2,027	2,027	2,055	2,055	2,056	2,069
Playgrounds	140	146	146	147	147	147	153	153	153	78
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	21	21	22	22	22	22	23	23	25	25
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	434.72	439.55	442.21	439.81	448	440	441	478	481.6	480.5
Fire hydrants	3,582	3,604	3,750	3,800	3,428	3,294	3,345	3,428	3,466	3,510
Storage Capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Wastewater										
Sanitary sewers (miles)	332.69	334.75	336.5	337.24	337.24	364	365	395	400.2	401.9
Storm sewers (miles)	196.12	197.78	198.78	199.07	199.07	271	271	341	359.9	367.8
Treatment capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

Source: Various services areas within City of Ann Arbor