



City of Ann Arbor Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2010



- INNOVATION**
- DEDICATION**
- TEAM WORK**
- RESOURCEFULNESS**
- ENTHUSIASM**
- COMMITMENT**

"The City of Ann Arbor is committed to providing excellent municipal services that enhance the quality of life for all through the intelligent use of our resources while valuing an open environment that fosters fair, sensitive and respectful treatment of all employees and the community we serve."

CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2010



Issued by:

Financial and Administrative Services
Accounting Services Unit
100 N. Fifth Avenue
Ann Arbor, Michigan 48107
(734) 794-6500

CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2010

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CITY OF ANN ARBOR, MICHIGAN

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

December 17, 2010

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, 2010, 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 U. S. 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, 2010.

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.

Abraham & Gaffney, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

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

Certain services are provided through legally separate component units. The City includes one blended component unit and three discretely presented component units in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The Ann Arbor Building Authority is presented as a blended component unit, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds to finance major capital construction by the City. The Downtown Development Authority, Ann Arbor Housing Commission and SmartZone Local Development Finance Authority (SmartZone LDFA) are all presented as discretely presented component units of the City. Additional information on all of these legally separate entities can be found in the notes to the financial statements (See Note 1.A, p. 37).

Recently the City has been recognized nationally for many of the services provided by the City to the citizens of Ann Arbor. The City was included as 6th by *eRepublic's Center for Digital Government and Digital Communities Magazine* in their recent article "Best Digital City" for use of technology to create a seamless environment between government and citizens. The City has been recognized nationally by *Forbes Magazine* as 4th in their list of "America's Most Livable Cities", *Kiplinger* reported Ann Arbor as a "Top 10 Cities To Raise a Family", and *Bicycling Magazine* included the city as 14th in their list of "America's Top 50 Bike-friendly Cities". Other recognition includes awards for "Tree City USA Growth Award" from the Arbor Day Foundation, "Taste Contest Award" recipient from the American Water Works Association, World Energy Globe Award for Sustainability for the LED lighting in the downtown area. This recognition demonstrates the commitment to excellence the City strives to provide in each area of service provided to the citizens.

Local Economy. The City is endowed with several major corporations located within its boundaries such as Thomson Reuters, Borders and Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan that employs 26,241 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

The City is surrounded by three higher educational centers 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. The U.S. Census Bureau identified 112,852 residents in Ann Arbor, representing 32.5% of the population base in Washtenaw County. The median household income of our citizens is \$46,299. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

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

The City is operating in a challenging economic environment. The local unemployment rate reached 10% in fiscal year 2010 (the highest rate in the past ten years) and property tax receipts (the City's largest source of operating revenue) moderated to be either declining or a small increase. In recent months the unemployment rate has shown some improvement but is still well above a ten year average while the real estate market remains weak.

The City continues to struggle with the State of Michigan's inability to resolve its own structural budget issues. The States structural deficit frequently results in reductions to local support and perpetuates an economic environment which is difficult for cities to operate within.

In addition to declining revenues, the City anticipates increased costs for retiree benefits (pension & healthcare) due primarily to the financial market declines of 2008. While the trust funds' values have begun to rebound from June 2009 levels, the retirement system will continue to require higher contributions from the City.

As the City adapts to the new economic environment, the City has sought to reduce costs without impacting services. During this fiscal year a restructuring occurred in Police Services. As the largest component of the General Fund, this restructuring enabled the City to focus on core services at a reduced cost to its citizens without a significant reduction in services. In addition, mid-year reductions across the organization were required to reduce costs to address lower than planned revenues.

The City has been implementing a revised health care plan for active employees to reduce employer costs for benefits while incentivizing employee wellness. A portion of the active employees are on the new plan but some bargaining units have not yet adopted it, and the City's largest bargaining unit has a contract which does not expire until 2011.

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, the City Council, in 2002, 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 fiscal year 2000 budget, the current year fiscal plan includes only 766 FTE positions for fiscal year 2010; reducing to 736 for fiscal year 2011 with only minor impacts to services.

During this challenging economic environment, the City will strive to maintain an undesignated General Fund fund balance within a range of 8% to 12%. With many efficiencies already gleaned from the operations, the City Council is looking at alternative ways to deliver city services and/or finding functional areas in which services could be eliminated. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure.

Relevant Financial Policies. The City has a General Debt Policy that includes the sale of bonds. This fiscal year the Parking fund sold \$3,570,000 in refunding bonds and the DDA Build America Parking Bond fund sold bonds in the amount of \$49,420,000 for the construction of a new underground parking structure and infrastructure improvements for the surrounding area. The parking system, managed by the DDA, is the primary source for repayment of these bonds.

Major Initiatives. The Ann Arbor Wastewater Treatment Plant (WWTP) receives and treats approximately 19.0 million gallons of wastewater per day from the City of Ann Arbor, Pittsfield, Scio, and Ann Arbor Townships. Due to aging and deteriorating facilities, two renovation projects, the Facilities Renovations Project and the Residuals Handling Improvements Project, have been implemented to ensure long term treatment capacity and reliability.

Facilities Renovation Project (construction cost = \$82,000,000) - This project consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP. The WWTP consists of an older West Plant (constructed in the 1930's) and a newer East Plant (constructed in the late 1970's).

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

Courts/Police Building (construction cost = \$43,000,000) During FY2010 the new home for the 15th District Court, Police Services and Information Services has been under construction with completion and occupancy anticipated in mid-FY2011. This new building is located adjacent to the existing City Hall (Larcom Building). Significant renovations to the basement, first floor and exterior of City Hall are also part of this project which will enable the City to abandon all property leases in the downtown, have all downtown services located at the newly named Ann Arbor Municipal Center, and enable the City to use previously budgeted lease payments to help pay debt service on the new facilities.

Residuals Handling Improvements Project (construction cost = \$45,000,000) - This project replaces the worn and inefficient residual solids processing equipment and renovates the existing structure housing the process equipment. Additional items such as odor management and treatment are also being addressed as part of this project.

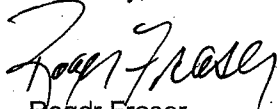
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2010. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,


Roger Fraser
City Administrator


Tom Crawford
Chief Financial Officer

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, 2009

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.



A stylized handwritten signature in black ink, appearing to be "JHE".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

CITY OF ANN ARBOR, MICHIGAN

John Hieftje, Mayor

Council Members

Sandi Smith
Tony Derezinski
Stephen Kunselman
Margie Teall
Mike Anglin

Sabra Briere
Stephen Rapundalo
Christopher Taylor
Marcia Higgins
Carsten Hohnke

CITY ADMINISTRATOR

Roger W. Fraser

CHIEF FINANCIAL OFFICER

Tom Crawford

ACCOUNTING SERVICES MANAGER

Karen M. Lancaster

CITY TREASURER

Matthew V. Horning

CITY ATTORNEY

Stephen K. Postema

CITY CLERK

Jacqueline Beaudry

CITY OF ANN ARBOR ORGANIZATIONAL CHART



Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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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 the City of Ann Arbor, Michigan, as of and for the year ended June 30, 2010, 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 40% and 44%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based on the report of the other auditors.

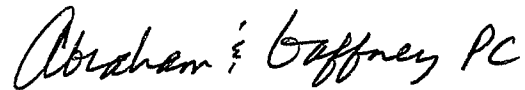
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan, as of June 30, 2010, 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 17, 2010, on our consideration of the City of Ann Arbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, budgetary comparison information, and employee benefit disclosures, as identified in the table of contents, are not required parts 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 introductory section and accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and are not required parts 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2010

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. 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 governmental funds financial statements are prepared using modified accrual basis of accounting and all other funds are prepared using the full accrual basis of accounting resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities, business-type activities and discretely presented component units. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
 - In total, the assets of the City exceed its liabilities by \$963,801,030 at the close of the most recent fiscal year.
 - \$724,105,434 is invested in Capital Assets, net of related debt;
 - \$135,968,795 is restricted for specific purposes, such as capital projects;
 - \$103,726,801 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 \$43,955,179 in governmental activities and \$59,771,622 in business-type activities.
 - The City's total net assets increased by \$30,511,413 during the year, primarily due to increases in capital assets.
 - The City's total debt increased by \$41,506,631, (new issues less retirements), during the current fiscal year.
- Fund financial statements are comprised of 43 governmental funds and 8 proprietary funds. Governmental funds include the General Fund, Street Repair Millage Fund, Municipal Center Fund, DDA Build America Parking Bond 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 \$137,509,891. The increase of \$16,068,890 in fund balance is primarily due to the issuance of bonds for the construction of the Fifth Avenue underground parking structure.
 - Of the fund balance amount, \$118,207,803 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 (\$12,288,378), the Street Repair Millage Fund (\$23,135,038) and the DDA Build America Parking Bond Fund (\$35,558,604) account for 60% of this unreserved balance. The remaining amount is represented across the other 39 non-major funds.
 - The General fund recognized an increase to fund balance of \$1,132,834 due to mid-year budget reductions to match lower than anticipated revenues. At the end of the current fiscal year, unreserved general fund balance was 16.5% of the total general fund expenditures.
 - The DDA Build America Parking Bond Fund sold \$49,420,000 of bonds to fund the construction of the City's new Fifth Avenue underground parking structure and for infrastructure improvements in the surrounding area. The project is scheduled to be completed in December 2011.

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-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Street Repair Millage, Municipal Center and DDA Build America Parking Bond funds. Data from the other thirty-nine 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 fifteen 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, insurance funds and Wheeler Center. 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 37-83 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 84-92 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 93-123 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 \$963,801,030 at June 30, 2010 compared to \$933,289,617 at June 30, 2009.

City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Total | |
|--|------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|----------------------|--------------------------------------|
| | June 30, 2010 | June 30, 2009 as restated | June 30, 2010 | June 30, 2009 as restated | June 30, 2010 | June 30, 2009 as restated |
| Current and other assets | \$176,288,084 | \$158,462,846 | \$101,664,589 | \$127,212,311 | \$277,952,673 | \$285,675,157 |
| Capital assets | 740,747,963 | 694,618,278 | 265,682,563 | 233,575,347 | 1,006,430,526 | 928,193,625 |
| Total assets | 917,036,047 | 853,081,124 | 367,347,152 | 360,787,658 | 1,284,383,199 | 1,213,868,782 |
| Long-term liabilities | 156,928,818 | 111,401,863 | 124,196,676 | 130,125,574 | 281,125,494 | 241,527,437 |
| Other liabilities | 18,407,634 | 18,758,805 | 21,049,041 | 20,292,923 | 39,456,675 | 39,051,728 |
| Total liabilities | 175,336,452 | 130,160,668 | 145,245,717 | 150,418,497 | 320,582,169 | 280,579,165 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 579,020,698 | 612,208,854 | 145,084,736 | 122,078,118 | 724,105,434 | 734,286,972 |
| Restricted | 118,723,718 | 101,462,605 | 17,245,077 | 18,391,715 | 135,968,795 | 119,854,320 |
| Unrestricted | 43,955,179 | 9,248,997 | 59,771,622 | 69,899,328 | 103,726,801 | 79,148,325 |
| Total net assets | \$741,699,595 | \$722,920,456 | \$222,101,435 | \$210,369,161 | \$963,801,030 | \$933,289,617 |

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, 2010 (\$135,968,795) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$103,726,801 may be used to meet the government's ongoing obligations to citizens and creditors. The increase in Restricted Net Assets from \$119,854,320 in 2009 to \$135,968,795 in 2010 is due to an increase in Restricted for Capital Projects due to the construction of the new Fifth Avenue underground parking structure and surrounding infrastructure improvements and the continued construction of the new District Courts & Police facility addition to the existing Guy C. Larcom Building.

Long-term liabilities have increased from 2009 to 2010 due to a new bond sale for the Fifth Avenue underground parking structure and surrounding infrastructure improvements (\$49,420,000). In addition, the Parking fund issued refunding bonds (\$3,570,000). Other liabilities have decreased from 2009 to 2010 due to decreases in Judgements Payable for an IRS liability and an unfunded OPEB liability. Additional information on the IRS liability and Unfunded OPEB liability can be located in note 16 on page 80 of this report.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

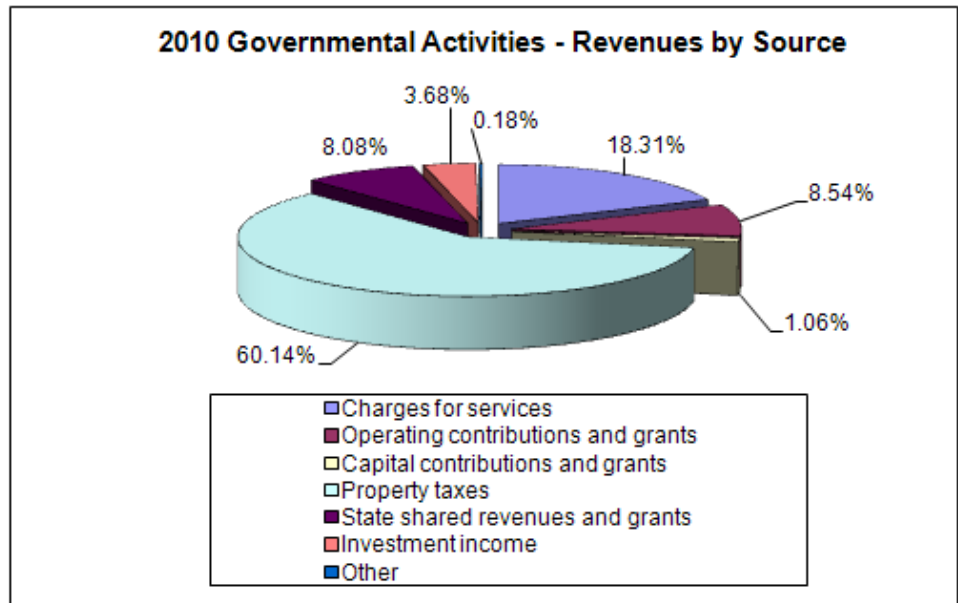
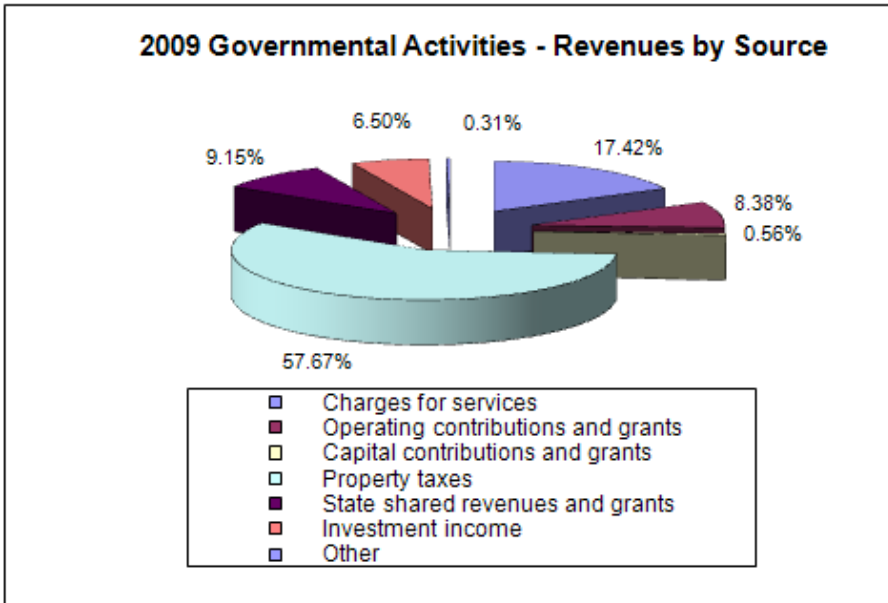
City of Ann Arbor
 Changes in Net Assets
 Comparative Schedule - Years Ended June 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenue: | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$21,429,255 | \$21,143,248 | \$51,703,345 | \$49,174,246 | \$73,132,600 | \$70,317,494 |
| Operating contributions and grants | 9,998,747 | 10,174,646 | | | 9,998,747 | 10,174,646 |
| Capital contributions and grants | 1,239,229 | 681,800 | 2,204,638 | 2,736,217 | 3,443,867 | 3,418,017 |
| General revenue: | | | | | | |
| Property taxes | 70,384,641 | 69,994,107 | 11,677,513 | 11,529,057 | 82,062,154 | 81,523,164 |
| State shared revenues and grants | 9,456,109 | 11,102,183 | | | 9,456,109 | 11,102,183 |
| Investment income | 4,308,095 | 7,890,239 | 1,545,547 | 5,443,148 | 5,853,642 | 13,333,387 |
| Other | 215,199 | 375,390 | | | 215,199 | 375,390 |
| Total revenue | 117,031,275 | 121,361,613 | 67,131,043 | 68,882,668 | 184,162,318 | 190,244,281 |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 17,333,282 | 24,963,055 | | | 17,333,282 | 24,963,055 |
| Public safety | 43,010,456 | 57,407,677 | | | 43,010,456 | 57,407,677 |
| Public works | 17,933,743 | 21,141,891 | | | 17,933,743 | 21,141,891 |
| Community and economic development | 3,996,830 | 5,916,920 | | | 3,996,830 | 5,916,920 |
| Culture and recreation | 7,945,806 | 9,578,351 | | | 7,945,806 | 9,578,351 |
| Other - Public Transportation | 9,682,798 | 9,592,129 | | | 9,682,798 | 9,592,129 |
| Debt service | 3,297,914 | 3,229,523 | | | 3,297,914 | 3,229,523 |
| Unallocated depreciation | 141,823 | 39,175 | | | 141,823 | 39,175 |
| Business-type activities: | | | | | | |
| Water | | | 16,861,582 | 19,051,762 | 16,861,582 | 19,051,762 |
| Sewer | | | 14,242,272 | 15,225,630 | 14,242,272 | 15,225,630 |
| Parking | | | 2,879,139 | 3,050,305 | 2,879,139 | 3,050,305 |
| Market | | | 155,993 | 145,024 | 155,993 | 145,024 |
| Golf courses | | | 1,646,340 | 1,529,686 | 1,646,340 | 1,529,686 |
| Airport | | | 670,736 | 847,425 | 670,736 | 847,425 |
| Stormwater | | | 3,031,318 | 2,797,015 | 3,031,318 | 2,797,015 |
| Solid waste | | | 11,770,761 | 12,142,674 | 11,770,761 | 12,142,674 |
| Total expenses | 103,342,652 | 131,868,721 | 51,258,141 | 54,789,521 | 154,600,793 | 186,658,242 |
| Increase in net assets before transfers | 13,688,623 | (10,507,108) | 15,872,902 | 14,093,147 | 29,561,525 | 3,586,039 |
| Transfers | 4,140,628 | 1,162,611 | (4,140,628) | (1,162,611) | | |
| Increase in net assets | 17,829,251 | (9,344,497) | 11,732,274 | 12,930,536 | 29,561,525 | 3,586,039 |
| Net assets: beginning of year, as restated | 723,870,344 | 732,264,953 | 210,369,161 | 197,438,625 | 934,239,505 | 929,703,578 |
| Net assets: end of year | \$741,699,595 | \$722,920,456 | \$222,101,435 | \$210,369,161 | \$963,801,030 | \$933,289,617 |

The City's net assets increased by \$29,561,525 during the current fiscal year and \$3,586,039 in the prior fiscal year.

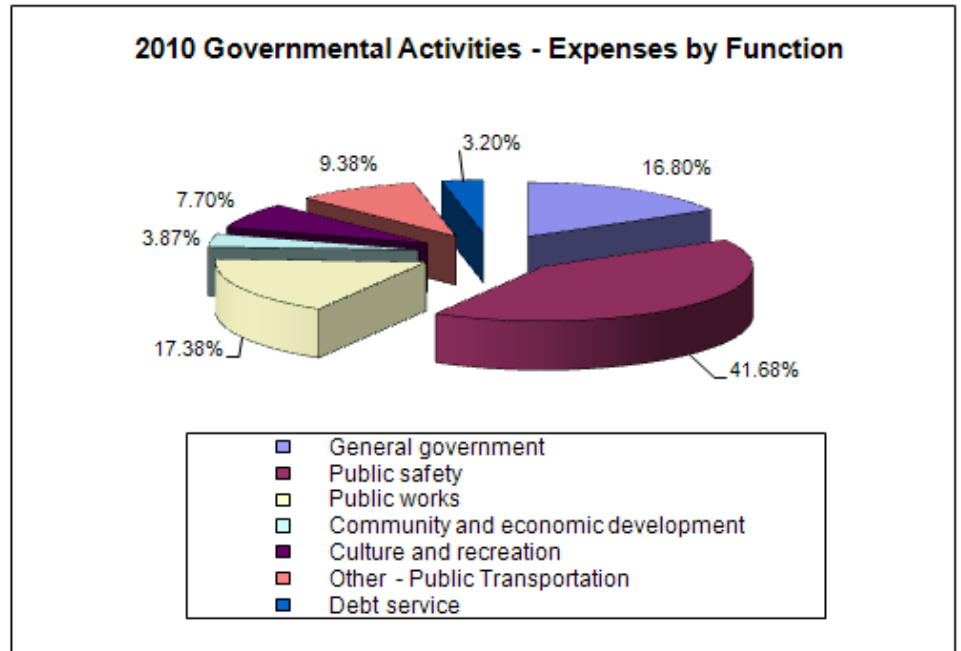
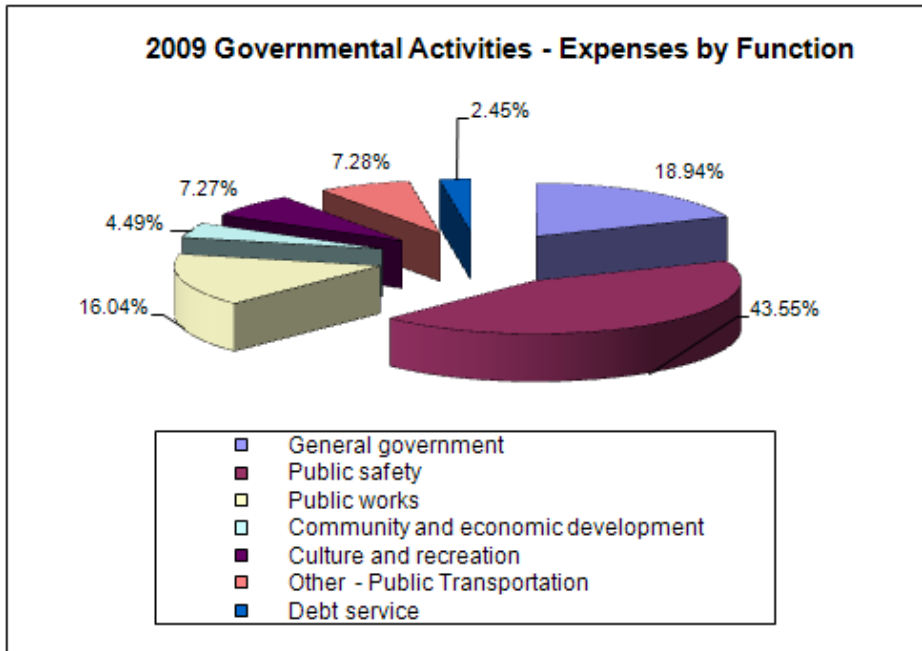
Governmental activities increased the City's net assets by \$17,829,251, accounting for a 60% increase of the City's total growth in the net assets. During fiscal year 2009, governmental activities decreased by \$9,344,497 which is a 2.61% decrease of the total growth for fiscal year 2009. Key elements are as follows:

- Investment income decreased approximately 45.4% in fiscal year 2010 and 12.9% in fiscal year 2009. This is attributable to lower interest rates and lower investable balances. The 40% lower investable balance is attributable to an \$8.4 million use of fund balance at the end of FY09.
- State shared revenue decreased approximately 15% due to a reduction in revenue sharing from the State of Michigan due to the economic hardship the State is experiencing.
- Capital contributions and grants increased by 82% due to an increase from the Federal Farm and Ranch Land Protection Grant.



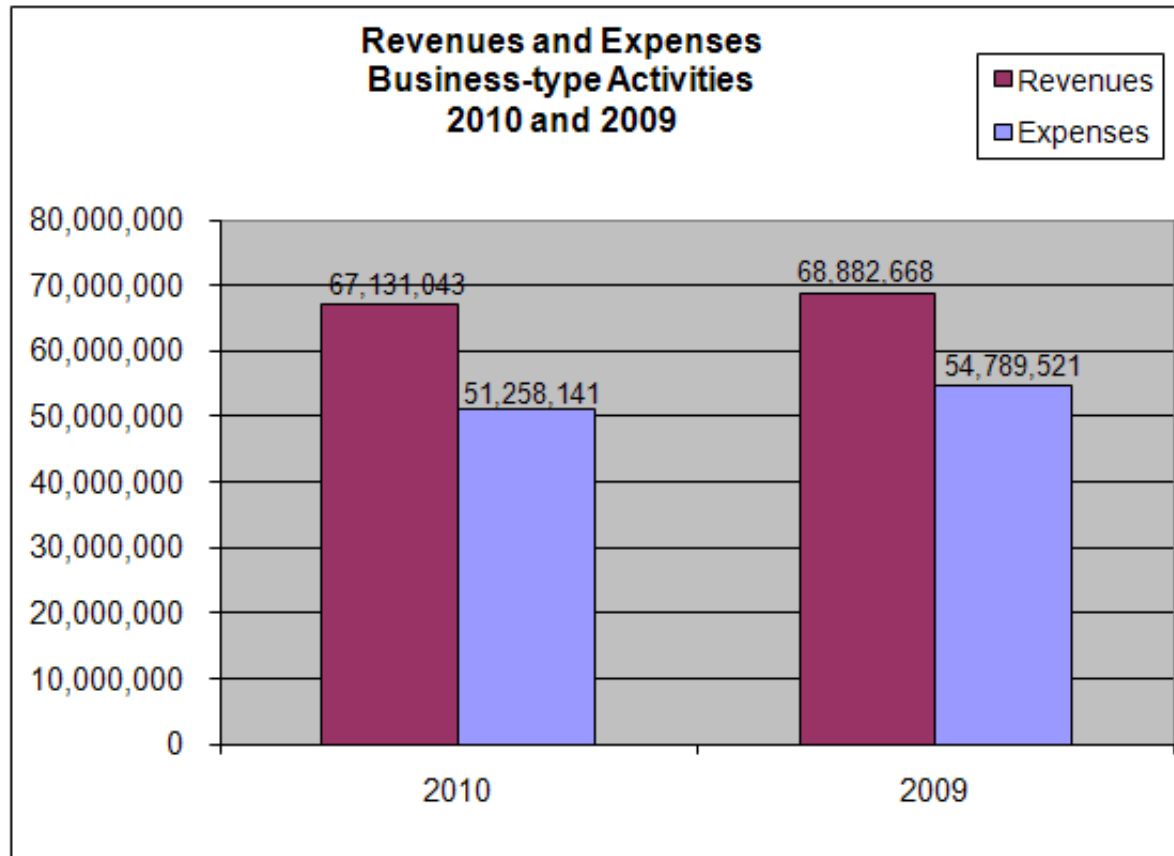
Expenses for governmental activities decreased \$28,526,069 from 2009 to 2010. Key elements are as follows:

- Expenses for General Government decreased by approximately \$7.7 million primarily due to a non recurring expenditure in fiscal year 2009 for the Police early retirement payouts that totaled about \$6 million.
- Expenses for Public Safety decreased by approximately \$14.5 million due to decreased wages and benefits due to a reduction of over 20 personnel in the Police department and to a one-time expense in 2009 for the IRS liability in the amount of approximately \$9.4 million.
- Expenses for Public Works decreased by approximately \$3.2 million due to increased infrastructure expenditures of approximately \$3 million related to the DDA Build America Parking Bond that were capitalized.



Business-type activities. Business-type activities increased the City's net assets by \$11,732,271 for fiscal year 2010 and by \$12,930,536 for fiscal year 2009, accounting for 40% and 292% 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:

- Expenses decreased \$3,531,380, or 6.4%, in fiscal year 2010 primarily due to a decrease of \$2,867,743 for the Pension refund liability that was accrued in fiscal year 2009 for all business-type activities. In addition, an increase in construction work in process contributed to more capitalized expenditures. In fiscal year 2009, expenses increased \$4,049,594, or 8%, primarily due to increased payroll, increased IT charges for special projects, and the recording of the unfunded OPEB liability.



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 \$137,509,891 at June 30, 2010 versus \$121,441,001 at June 30, 2009, an increase of \$16,068,890 in fiscal year 2010 compared to an increase of \$17,469,404 in fiscal year 2009. Of that amount, \$118,207,803 at June 30, 2010 and \$77,836,430 at June 30, 2009 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 \$12,288,378 at June 30, 2010 versus \$10,910,038 at June 30, 2009, while total fund balance was \$12,487,616 and \$11,354,782 at June 30, 2010 and 2009, 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 16.5 percent at June 30, 2010 and 13 percent at June 30, 2009 of total general fund expenditures. The fund balance of the City's general fund increased by \$1,132,834 during the current fiscal year in comparison to a decrease of \$8,425,184 during the prior fiscal year. For fiscal year 2010, this is attributable to one-time savings, lower tax appeals then projected, and deferral of expenditures. For fiscal year 2009, this is primarily attributable to funding an early retirement incentive for Police.

The Street Repair Millage fund balance increased \$3,065,576 attributable to increased transfers from other funds to cover their respective share of new and/or existing projects. The Municipal Center fund balance decreased \$22,370,334 attributable to the costs associated with the construction of the new District Courts & Police Facility construction project scheduled to be completed by 2011. A new fund for this fiscal year is the DDA Build America Parking Bond fund. The fund balance increased \$35,558,604 attributable to proceeds from the bond sale to construct the new underground parking structure and for infrastructure improvements in the surrounding area. Since the projects began this fiscal year the fund balance is reserved for the capital improvements mentioned.

With respect to other governmental funds, the City closed two funds during the fiscal year. The Tree Removal & Disposal fund was established to account for funds provided for and used for the removal and disposal of trees affected by the emerald ash borer disease. This project has been completed therefore the fund was closed. The Park Service Headquarters fund was established to account for services and facility use provided by park services located at 415 W. Washington. Now that park services have been relocated to the Wheeler Service Center the fund was closed.

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 \$59,771,622. The water, sewer, parking system, market, airport, stormwater system and solid waste funds had an increase in net assets for the year of \$11,782,342, whereas, the golf courses had a decrease of \$50,068. 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 1.2% increase in fiscal year 2010 compared to an 8.1% increase in fiscal year 2009. The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,132,834.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2010 was \$1,006,430,526 compared to \$928,194,426 at June 30, 2009 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 8.43% compared to 3.16% in fiscal year 2009. Major capital asset events during the fiscal year 2010 included an increase in improvements (\$20,469,491), an increase in construction work in progress (\$59,573,838) and an increase in infrastructure (\$12,134,656). 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 Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|------------------------|----------------------|
| | 2010 | 2009 as restated | 2010 | 2009 as restated | 2010 | 2009 as restated |
| Land | \$49,166,178 | \$45,538,911 | \$8,590,781 | \$8,575,791 | \$57,756,959 | \$54,114,702 |
| Construction in progress | 55,656,602 | 15,072,390 | 78,060,838 | 59,071,212 | 133,717,440 | 74,143,602 |
| Buildings | 55,334,215 | 55,334,215 | 136,766,912 | 136,766,912 | 192,101,127 | 192,101,127 |
| Improvements other than buildings | 7,959,442 | 7,947,447 | 156,696,756 | 136,239,260 | 164,656,198 | 144,186,707 |
| Machinery and equipment | 14,684,451 | 14,425,592 | 37,929,459 | 37,873,414 | 52,613,910 | 52,299,006 |
| Vehicles | 12,518,622 | 11,350,584 | 8,284,241 | 8,546,935 | 20,802,863 | 19,897,519 |
| Infrastructure | 703,147,396 | 691,012,740 | | | 703,147,396 | 691,012,740 |
| Less: accumulated depreciation | (157,718,943) | (146,062,800) | (160,646,424) | (153,498,177) | (318,365,367) | (299,560,977) |
| Total capital assets net of depreciation | \$740,747,963 | \$694,619,079 | \$265,682,563 | \$233,575,347 | \$1,006,430,526 | \$928,194,426 |

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$242,480,773. Of that amount, \$161,210,825 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by \$41,506,631 or 19.4 percent during the fiscal year. The City issued new bonds during the fiscal year for the new construction of the Fifth Ave underground parking structure and surrounding infrastructure improvements in the amount of \$49,420,000. The Parking fund also issued refunding bonds in the amount of \$3,570,000. A summary of the City of Ann Arbor's Outstanding Debt can be found on page 20 with additional information on the City's long-term debt included on pages 59-74.

City of Ann Arbor's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Capital Projects Bonds | \$102,339,814 | \$55,599,297 | | | \$102,339,814 | \$55,599,297 |
| General Obligation Portion of Special Assessment Bonds | 387,724 | 467,420 | | | 387,724 | 467,420 |
| General Obligation Portion of Special Revenue Bonds | 21,745,918 | 22,290,911 | | | 21,745,918 | 22,290,911 |
| Special Assessment Bonds | 427,317 | 551,796 | | | 427,317 | 551,796 |
| Ann Arbor Building Authority Bonds | | | \$19,410,000 | \$21,190,000 | 19,410,000 | 21,190,000 |
| Other Bonds | | | 3,955,000 | 4,105,000 | 3,955,000 | 4,105,000 |
| Revenue Bonds | | | 94,215,000 | 99,855,000 | 94,215,000 | 99,855,000 |
| Other Long-term Debt | 3,500,000 | 3,500,000 | 9,445,052 | 6,359,770 | 12,945,052 | 9,859,770 |
| Total outstanding debt | \$128,400,773 | \$82,409,424 | \$127,025,052 | \$131,509,770 | \$255,425,825 | \$213,919,194 |

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 \$485,893,985, 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 2011

- Property tax revenues are budgeted to decrease 5.2% percent in fiscal year 2011.
- Average salary costs were projected to remain flat in fiscal year 2011.
- Healthcare costs were projected to increase 7.5% in fiscal year 2011.
- Pension costs are projected to increase 36% in fiscal year 2011 due to adverse market conditions.

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
STATEMENT OF NET ASSETS
June 30, 2010

| | 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 | \$ 964,974 | \$ 8,586,736 | \$ 9,551,710 | \$ 3,054,573 | - | \$ 5,660,829 |
| Equity in pooled cash and investments (Note 2) | 130,728,841 | 64,861,921 | 195,590,762 | - | 609,020 | 115,236 |
| Investments, at fair value (Note 2) | 33,060,044 | 15,799,883 | 48,859,927 | - | - | 4,174,324 |
| Receivables: | | | | | | |
| Taxes | 225,693 | 40,510 | 266,203 | - | - | 2,007 |
| Accounts | 3,072,395 | 11,634,969 | 14,707,364 | 20,898 | - | 288,306 |
| Special assessments | 58,776 | 74,535 | 133,311 | - | - | - |
| Accrued interest and dividends | 147,168 | 53,295 | 200,463 | - | - | - |
| Improvement charges | 2,541 | 72,389 | 74,930 | - | - | - |
| Loans | 62,787 | - | 62,787 | - | - | - |
| Less: Allowance for uncollectibles | (784,308) | (68,965) | (853,273) | - | - | - |
| Internal balances | 525,678 | (525,678) | - | - | - | - |
| Due from other governments | 5,176,480 | - | 5,176,480 | 57,902 | - | 4,799,765 |
| Prepaid items | 760,122 | 20,708 | 780,830 | - | - | - |
| Advances to and from other funds (Note 18) | 60,433 | (60,433) | - | - | - | - |
| Inventory, at cost | 988,952 | 483,659 | 1,472,611 | 17,673 | - | - |
| Noncurrent Assets: | | | | | | |
| Receivables: | | | | | | |
| Special assessments | 211,829 | 479,889 | 691,718 | - | - | - |
| Improvement charges | 22,295 | 482,621 | 504,916 | - | - | - |
| Advances to and from other funds (Note 18) | 1,003,384 | (1,003,384) | - | - | - | - |
| Deferred charges | - | 731,934 | 731,934 | 115,431 | - | - |
| Capital assets (Note 5): | | | | | | |
| Land | 49,166,178 | 8,590,781 | 57,756,959 | 844,637 | - | - |
| Buildings | 55,334,215 | 136,766,912 | 192,101,127 | 19,788,136 | - | - |
| Improvements other than buildings | 7,959,442 | 156,696,756 | 164,656,198 | 34,139 | - | - |
| Machinery and equipment | 14,684,451 | 37,929,459 | 52,613,910 | 1,502,662 | - | - |
| Vehicles | 12,518,622 | 8,284,241 | 20,802,863 | - | - | - |
| Infrastructure | 703,147,396 | - | 703,147,396 | - | - | - |
| Less: Accumulated depreciation | (157,718,943) | (160,646,424) | (318,365,367) | (15,139,857) | - | - |
| Construction in progress | 55,656,602 | 78,060,838 | 133,717,440 | - | - | - |
| Total Assets | 917,036,047 | 367,347,152 | 1,284,383,199 | 10,296,194 | 609,020 | 15,040,467 |

(Continued)

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2010
(Concluded)

| | Primary Government | | | Component Units | | |
|---|-----------------------|-----------------------|-----------------------|---------------------|-------------------|---------------------|
| | Governmental | Business-type | Total | Ann Arbor | Smart Zone | Downtown |
| | Activities | Activities | | Housing | Local Development | Development |
| | | | | Commission | Finance Authority | Authority |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable | \$ 5,837,828 | \$ 9,041,537 | \$ 14,879,365 | \$ 63,888 | \$ 131,071 | \$ 3,817,912 |
| Accrued liabilities | 1,920,947 | 940,316 | 2,861,263 | 49,612 | - | - |
| Accrued interest payable | 1,324,325 | 2,080,685 | 3,405,010 | - | - | 16,800 |
| Due to other governments | 6,050,214 | - | 6,050,214 | 158,100 | - | 152,626 |
| Deposits | 377,862 | 125,297 | 503,159 | 104,241 | - | - |
| Unearned revenue | - | 137,816 | 137,816 | 113,885 | - | - |
| Non-current liabilities: | | | | | | |
| Due within one year: | | | | | | |
| Accrued compensated absences | 252,263 | 154,830 | 407,093 | 38,012 | - | - |
| Bonds payable (Note 9) | 3,210,000 | 8,125,000 | 11,335,000 | - | - | 610,000 |
| Special assessment debt with governmental commitment (Note 9) | 200,000 | - | 200,000 | - | - | - |
| Other debt payable (note 9) | - | 598,390 | 598,390 | - | - | - |
| Due in more than one year: | | | | | | |
| Estimated claims payable (Note 10) | 3,152,410 | - | 3,152,410 | - | - | - |
| Accrued compensated absences (Note 9) | 14,609,535 | 2,836,441 | 17,445,976 | 16,021 | - | - |
| Judgment payable (Note 16) | 6,276,729 | 690,045 | 6,966,774 | - | - | - |
| Unfunded OPEB liability (Note 12) | 7,133,566 | 2,213,698 | 9,347,264 | - | - | - |
| Bonds payable (Note 9) | 120,875,732 | 109,455,000 | 230,330,732 | - | - | 650,000 |
| Special assessment debt with governmental commitment (Note 9) | 615,041 | - | 615,041 | - | - | - |
| Other debt payable (Note 9) | 3,500,000 | 8,846,662 | 12,346,662 | - | - | - |
| Total Liabilities | 175,336,452 | 145,245,717 | 320,582,169 | 543,759 | 131,071 | 5,247,338 |
| NET ASSETS | | | | | | |
| Invested in Capital Assets, net of related debt | 579,020,698 | 145,084,736 | 724,105,434 | 7,029,717 | - | - |
| Restricted for: | | | | | | |
| Capital Projects | 48,021,448 | 11,442,025 | 59,463,473 | - | - | - |
| Debt Service | 127 | 5,625,500 | 5,625,627 | - | - | - |
| Endowment (non-expendable) | 1,984,000 | - | 1,984,000 | - | - | - |
| Highway and streets (Note 17) | 40,584,036 | - | 40,584,036 | - | - | - |
| Culture and recreation (Note 17) | 23,093,123 | - | 23,093,123 | - | - | - |
| Other purposes (Note 17) | 5,040,984 | - | 5,040,984 | 1,644,825 | - | - |
| Landfill | - | 177,552 | 177,552 | - | - | - |
| Unrestricted | 43,955,179 | 59,771,622 | 103,726,801 | 1,077,893 | 477,949 | 9,793,129 |
| Total Net Assets | \$ 741,699,595 | \$ 222,101,435 | \$ 963,801,030 | \$ 9,752,435 | \$ 477,949 | \$ 9,793,129 |

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

CITY OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| 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 | \$ 17,333,282 | \$ 8,527,479 | \$ 398,534 | \$ - | \$ (8,407,269) | \$ - | \$ (8,407,269) | \$ - | \$ - | \$ - | |
| Public safety | 43,010,456 | 7,272,976 | 118,517 | - | (35,618,963) | - | (35,618,963) | - | - | - | |
| Public works | 17,933,743 | 3,158,923 | 7,504,002 | 180,717 | (7,090,101) | - | (7,090,101) | - | - | - | |
| Community and economic development | 3,996,830 | - | 1,923,239 | 28,012 | (2,045,579) | - | (2,045,579) | - | - | - | |
| Culture and Recreation | 7,945,806 | 2,372,364 | 54,465 | 1,030,500 | (4,488,487) | - | (4,488,487) | - | - | - | |
| Other - Public Transportation | 9,682,798 | 97,513 | - | - | (9,585,285) | - | (9,585,285) | - | - | - | |
| Interest on long-term deb | 3,297,914 | - | - | - | (3,297,914) | - | (3,297,914) | - | - | - | |
| Unallocated depreciator | 141,823 | - | - | - | (141,823) | - | (141,823) | - | - | - | |
| Total governmental activities | 103,342,652 | 21,429,255 | 9,998,747 | 1,239,229 | (70,675,421) | - | (70,675,421) | - | - | - | |
| Business-type activities: | | | | | | | | | | | |
| Water | 16,861,582 | 19,905,769 | - | 2,204,638 | - | 5,248,825 | 5,248,825 | - | - | - | |
| Sewer | 14,242,272 | 19,292,506 | - | - | - | 5,050,234 | 5,050,234 | - | - | - | |
| Parking | 2,879,139 | 2,941,159 | - | - | - | 62,020 | 62,020 | - | - | - | |
| Market | 155,993 | 144,591 | - | - | - | (11,402) | (11,402) | - | - | - | |
| Golf courses | 1,646,340 | 1,164,840 | - | - | - | (481,500) | (481,500) | - | - | - | |
| Airport | 670,736 | 782,039 | - | - | - | 111,303 | 111,303 | - | - | - | |
| Stormwater | 3,031,318 | 5,954,788 | - | - | - | 2,923,470 | 2,923,470 | - | - | - | |
| Solid Waste | 11,770,761 | 1,517,653 | - | - | - | (10,253,108) | (10,253,108) | - | - | - | |
| Total business-type activities | 51,258,141 | 51,703,345 | - | 2,204,638 | - | 2,649,842 | 2,649,842 | - | - | - | |
| Total primary government: | \$ 154,600,793 | \$ 73,132,600 | \$ 9,998,747 | \$ 3,443,867 | (70,675,421) | 2,649,842 | (68,025,579) | - | - | - | |
| Component units | | | | | | | | | | | |
| Housing Commission | \$ 15,764,038 | \$ 809,206 | \$ 13,278,640 | \$ 1,385,902 | - | - | - | (290,290) | - | - | |
| Smart Zone Local Development Finance Authority | 1,349,135 | - | - | - | - | - | - | - | (1,349,135) | - | |
| Downtown Development Authority | 21,469,568 | 14,595,388 | - | - | - | - | - | - | - | (6,874,180) | |
| Total component units | \$ 38,582,741 | \$ 15,404,594 | \$ 13,278,640 | \$ 1,385,902 | - | - | - | (290,290) | (1,349,135) | (6,874,180) | |
| General revenues | | | | | | | | | | | |
| Taxes: | | | | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 60,655,729 | 11,677,513 | 72,333,242 | - | 1,347,498 | 3,537,939 | |
| Property taxes, levied for designated purpose | | | | | 7,454,130 | - | 7,454,130 | - | - | - | |
| Property taxes, levied for debt service | | | | | 2,274,782 | - | 2,274,782 | - | - | - | |
| State-shared revenues and grants (unrestricted) | | | | | 9,456,109 | - | 9,456,109 | - | - | - | |
| Investment income | | | | | 4,308,095 | 1,545,547 | 5,853,642 | 22,375 | 10,011 | 159,606 | |
| Other | | | | | 215,199 | - | 215,199 | - | - | 180,926 | |
| Total general revenues: | | | | | 84,364,044 | 13,223,060 | 97,587,104 | 22,375 | 1,357,509 | 3,878,471 | |
| Transfers | | | | | 4,140,628 | (4,140,628) | - | - | - | - | |
| Total general revenues and transfer | | | | | 88,504,672 | 9,082,432 | 97,587,104 | 22,375 | 1,357,509 | 3,878,471 | |
| Change in net asset | | | | | 17,829,251 | 11,732,274 | 29,561,525 | (267,915) | 8,374 | (2,995,709) | |
| Net assets at beginning of year, as restated (Note 19) | | | | | 723,870,344 | 210,369,161 | 934,239,505 | 10,020,350 | 469,575 | 12,788,838 | |
| Net assets at end of year | | | | | \$ 741,699,595 | \$ 222,101,435 | \$ 963,801,030 | \$ 9,752,435 | \$ 477,949 | \$ 9,793,129 | |

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

**City of Ann Arbor
Balance Sheet
Governmental Funds
June 30, 2010**

| | General | Ann Arbor Municipal Center | Street Millage Fund | DDA Build America Parking Bond-2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|------------------------|---|-----------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash | \$ 266,206 | \$ - | \$ - | \$ - | \$ 697,416 | \$ 963,622 |
| Equity in Pooled Cash and Investments (Note 2) | 10,647,224 | 11,784,127 | 29,451,118 | 9,152,088 | 47,056,344 | 108,090,901 |
| Investments, at fair value (Note 2) | - | - | - | 30,890,668 | 2,169,376 | 33,060,044 |
| Receivables: | | | | | | |
| Taxes Receivable | 164,297 | - | 30,242 | - | 31,154 | 225,693 |
| Accounts Receivable | 1,197,802 | - | 611,088 | - | 1,239,223 | 3,048,113 |
| Special Assessments | 15,372 | - | - | - | 255,233 | 270,605 |
| Accrued Interest | - | - | - | 130,923 | 16,245 | 147,168 |
| Improvement Charges | - | - | 11,676 | - | 13,160 | 24,836 |
| Loans Receivable | - | - | - | - | 62,787 | 62,787 |
| Less: Allowance for Doubtful Accounts | (402,232) | - | (137,171) | - | (236,070) | (775,473) |
| Due from Other Funds (Note 3) | 881,494 | - | - | - | 248,832 | 1,130,326 |
| Due from other governments | 3,693,495 | - | - | - | 1,482,985 | 5,176,480 |
| Advances to other funds | 1,063,817 | - | - | - | - | 1,063,817 |
| Inventories, at cost | 25,891 | - | - | - | - | 25,891 |
| Total Assets | \$ 17,553,366 | \$ 11,784,127 | \$ 29,966,953 | \$ 40,173,679 | \$ 53,036,685 | \$ 152,514,810 |

(Continued)

**City of Ann Arbor
Balance Sheet
Governmental Funds
June 30, 2010**

| | General | Ann Arbor Municipal Center | Street Millage Fund | DDA Build America Parking Bond-2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------|------------------------|---|-----------------------------------|--------------------------------|
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 1,071,975 | \$ 1,788,634 | \$ 915,545 | \$ - | \$ 736,535 | \$ 4,512,689 |
| Accrued Liabilities | 1,496,387 | 5,179 | 36,069 | - | 197,970 | 1,735,605 |
| Accrued Interest Payable | - | - | - | - | 14,208 | 14,208 |
| Due to Other Funds (Note 3) | 273,060 | 409 | 25,688 | - | 534,293 | 833,450 |
| Due to Other Governments | 1,435,139 | - | - | 4,615,075 | - | 6,050,214 |
| Deposits | 357,862 | - | - | - | 20,000 | 377,862 |
| Deferred Revenue | 406,117 | - | 516,255 | - | 533,309 | 1,455,681 |
| Accrued Compensated Absences (Note 9) | 25,210 | - | - | - | - | 25,210 |
| Total Liabilities | 5,065,750 | 1,794,222 | 1,493,557 | 4,615,075 | 2,036,315 | 15,004,919 |
| Fund Balances: | | | | | | |
| Reserved for encumbrances | 173,347 | 9,989,905 | 5,338,358 | - | 466,135 | 15,967,745 |
| Reserved for endowment | - | - | - | - | 1,984,000 | 1,984,000 |
| Reserved for debt service | - | - | - | - | 1,324,452 | 1,324,452 |
| Reserved for Inventories | 25,891 | - | - | - | - | 25,891 |
| Unreserved balances: | | | | | | |
| Designated for subsequent year's expenditures | 1,567,699 | - | - | - | - | 1,567,699 |
| Designated, nonmajor capital funds | - | - | - | - | 2,472,939 | 2,472,939 |
| Undesignated, nonmajor special revenue funds | - | - | - | - | 44,432,504 | 44,432,504 |
| Undesignated | 10,720,679 | - | 23,135,038 | 35,558,604 | 320,340 | 69,734,661 |
| Total Fund Balances | 12,487,616 | 9,989,905 | 28,473,396 | 35,558,604 | 51,000,370 | 137,509,891 |
| Total Liabilities and Fund Balances | \$ 17,553,366 | \$ 11,784,127 | \$ 29,966,953 | \$ 40,173,679 | \$ 53,036,685 | \$ 152,514,810 |

(Concluded)

CITY OF ANN ARBOR
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

| | |
|---|-----------------------|
| Fund balances of governmental funds | \$ 137,509,891 |
| 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. | 884,148,107 |
| Accumulated depreciation of capital assets. | (148,991,982) |
| 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 | (128,400,773) |
| Compensated absences | (13,899,244) |
| Judgments payable | (6,209,472) |
| Unfunded OPEB liability | (6,724,920) |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. | (1,310,117) |
| Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements. | 1,455,681 |
| 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. | <u>24,122,424</u> |
| Net assets of governmental activities | <u>\$ 741,699,595</u> |

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, 2010

| | General | Ann Arbor Municipal Center | Street Millage Fund | DDA Build America Parking Bond-2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------------------|------------------------|---|-----------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 51,215,295 | \$ - | \$ 9,440,434 | \$ - | \$ 9,728,912 | \$ 70,384,641 |
| Special Assessments/Improvement Charges | 13,315 | - | 2,573 | - | 38,825 | 54,713 |
| Licenses, Permits and Registrations | 1,268,435 | - | - | - | 3,839,974 | 5,108,409 |
| Federal grants | - | - | - | - | 2,583,511 | 2,583,511 |
| State shared revenues and grants | 9,697,734 | - | 187,121 | - | 7,392,984 | 17,277,839 |
| Charges for services | 8,858,357 | - | 29,780 | - | 1,504,991 | 10,393,128 |
| Fines and forfeits | 3,857,401 | - | - | - | 280,881 | 4,138,282 |
| Interest and penalties | 496,162 | - | 583 | - | 18,445 | 515,190 |
| Investment Income | 47,994 | 390,272 | 866,729 | 305,367 | 1,461,480 | 3,071,842 |
| Rentals | 404,147 | - | - | - | - | 404,147 |
| Contributions and donations | 1,000 | - | 14,566 | - | 244,904 | 260,470 |
| Sale of property and equipment | 13,855 | - | - | - | - | 13,855 |
| Intragovernmental sales | 35,103 | - | - | - | 283,593 | 318,696 |
| Miscellaneous | 210,822 | - | 4,377 | - | 101,453 | 316,652 |
| Total Revenues | 76,119,620 | 390,272 | 10,546,163 | 305,367 | 27,479,953 | 114,841,375 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 14,205,383 | - | - | 26,250 | 2,092,151 | 16,323,784 |
| Public Safety | 41,087,292 | - | - | - | 2,567,025 | 43,654,317 |
| Public Works | 3,530,257 | - | 4,715,488 | - | 8,107,702 | 16,353,447 |
| Community and economic development | 2,291,586 | - | - | - | 1,723,403 | 4,014,989 |
| Culture and recreation | 3,515,283 | - | - | - | 3,983,434 | 7,498,717 |
| Other - Public Transportation | 9,682,798 | - | - | - | - | 9,682,798 |
| Capital Outlay | 67,469 | 24,060,606 | 5,354,083 | 14,046,839 | 6,236,315 | 49,765,312 |
| Debt Service: | | | | | | |
| Principal retirement | - | - | - | - | 3,345,000 | 3,345,000 |
| Interest and fiscal charges | - | - | - | - | 2,773,143 | 2,773,143 |
| Total Expenditures | 74,380,068 | 24,060,606 | 10,069,571 | 14,073,089 | 30,828,173 | 153,411,507 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,739,552 | (23,670,334) | 476,592 | (13,767,722) | (3,348,220) | (38,570,132) |

(Continued)

City of Ann Arbor
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

| | General | Ann Arbor Municipal Center | Street Millage Fund | DDA Build America Parking Bond-2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|------------------------|---|-----------------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | | | | |
| Transfer in (Note 7) | \$ 949,189 | \$ 1,300,000 | \$ 3,181,600 | \$ - | \$ 5,796,844 | \$ 11,227,633 |
| Transfers out (Note 7) | (1,555,907) | - | (592,616) | - | (3,766,414) | (5,914,937) |
| Issuance of debt | - | - | - | 49,420,000 | - | 49,420,000 |
| Bond Discount | - | - | - | (93,674) | - | (93,674) |
| Total other financing sources (uses) | <u>(606,718)</u> | <u>1,300,000</u> | <u>2,588,984</u> | <u>49,326,326</u> | <u>2,030,430</u> | <u>54,639,022</u> |
| Net Change in Fund Balances | 1,132,834 | (22,370,334) | 3,065,576 | 35,558,604 | (1,317,790) | 16,068,890 |
| Fund Balances - Beginning, as restated (Note 19) | 11,354,782 | 32,360,239 | 25,407,820 | - | 52,318,160 | 121,441,001 |
| Fund Balances - Ending | <u>\$ 12,487,616</u> | <u>\$ 9,989,905</u> | <u>\$ 28,473,396</u> | <u>\$ 35,558,604</u> | <u>\$ 51,000,370</u> | <u>\$ 137,509,891</u> |

(Concluded)

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, 2010

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds | \$ 16,068,890 |
| Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenue, expenditures, and changes in fund balances because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. | 57,607,510 |
| Depreciation in the current period. | (12,939,342) |
| Governmental funds report revenue from sale of assets. However, an adjustment is needed to reflect loss on sale of capital assets | (401,768) |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. | (49,326,326) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 3,345,000 |
| Accrued Interest for Debt. This is the net change in accrued interest for the current period. | (514,748) |
| Amortization of bond discount is an expense on statement of activities | (10,023) |
| 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. | 174,622 |
| The changes in accrual for an IRS judgment payable reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 3,582,617 |
| The changes in accrual for the unfunded OPEB liability reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | (3,766,698) |
| The changes in accrual for a legal settlement reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 282,441 |
| Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements. | 584,767 |
| 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. | 3,142,309 |
| Change in net assets of governmental activities: | <u>\$ 17,829,251</u> |

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

**City of Ann Arbor
Statement of Net Assets
Proprietary Funds
June 30, 2010**

| | 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 | \$ 4,373,192 | \$ 4,077,687 | \$ - | \$ - | \$ 2,550 | \$ 30 | \$ 133,127 | \$ 150 | \$ 8,586,736 | \$ 1,352 |
| Equity in pooled cash and investments (Note 2) | 13,784,377 | 34,937,202 | 1,762,933 | 587,176 | 34,767 | 261,807 | 3,653,072 | 9,840,587 | 64,861,921 | 22,637,940 |
| Investments (Note 2) | - | 15,621,906 | - | - | - | - | - | 177,977 | 15,799,883 | - |
| Receivables: | | | | | | | | | | |
| Accounts | 6,236,390 | 3,161,362 | - | 1,320 | 11,590 | 98,330 | 2,004,250 | 121,727 | 11,634,969 | 24,282 |
| Special assessments | 23,719 | 47,402 | - | - | - | - | 3,414 | - | 74,535 | - |
| Improvement charges | 21,498 | 45,666 | - | - | - | - | 5,225 | - | 72,389 | - |
| Taxes receivable | - | - | - | - | - | - | 7,494 | 33,016 | 40,510 | - |
| Interest receivable | - | 53,002 | - | - | - | - | - | 293 | 53,295 | - |
| Less: Allowance for uncollectibles | (20,798) | (295) | - | (556) | - | (1,650) | (4,889) | (40,777) | (68,965) | (8,835) |
| Due from other funds (Note 3) | 99,439 | 74,409 | - | - | 375 | - | 25,762 | 742 | 200,727 | 325,662 |
| Prepaid items | - | - | - | - | - | - | 20,708 | - | 20,708 | 760,122 |
| Inventory, at cost | 397,966 | 59,150 | - | - | 26,543 | - | - | - | 483,659 | 963,061 |
| Total Current Assets | 24,915,783 | 58,077,491 | 1,762,933 | 587,940 | 75,825 | 358,517 | 5,848,163 | 10,133,715 | 101,760,367 | 24,703,584 |
| Noncurrent Assets: | | | | | | | | | | |
| Receivables: | | | | | | | | | | |
| Special assessments | 170,689 | 292,600 | - | - | - | - | 16,600 | - | 479,889 | - |
| Improvement charges | 150,774 | 301,917 | - | - | - | - | 29,930 | - | 482,621 | - |
| Deferred charges | 198,282 | 431,392 | 93,634 | - | 8,626 | - | - | - | 731,934 | - |
| Capital assets (Note 5): | | | | | | | | | | |
| Land | 411,900 | 345,577 | 4,522,293 | 84,120 | 693,739 | 708,927 | 22,495 | 1,801,730 | 8,590,781 | 90,005 |
| Buildings | 28,532,773 | 29,052,913 | 64,851,383 | 351,906 | 493,506 | 1,837,649 | - | 11,646,782 | 136,766,912 | 524,640 |
| Improvements other than buildings | 65,452,689 | 77,464,752 | 523,891 | - | 2,305,074 | 143,404 | 10,464,872 | 342,074 | 156,696,756 | 62,407 |
| Machinery and equipment | 14,475,490 | 18,908,400 | 156,070 | - | 1,127,747 | 244,258 | 93,844 | 2,923,650 | 37,929,459 | 3,784,146 |
| Vehicles | 697,729 | 1,316,642 | - | - | 20,694 | 50,267 | 464,669 | 5,734,240 | 8,284,241 | 9,055,791 |
| Less: Accumulated depreciation | (46,602,080) | (77,300,799) | (22,089,165) | (180,404) | (1,853,722) | (2,123,506) | (1,534,406) | (8,962,342) | (160,646,424) | (8,726,961) |
| Construction in progress | 21,444,157 | 49,757,691 | - | - | - | 1,197,362 | 3,226,565 | 2,435,063 | 78,060,838 | 801,810 |
| Total Noncurrent Assets | 84,932,403 | 100,571,085 | 48,058,106 | 255,622 | 2,795,664 | 2,058,361 | 12,784,569 | 15,921,197 | 267,377,007 | 5,591,838 |
| Total Assets | 109,848,186 | 158,648,576 | 49,821,039 | 843,562 | 2,871,489 | 2,416,878 | 18,632,732 | 26,054,912 | 369,137,374 | 30,295,422 |

(Continued)

**City of Ann Arbor
Statement of Net Assets
Proprietary Funds
June 30, 2010**

| | 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 | \$ 1,015,490 | \$ 7,405,107 | \$ 225 | \$ 2,306 | \$ 45,510 | \$ 6,663 | \$ 192,921 | \$ 373,315 | \$ 9,041,537 | \$ 1,325,139 |
| Accrued liabilities | 655,852 | 130,691 | - | 2,462 | 31,964 | 8,321 | 35,896 | 75,130 | 940,316 | 185,342 |
| Accrued interest payable | 751,625 | 1,041,656 | 275,050 | - | 6,495 | 5,859 | - | - | 2,080,685 | - |
| Advance from other funds (Note 19) | - | - | - | - | - | 60,433 | - | - | 60,433 | - |
| Due to other funds (Note 3) | 133,028 | 24,175 | - | - | 314,641 | 36 | 193,502 | 61,023 | 726,405 | 96,860 |
| Deposits | 121,571 | - | - | (288) | - | 4,014 | - | - | 125,297 | - |
| Unearned revenue | - | - | - | 137,816 | - | - | - | - | 137,816 | - |
| Revenue bonds payable-current portion (Note 9) | 4,025,000 | 2,050,000 | - | - | - | - | - | - | 6,075,000 | - |
| Ann Arbor Building Authority bonds payable-current (Note 9) | - | - | 1,785,000 | - | 110,000 | - | - | - | 1,895,000 | - |
| Other bonds payable-current portion (Note 9) | - | - | 155,000 | - | - | - | - | - | 155,000 | - |
| Other debt-current portion (Note 9) | 20,000 | 255,000 | - | - | - | - | 323,390 | - | 598,390 | - |
| Accrued compensated absences-current portion (Note 9) | 13,490 | 13,490 | - | - | - | 59,170 | 55,190 | 13,490 | 154,830 | 51,447 |
| Total Current Liabilities: | 6,736,056 | 10,920,119 | 2,215,275 | 142,296 | 508,610 | 144,496 | 800,899 | 522,958 | 21,990,709 | 1,658,788 |
| Noncurrent Liabilities: | | | | | | | | | | |
| Advance from other funds (Note 19) | - | - | - | - | - | 1,003,384 | - | - | 1,003,384 | - |
| Judgment payable (Note 17) | 366,299 | 85,767 | - | - | 40,802 | 80,790 | 91,791 | 24,596 | 690,045 | 67,257 |
| Unfunded OPEB liability (Note 12) | 863,012 | 729,247 | - | - | 49,695 | 46,434 | 159,996 | 365,314 | 2,213,698 | 408,646 |
| Revenue bonds payable-noncurrent portion (Note 9) | 39,705,000 | 48,435,000 | - | - | - | - | - | - | 88,140,000 | - |
| Ann Arbor Building Authority bonds payable-noncurrent (Note 9) | - | - | 17,050,000 | - | 465,000 | - | - | - | 17,515,000 | - |
| Other bonds payable-noncurrent portion (Note 9) | - | - | 3,800,000 | - | - | - | - | - | 3,800,000 | - |
| Other debt-noncurrent portion (Note 9) | 362,950 | 4,331,605 | - | - | - | - | 4,152,107 | - | 8,846,662 | - |
| Accrued compensated absences-noncurrent portion (Note 9) | 1,416,944 | 730,311 | - | 2,872 | 60,410 | 63,942 | 184,998 | 376,964 | 2,836,441 | 885,897 |
| Estimated claims payable | - | - | - | - | - | - | - | - | - | 3,152,410 |
| Total Noncurrent Liabilities: | 42,714,205 | 54,311,930 | 20,850,000 | 2,872 | 615,907 | 1,194,550 | 4,588,892 | 766,874 | 125,045,230 | 4,514,210 |
| Total Liabilities | 49,450,261 | 65,232,049 | 23,065,275 | 145,168 | 1,124,517 | 1,339,046 | 5,389,791 | 1,289,832 | 147,035,939 | 6,172,998 |
| Net Assets | | | | | | | | | | |
| Invested in Capital Assets, net of related debt | 39,799,425 | 51,686,649 | 25,984,570 | 255,622 | 2,248,867 | 994,544 | 8,207,352 | 15,907,707 | 145,084,736 | 5,591,838 |
| Restricted for debt service | 4,373,000 | 1,252,500 | - | - | - | - | - | - | 5,625,500 | - |
| Restricted for equipment replacement | 1,761,976 | 9,346,104 | - | - | - | - | 236,513 | 97,432 | 11,442,025 | - |
| Restricted for landfill | - | - | - | - | - | - | - | 177,552 | 177,552 | - |
| Unrestricted (deficit) | 14,463,524 | 31,131,274 | 771,194 | 442,772 | (501,895) | 83,288 | 4,799,076 | 8,582,389 | 59,771,622 | 18,530,586 |
| Total Net Assets | \$ 60,397,925 | \$ 93,416,527 | \$ 26,755,764 | \$ 698,394 | \$ 1,746,972 | \$ 1,077,832 | \$ 13,242,941 | \$ 24,765,080 | \$ 222,101,435 | \$ 24,122,424 |

(Concluded)

City of Ann Arbor
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

| | Enterprise Funds | | | | | | | | Governmental | |
|---|---------------------|------------------------|----------------|------------|--------------|--------------|-------------------------|---------------|----------------|------------------------|
| | 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 | \$ 19,897,796 | \$ 19,256,455 | \$ 2,941,159 | \$ 144,591 | \$ 1,164,833 | \$ 769,474 | \$ 5,942,812 | \$ 1,514,156 | \$ 51,631,276 | \$ 41,900,548 |
| Total Operating Revenues | 19,897,796 | 19,256,455 | 2,941,159 | 144,591 | 1,164,833 | 769,474 | 5,942,812 | 1,514,156 | 51,631,276 | 41,900,548 |
| Operating Expenses | | | | | | | | | | |
| Personal services | 5,608,835 | 5,519,935 | - | 85,472 | 830,197 | 415,705 | 1,487,906 | 3,227,749 | 17,175,799 | 6,838,503 |
| Municipal service charge | 404,904 | 424,140 | - | 18,624 | 174,936 | 25,020 | 96,288 | 274,848 | 1,418,760 | 1,077,192 |
| Information technology charge | 1,015,188 | 284,484 | - | 12,060 | 49,758 | 15,504 | 124,332 | 113,904 | 1,615,230 | 724,716 |
| Materials and supplies | 1,799,103 | 741,852 | - | 6,181 | 208,287 | 37,228 | 101,533 | 170,493 | 3,064,677 | 449,991 |
| Utilities | 1,307,718 | 1,070,847 | - | 11,477 | 39,107 | 66,085 | 9,535 | 183,526 | 2,688,295 | 415,465 |
| Insurance | 373,044 | 334,044 | - | 216 | 5,432 | 58,032 | 4,332 | 237,840 | 1,012,940 | 18,282,081 |
| Contracted services | 573,244 | 1,424,230 | - | 9,766 | 41,559 | 8,449 | 383,896 | 3,677,632 | 6,118,776 | 277,249 |
| Maintenance | 503,702 | 323,884 | - | 2,530 | 21,964 | 22,443 | 240,105 | 2,602,390 | 3,717,018 | 1,163,309 |
| Professional fees | 171,632 | 85,817 | 38,094 | - | - | 6,360 | 221,891 | 155,695 | 679,489 | 215,140 |
| Pension Refund Repayment | - | - | - | - | - | - | - | - | - | 5,654,484 |
| Rent | 243,710 | - | - | - | 14,504 | - | - | - | 258,214 | - |
| Miscellaneous | 147,478 | 91,174 | - | 718 | 12,889 | 979 | 10,468 | 106,770 | 370,476 | 59,597 |
| Cost of goods sold | 292,314 | 5,924 | - | - | 68,009 | - | 40,749 | - | 406,996 | 2,234,422 |
| Depreciation and amortization | 2,602,875 | 1,782,303 | 1,772,939 | 8,949 | 157,916 | 22,221 | 199,685 | 1,019,914 | 7,566,802 | 1,301,399 |
| Total Operating Expenses | 15,043,747 | 12,088,634 | 1,811,033 | 155,993 | 1,624,558 | 678,026 | 2,920,720 | 11,770,761 | 46,093,472 | 38,693,548 |
| Operating Income (Loss) | 4,854,049 | 7,167,821 | 1,130,126 | (11,402) | (459,725) | 91,448 | 3,022,092 | (10,256,605) | 5,537,804 | 3,207,000 |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Interest income | 488,768 | 594,945 | 35,640 | 16,671 | (22,543) | 10,859 | 117,902 | 303,305 | 1,545,547 | 721,061 |
| Net gain on retirement of capital assets | 7,973 | 36,051 | - | - | 7 | 12,565 | 11,976 | 3,497 | 72,069 | 171,453 |
| Interest expense and fiscal charges | (1,817,835) | (2,153,638) | (1,068,106) | - | (21,782) | 7,290 | (110,598) | - | (5,164,669) | - |
| Property taxes | - | - | - | - | - | - | - | 11,677,513 | 11,677,513 | - |
| Total Nonoperating Revenues (Expenses) | (1,321,094) | (1,522,642) | (1,032,466) | 16,671 | (44,318) | 30,714 | 19,280 | 11,984,315 | 8,130,460 | 892,514 |
| Income (Loss) Before Contributions and Transfers | 3,532,955 | 5,645,179 | 97,660 | 5,269 | (504,043) | 122,162 | 3,041,372 | 1,727,710 | 13,668,264 | 4,099,514 |
| Capital contributions | 2,204,638 | - | - | - | - | - | - | - | 2,204,638 | 214,863 |
| Transfers in (Note 7) | 1,853,620 | - | - | - | 453,975 | - | 160,000 | - | 2,467,595 | 903,734 |
| Transfer out (Note 7) | (2,661,009) | (1,157,180) | - | - | - | (9,384) | (1,984,756) | (795,894) | (6,608,223) | (2,075,802) |
| Change in Net Assets | 4,930,204 | 4,487,999 | 97,660 | 5,269 | (50,068) | 112,778 | 1,216,616 | 931,816 | 11,732,274 | 3,142,309 |
| Total Net Assets - Beginning, as restated (Note 19) | 55,467,721 | 88,928,528 | 26,658,104 | 693,125 | 1,797,040 | 965,054 | 12,026,325 | 23,833,264 | 210,369,161 | 20,980,115 |
| Total Net Assets - Ending | \$ 60,397,925 | \$ 93,416,527 | \$ 26,755,764 | \$ 698,394 | \$ 1,746,972 | \$ 1,077,832 | \$ 13,242,941 | \$ 24,765,080 | \$ 222,101,435 | \$ 24,122,424 |

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, 2010**

| | 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 | \$ 17,599,810 | \$ 19,448,076 | \$ 2,941,159 | \$ 148,612 | \$ 1,160,491 | \$ 745,826 | \$ 5,787,389 | \$ 1,449,933 | \$ 49,281,296 | \$ 42,244,593 |
| Receipts from interfund services provided | - | - | - | - | 8,771 | 1,119 | 6,874 | - | 16,764 | 868,897 |
| Payments to suppliers | (7,096,594) | (433,468) | (38,094) | (60,164) | (665,651) | (371,329) | (1,162,936) | (7,453,657) | (17,281,893) | (25,715,287) |
| Payments on behalf of employees | (5,869,193) | (5,383,467) | - | (84,828) | (805,135) | (406,184) | (1,443,807) | (3,153,309) | (17,145,923) | (12,058,087) |
| Payments for interfund services used | (29,108) | (1,666,889) | (685,783) | (30) | - | - | - | (338,039) | (2,719,849) | (714,314) |
| Net cash provided by (used in) operating activities | <u>4,604,915</u> | <u>11,964,252</u> | <u>2,217,282</u> | <u>3,590</u> | <u>(301,524)</u> | <u>(30,568)</u> | <u>3,187,520</u> | <u>(9,495,072)</u> | <u>12,150,395</u> | <u>4,625,802</u> |
| Cash flows from noncapital financing activities: | | | | | | | | | | |
| Transfers in | 1,853,620 | - | - | - | 453,975 | - | 160,000 | - | 2,467,595 | 903,734 |
| Transfers out | (2,661,009) | (1,157,180) | - | - | - | (9,384) | (1,984,756) | (795,894) | (6,608,223) | (2,075,802) |
| Property taxes | - | - | - | - | - | - | - | 11,677,513 | 11,677,513 | - |
| Advance from investment pool | - | - | - | - | - | (58,035) | - | - | (58,035) | - |
| Net cash provided by (used in) noncapital financing activities | <u>(807,389)</u> | <u>(1,157,180)</u> | <u>-</u> | <u>-</u> | <u>453,975</u> | <u>(67,419)</u> | <u>(1,824,756)</u> | <u>10,881,619</u> | <u>7,478,850</u> | <u>(1,172,068)</u> |
| Cash flows from capital and related financing activities: | | | | | | | | | | |
| Proceeds from sales of bonds and notes | | | | | | | | | | |
| Capital contributions | 2,204,638 | - | - | - | - | - | - | - | 2,204,638 | - |
| Acquisition and construction of capital assets | (6,436,003) | (29,150,020) | - | - | - | (171,306) | (1,929,480) | (2,385,978) | (40,072,787) | (3,027,301) |
| Principal paid on revenue bonds, maturities, capital leases and notes | (3,892,731) | (1,178,250) | (1,825,000) | - | (105,000) | - | (218,390) | - | (7,219,371) | - |
| Interest paid on bonds, notes, and capital leases | (1,874,223) | (2,156,280) | (1,065,354) | - | (21,153) | (2) | (110,598) | - | (5,227,610) | - |
| Proceeds from sale of equipment | 8,006 | 36,022 | - | - | 1 | 12,563 | 11,972 | 3,492 | 72,056 | 249,738 |
| Net cash (used in) capital and related financing activities | <u>(9,990,313)</u> | <u>(32,448,528)</u> | <u>(2,890,354)</u> | <u>-</u> | <u>(126,152)</u> | <u>(158,745)</u> | <u>(2,246,496)</u> | <u>(2,382,486)</u> | <u>(50,243,074)</u> | <u>(2,777,563)</u> |
| Cash flows from investing activities: | | | | | | | | | | |
| Purchase of investment securities | (1,031,284) | (76,379,318) | - | - | - | - | - | (271,029) | (77,681,631) | - |
| Sale of investment securities | 6,065,019 | 78,850,360 | - | - | - | - | - | 270,092 | 85,185,471 | - |
| Interest and dividends on investments | 556,693 | 709,935 | 35,640 | 16,671 | (22,543) | 10,859 | 117,902 | 303,012 | 1,728,169 | 721,061 |
| Net cash provided by (used in) investing activities | <u>5,590,428</u> | <u>3,180,977</u> | <u>35,640</u> | <u>16,671</u> | <u>(22,543)</u> | <u>10,859</u> | <u>117,902</u> | <u>302,075</u> | <u>9,232,009</u> | <u>721,061</u> |
| Net increase (decrease) in cash and cash equivalents | (602,359) | (18,460,479) | (637,432) | 20,261 | 3,756 | (245,873) | (765,830) | (693,864) | (21,381,820) | 1,397,232 |
| Cash and cash equivalents at beginning of the year | 18,759,928 | 57,475,368 | 2,400,365 | 566,915 | 33,561 | 507,710 | 4,552,029 | 10,534,601 | 94,830,477 | 21,242,060 |
| Cash and cash equivalents at end of the year | <u>\$ 18,157,569</u> | <u>\$ 39,014,889</u> | <u>\$ 1,762,933</u> | <u>\$ 587,176</u> | <u>\$ 37,317</u> | <u>\$ 261,837</u> | <u>\$ 3,786,199</u> | <u>\$ 9,840,737</u> | <u>\$ 73,448,657</u> | <u>\$ 22,639,292</u> |

(Continued)

**City of Ann Arbor
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010
(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: | | | | | | | | | | |
| Operating income (loss) | \$ 4,854,049 | \$ 7,167,821 | \$ 1,130,126 | \$ (11,402) | \$ (459,725) | \$ 91,448 | \$3,022,092 | \$(10,256,605) | \$ 5,537,804 | \$ 3,207,000 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | |
| Depreciation and amortization | 2,602,875 | 1,782,303 | 1,772,939 | 8,949 | 157,916 | 22,221 | 199,685 | 1,019,914 | 7,566,802 | 1,301,399 |
| Allowance for uncollectible accounts | (38,707) | (1,800) | - | (259) | - | (275) | (2,709) | 13,604 | (30,146) | (16,728) |
| (Increase) decrease in assets and increase (decrease) in liabilities | | | | | | | | | | |
| Accounts receivable | (2,093,700) | 193,421 | - | 475 | (4,342) | (26,787) | (152,714) | (77,827) | (2,161,474) | 360,773 |
| Due from other funds | 160,281 | (20,381) | - | - | 553 | 1,083 | (17,048) | 6,538 | 131,026 | 693,517 |
| Inventory | 178,691 | 5,924 | - | - | (8,409) | - | - | - | 176,206 | (93,135) |
| Prepaid items | - | - | - | - | - | - | 1,485 | - | 1,485 | (76,436) |
| Accounts payable | (443,248) | 4,347,004 | - | 1,408 | (20,797) | (131,206) | 68,708 | 69,441 | 3,891,310 | (334,140) |
| Accrued compensated absences | (94,763) | 183,731 | - | 345 | 23,639 | 20,368 | 42,652 | 57,134 | 233,106 | 48,673 |
| Judgment payable payable | (428,328) | (371,580) | - | - | (26,964) | (20,268) | (97,512) | (173,400) | (1,118,052) | 45,190 |
| Unfunded OPEB liability | 428,328 | 371,580 | - | - | 26,964 | 20,268 | 97,512 | 173,400 | 1,118,052 | 322,835 |
| Estimated claims payable | - | - | - | - | - | - | - | - | - | (312,414) |
| Accrued liabilities | (165,595) | (47,263) | - | 299 | 1,423 | (10,847) | 1,447 | 17,306 | (203,230) | 18,202 |
| Due to other funds | (189,389) | (1,646,508) | (685,783) | (30) | 8,218 | 36 | 23,922 | (344,577) | (2,834,111) | (538,934) |
| Due to other governments | - | - | - | - | - | (23) | - | - | (23) | - |
| Deposits | (165,579) | - | - | (288) | - | 3,414 | - | - | (162,453) | - |
| Unearned revenue | - | - | - | 4,093 | - | - | - | - | 4,093 | - |
| Net cash provided by (used in) operating activities | <u>\$ 4,604,915</u> | <u>\$ 11,964,252</u> | <u>\$ 2,217,282</u> | <u>\$ 3,590</u> | <u>\$ (301,524)</u> | <u>\$ (30,568)</u> | <u>\$ 3,187,520</u> | <u>\$ (9,495,072)</u> | <u>\$ 12,150,395</u> | <u>\$ 4,625,802</u> |

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

**City of Ann Arbor
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

| | Employees' Benefit Trust Funds | Agency Funds |
|---|--------------------------------------|-----------------|
| ASSETS | | |
| Cash | \$2,436 | \$4,746,343 |
| Equity in pooled cash and investments (Note 2) | | 261,854 |
| Investments, at fair value (Note 2) | 413,539,841 | |
| Accrued interest and dividends | 1,128,936 | |
| Due from other governments | 7,047,821 | |
| Property, plant & equipment (net of depreciation of \$42,699) | 443,351 | |
| Total Assets | \$422,162,385 | \$5,008,197 |
| LIABILITIES | | |
| Accounts payable | 2,495,234 | 4,855,317 |
| Accrued liabilities | 248,769 | |
| Mortgage payable | 360,642 | |
| Due to other governments | 113,395 | 126,137 |
| Deposits | | 26,743 |
| Unearned revenue | 6,966,774 | |
| Total Liabilities | 10,184,814 | \$5,008,197 |
| NET ASSETS | | |
| Invested in capital assets net of related debt | 82,709 | |
| Held in Trust for Pension Benefits and Other Purposes | 411,894,862 | |
| Total net assets | \$411,977,571 | |

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

City of Ann Arbor
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

| | <u>Total Employees' Benefit Trust Funds</u> |
|---|---|
| ADDITIONS | |
| Investment income: | |
| Net realized and unrealized appreciation (depreciation) in fair value of investments | \$42,435,618 |
| Interest | 5,040,790 |
| Dividends | <u>2,252,174</u> |
| Total investment income | 49,728,582 |
| Less investment expense | <u>1,342,071</u> |
| Net investment income (loss) | <u>48,386,511</u> |
| Contributions: | |
| Employer | 13,465,829 |
| Plan member | <u>3,148,209</u> |
| Total contributions | <u>16,614,038</u> |
| Total additions | <u>65,000,549</u> |
| DEDUCTIONS | |
| Benefits | 26,874,321 |
| Refund of contributions | 639,911 |
| Administrative expense | <u>729,929</u> |
| Total deductions | <u>28,244,161</u> |
| Change in net assets | 36,756,388 |
| Net assets at beginning of year, as restated (Note 19) | <u>375,221,183</u> |
| Net assets at end of year | <u>\$411,977,571</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, 2010

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 112,852 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 \$6.9 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 approves the budget and 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, 2010, assets and a fund balance of \$1,187.

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.
Municipal Center. This fund is used to account for revenues expended for the construction of a new City facility for Police and District Courts.
Street Repair Millage. This fund is used to account for the proceeds of a special millage to repair streets.
DDA Build America Parking Bond. This fund is used to account for the proceeds from the Build America bond for the construction of the new Fifth Avenue underground parking structure and for infrastructure improvements to the surrounding area.

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 Wheeler Center 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, Fifteenth District Court and Payroll.

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 measurement focus 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 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.

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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

| <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 governmental funds, the current portion of the liability for compensated absences reflects only the unpaid balance of reimbursable unused leave for employees that terminated by the fiscal year end. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, the 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.

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, 2010:

| | Cash | Equity in pooled cash and investments | Investments |
|---|-----------------------------|--|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Governmental activities | \$964,974 | \$130,728,841 | \$33,060,044 |
| Business-type activities | 8,586,736 | 64,861,921 | 15,799,883 |
| Component units: | | | |
| Ann Arbor Housing Commission | 3,054,573 | | |
| Smart Zone LDFA | | 609,020 | |
| Downtown Development Authority | 5,660,829 | 115,236 | 4,174,324 |
| Fiduciary funds | 4,748,779 | 261,854 | 413,539,841 |
| Totals | <u>\$23,015,891</u> | <u>\$196,576,872</u> | <u>\$466,574,092</u> |
| Total Equity in Pooled Cash and Investments | | <u>\$663,150,964</u> | |

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

| | |
|--|-----------------------------|
| U. S. Government Agencies | \$224,103,562 |
| U. S. Treasury Bonds & Notes | 34,979,140 |
| Repurchase Agreements | 5,974,476 |
| Corporate Bonds and Notes | 59,786,889 |
| Stocks - Common | 247,418,951 |
| Guaranteed Investment Contracts | 14,325,905 |
| Real Estate Participation Interest | 25,732,870 |
| Collateralized Mortgage Obligations | 23,481,107 |
| Mutual Funds - unclassified as to risk | 27,348,064 |
| Total | <u><u>\$663,150,964</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 was \$20,872,133 and the bank balance was \$20,815,161. Of the bank balance, \$371,519 was covered by federal depository insurance. The remaining \$20,443,642 was exposed to custodial credit risk as it was uninsured and uncollateralized. The component units, Ann Arbor Housing Commission and Downtown Development Authority, are not included in these figures, nor are the 15th District Court funds as they provide this information in their separately audited financial statements.

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 U.S. Treasury Obligations, Federal Agency Securities, Federal Instrumentality Securities, Repurchase Agreements, Time Certificates of Deposit, Money Market Mutual Funds that limit assets of the fund to securities authorized in M.C.L. 129.91 as legal investments for a public corporation, Eligible Bankers Acceptances, Prime Commercial Paper, Obligations of the State of Michigan or any of its political subdivisions, Investment Pools, and Joint Interlocal Investment Ventures. 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, 2010, 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, 2010, 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 at least 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, 2010, the investment portfolio was concentrated as follows:

| <u>Investment Type</u> | <u>Issuer</u> | <u>% of Portfolio</u> |
|-------------------------------------|---------------|-----------------------|
| U. S. Treasury Bonds & Notes | | 5.27% |
| U. S. Government Agencies | various | 33.80% |
| Repurchase Agreements | various | 0.90% |
| Corporate Bonds & Notes | | 9.02% |
| Stocks - Common | | 37.31% |
| Guaranteed Investment Contracts | | 2.16% |
| Real Estate Participation Interest | | 3.88% |
| Collateralized Mortgage Obligations | | 3.54% |
| Cash and Cash Equivalents | | 4.12% |

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

- 50% in Prime Commercial Paper
- 30% in Eligible Bankers Acceptances
- 30% in Money Market Mutual Funds
- 20% in Time Certificates of Deposit
- 10% in Federal Agency Securities
- 10% in Obligations of the State of Michigan or any of its political subdivisions
- 10% in Investment Pools
- 10% in Joint Interlocal Investment Ventures

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

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Interest Rate Risk. As of June 30, 2010, maturities of the City's debt securities were as follows:

| | <u>City Investments</u> | |
|--|-------------------------|----------------------------------|
| | <u>Fair Value</u> | <u>Weighted Average Maturity</u> |
| U. S. Government Agencies | \$207,297,512 | 0.02 - 4.85 years |
| U. S. Treasury Bonds & Notes | 25,045,166 | 0.13 - 4.01 years |
| Repurchase Agreements | 5,974,476 | |
| Mutual Funds - unclassified as to risk | <u>7,119,645</u> | |
| Total Investments | <u>\$245,436,799</u> | |

Of the above balances, \$117,986,520 of U.S. agencies securities were callable.

The City of Ann Arbor does not have a formal policy relating to interest rate risk. However, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. To the extent possible, the Treasurer shall match investments with anticipated cash flow requirements. The City will not invest in securities maturing more than seven years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 3.5 years.

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, 2010:

| | |
|--|----------------------|
| U. S. Government Agencies | \$13,363,216 |
| U. S. Treasury Bonds & Notes | 9,202,484 |
| Corporate Bonds and Notes | 59,786,889 |
| Stocks - Common | 247,418,951 |
| Guaranteed Investment Contracts | 14,325,905 |
| Real Estate | 25,732,870 |
| Collateralized Mortgage Obligations | 23,481,107 |
| Mutual Funds - unclassified as to risk | 20,228,419 |
| Total Investments | <u>\$413,539,841</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, 2010 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 | \$222,028 |
| AA | 1,500,927 |
| A | 18,724,889 |
| BBB | 14,914,946 |
| BB | 5,366,887 |
| B | 3,351,371 |
| Not rated | 14,411,870 |
| | <u>\$58,492,918</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, 2010, maturities of the System's debt securities were as follows:

| | <u>Fair Value</u> | <u>Weighted Average Maturity (in years)</u> |
|-------------------------------------|---------------------|---|
| U.S. treasuries | \$7,981,365 | 4.85 |
| U.S. agencies | 3,533,013 | 14.57-18.03 |
| Corporate bonds | 52,763,274 | 7.56-14.06 |
| Domestic corporate securities | <u>4,901,661</u> | 22.20 |
| Total debt securities | <u>\$69,179,313</u> | |
| | | |
| Portfolio weighted average maturity | | 12.16-15.36 |

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, the carrying amounts of the DDA's deposits were \$311,184 and the bank balance was \$415,555, all of which was covered by federal depository insurance. 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, 2010:

| | |
|------------------------------|--------------------|
| U. S. Government Agencies | \$3,442,783 |
| U. S. Treasury Bonds & Notes | 731,490 |
| Total Investments | <u>\$4,174,273</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. The total of 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 \$3,442,783 has a maturity of three to six years. None of the other investments are subject to investment rate risk. For the U.S. Treasury Bonds and Notes, the total amount of \$731,490, has a maturity of ten years.

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, 2010, all of the investments in U.S. Government Agencies and U.S. Treasury Bonds and Notes 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.

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>\$881,494</u> | <u>\$273,060</u> |
| Other Major Funds: | | |
| Municipal Center | | 409 |
| Street Repair Millage | | <u>25,688</u> |
| Total other major funds | | <u>26,097</u> |
| Non-Major Funds: | | |
| Special Revenue Funds | 236,543 | 519,169 |
| Debt Service Funds | | 2,648 |
| Capital Projects Funds | 12,289 | 7,733 |
| Permanent Fund | | <u>4,743</u> |
| Total non-major funds | <u>248,832</u> | <u>534,293</u> |
| Enterprise Funds: | | |
| Water Supply System | 99,439 | 133,028 |
| Sewage Disposal System | 74,409 | 24,175 |
| Golf Courses | 375 | 314,641 |
| Airport | | 36 |
| Stormwater Sewer System | 25,762 | 193,502 |
| Solid Waste | <u>742</u> | <u>61,023</u> |
| Total enterprise funds | <u>200,727</u> | <u>726,405</u> |
| Internal Service Funds | <u>325,662</u> | <u>96,860</u> |
| Total | <u><u>\$1,656,715</u></u> | <u><u>\$1,656,715</u></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, 2009, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills. Other tax rates are as follows: Employee Benefits (2.0560), Refuse Collection (2.4670), Ann Arbor Transportation Authority (2.0560), Street Repair (1.9944), Parks Maintenance & Repair (1.0969), Open Space and Parkland Preservation Millage (0.4779), and Debt Service (0.4806). Real and personal property located in the City as of December 31, 2008 were assessed and equalized at \$5,787,470,424, 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 2009 taxable value on March 18, 2010, was \$4,730,622,646. 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 immaterial.

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Restated Balance July 1, 2009 | Additions | Retirements | Balance June 30, 2010 |
|--|-------------------------------------|----------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 45,538,911 | \$ 3,627,267 | \$ - | \$ 49,166,178 |
| Construction in progress | 15,072,390 | 40,649,292 | (65,080) | 55,656,602 |
| Depreciable Assets: | | | | |
| Buildings | 55,334,215 | - | - | 55,334,215 |
| Improvements other than buildings | 7,947,447 | 11,995 | - | 7,959,442 |
| Machinery and equipment | 14,425,592 | 758,003 | (499,144) | 14,684,451 |
| Vehicles | 11,350,584 | 1,893,461 | (725,423) | 12,518,622 |
| Infrastructure | 691,012,740 | 13,964,029 | (1,829,373) | 703,147,396 |
| Total at historical cost | 840,681,879 | 60,904,047 | (3,119,020) | 898,466,906 |
| Less accumulated depreciation for: | | | | |
| Buildings | (11,576,461) | (1,362,267) | - | (12,938,728) |
| Improvements other than buildings | (5,015,549) | (176,587) | - | (5,192,136) |
| Machinery and equipment | (10,818,086) | (992,983) | 399,440 | (11,411,629) |
| Vehicles | (9,111,781) | (1,055,518) | 739,486 | (9,427,813) |
| Infrastructure | (109,540,923) | (10,653,211) | 1,445,497 | (118,748,637) |
| Total accumulated depreciation | (146,062,800) | (14,240,566) | 2,584,423 | (157,718,943) |
| Governmental activities capital assets, net | \$ 694,619,079 | \$ 46,663,481 | \$ (534,597) | \$ 740,747,963 |

NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN CAPITAL ASSETS (Concluded)

| | Restated Balance July 1, 2009 | Additions | Retirements | Balance June 30, 2010 |
|---|-------------------------------------|----------------------|------------------------|--------------------------|
| Business-type Activities | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 8,575,791 | \$ 14,990 | \$ - | \$ 8,590,781 |
| Construction in progress | 59,071,212 | 39,275,477 | (20,285,851) | 78,060,838 |
| Depreciable Assets: | | | | |
| Buildings | 136,766,912 | - | - | 136,766,912 |
| Improvements other than buildings | 136,239,260 | 20,457,496 | - | 156,696,756 |
| Machinery and equipment | 37,873,414 | 154,269 | (98,224) | 37,929,459 |
| Vehicles | 8,546,935 | 57,556 | (320,250) | 8,284,241 |
| Total at historical cost | 387,073,524 | 59,959,788 | (20,704,325) | 426,328,987 |
| Less accumulated depreciation for: | | | | |
| Buildings | (53,618,379) | (3,425,071) | - | (57,043,450) |
| Improvements other than buildings | (62,867,561) | (2,167,649) | - | (65,035,210) |
| Machinery and equipment | (29,967,935) | (1,313,927) | 98,289 | (31,183,573) |
| Vehicles | (7,044,302) | (660,139) | 320,250 | (7,384,191) |
| Total accumulated depreciation | (153,498,177) | (7,566,786) | 418,539 | (160,646,424) |
| Business-type activities capital assets, net | \$ 233,575,347 | \$ 52,393,002 | \$ (20,285,786) | \$ 265,682,563 |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|----------------------|
| General government | \$ 594,880 |
| Public safety | 715,683 |
| Public works | 12,237,413 |
| Community and economic development | 664 |
| Culture and Recreation | 691,926 |
| | <u>\$ 14,240,566</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 2015. 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 2010 was \$844,088. The following is a table of future minimum noncancellable lease payments by the City:

| | |
|-------|---------------------|
| 2011 | \$ 823,788 |
| 2012 | 145,980 |
| 2013 | 124,928 |
| 2014 | 124,928 |
| 2015 | 110,478 |
| Total | <u>\$ 1,330,102</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 2024. Revenues and the related expenses for these leases are recorded in the Enterprise Funds. The total rent revenue for fiscal year 2010 was \$567,103. The total revenue includes \$352,353 for cell towers, \$13,728 for office space, and \$201,022 for airport hangers. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

| | |
|-----------|---------------------|
| 2011 | \$ 437,142 |
| 2012 | 328,678 |
| 2013 | 295,568 |
| 2014 | 270,207 |
| 2015 | 237,119 |
| 2016-2020 | 1,044,398 |
| 2021-2024 | 214,561 |
| Total | <u>\$ 2,827,673</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 of 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, 2010:

| <u>Asset Type</u> | <u>Enterprise Fund</u> |
|--------------------------------|----------------------------|
| Drains | \$3,546,458 |
| Less: accumulated depreciation | <u>(455,468)</u> |
| Net book value | <u><u>\$3,090,990</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, 2010:

| <u>Year Ended June 30</u> | <u>Enterprise Fund</u> |
|--|----------------------------|
| 2011 | \$256,802 |
| 2012 | 158,349 |
| 2013 | 159,912 |
| 2014 | 160,488 |
| 2015 | 157,029 |
| 2016-2020 | 566,107 |
| 2021-2025 | 507,133 |
| 2026-2030 | <u>100,986</u> |
| Total minimum lease payments | 2,066,806 |
| Less: amount representing interest | <u>(252,309)</u> |
| Present value of future minimum lease payments | <u><u>\$1,814,497</u></u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

7. TRANSFERS

A reconciliation of the interfund transfers is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|-------------------------|--------------------------|
| General Fund | <u>\$949,189</u> | <u>\$1,555,907</u> |
| Other Major Funds: | | |
| Municipal Center | 1,300,000 | |
| Street Repair Millage | <u>3,181,600</u> | 592,616 |
| Total other major funds | <u>4,481,600</u> | <u>592,616</u> |
| Non-Major Funds: | | |
| Special Revenue Funds | 1,696,322 | 3,766,414 |
| Debt Service Funds | 3,886,538 | |
| Capital Projects Funds | <u>213,984</u> | |
| Total non-major funds | <u>5,796,844</u> | <u>3,766,414</u> |
| Enterprise Funds: | | |
| Water Supply System | 1,853,620 | 2,661,009 |
| Sewage Disposal System | | 1,157,180 |
| Golf Courses | 453,975 | |
| Airport | | 9,384 |
| Stormwater System | 160,000 | 1,984,756 |
| Solid Waste | | <u>795,894</u> |
| Total enterpriser funds | <u>2,467,595</u> | <u>6,608,223</u> |
| Internal Service Funds | <u>903,734</u> | <u>2,075,802</u> |
| Total Transfers | <u>\$14,598,962</u> | <u>\$14,598,962</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.

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

Wetland Restoration. The Michigan Department of Environmental Quality (MDEQ) has issued a permit to the City of Ann Arbor for wetland restoration. Upon issuance of the permit, the City posted a \$90,650 letter of credit to ensure compliance with the MDEQ wetland restoration requirements. A site inspection by the MDEQ has determined the wetlands are beginning to conform to the conditions of the permit and authorized the release of 50 percent of the Surety. The total amount of the Surety is now \$45,325 and shall remain in force until the end of the monitoring period.

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, 2010:

| | 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, 2009 | \$55,599,297 | \$467,420 | \$22,290,911 | \$551,796 | \$3,500,000 | \$82,409,424 | \$16,831,369 | \$99,240,793 |
| Debt issued and other increases: | | | | | | | | |
| Debt issued/accrued | 49,420,000 | | | | | 49,420,000 | 2,450,044 | 51,870,044 |
| Amortization of bond discounts | 4,191 | 303 | 5,007 | 522 | | 10,023 | | 10,023 |
| Debt retired and other decreases: | | | | | | | | |
| Decrease in accrued compensated absences | | | | | | | (4,419,615) | (4,419,615) |
| Bond discounts/premiums | (93,674) | | | | | (93,674) | | (93,674) |
| Debt retired | (2,590,000) | (80,000) | (550,000) | (125,000) | | (3,345,000) | | (3,345,000) |
| Bonds and other debt payable at June 30, 2010 | \$102,339,814 | \$387,723 | \$21,745,918 | \$427,318 | \$3,500,000 | \$128,400,773 | \$14,861,798 | \$143,262,571 |
| Balance due within one year | \$2,625,000 | \$80,000 | \$585,000 | \$120,000 | | \$3,410,000 | \$252,263 | \$3,662,263 |

(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, 2010:

| | 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, 2009 | \$21,190,000 | \$99,855,000 | \$6,359,770 | \$4,105,000 | \$2,831,818 | \$134,341,588 | \$1,835,000 |
| Debt issued and other increases: | | | | | | | |
| Debt issued/accrued | 3,570,000 | | 3,573,672 | | 615,559 | 7,759,231 | |
| Debt retired and other decreases: | | | | | | | |
| Decrease in accrued compensated absences | | | | | (456,106) | (456,106) | |
| Debt retired | (5,350,000) | (5,640,000) | (488,390) | (150,000) | | (11,628,390) | (575,000) |
| Bonds and other debt payable at June 30, 2010 | \$19,410,000 | \$94,215,000 | \$9,445,052 | \$3,955,000 | \$2,991,271 | \$130,016,323 | \$1,260,000 |
| Balance due within one year | \$1,895,000 | \$6,075,000 | \$598,390 | \$155,000 | \$154,830 | \$8,878,220 | \$610,000 |

(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 (\$43,730,000) in bond principal at June 30, 2010 and the Sewage Disposal System (\$50,485,000). Other Long-Term Debt includes various long-term obligations (notes and contracts) paid from general operations and other sources. During fiscal year 2010, the City spent and requested an additional \$2,124,736 from the Michigan Municipal Bond Authority (MMBA) from the Drinking Water Revolving Fund. At June 30, 2010, the outstanding balance was \$382,950. During fiscal year 2010, the City received an additional \$912,672 from the MMBA from the Strategic Water Quality Initiatives Fund. At June 30, 2010, the outstanding balance was \$4,586,605. During fiscal year 2010, the City received \$2,661,000 from the MMBA from the Clean Water Revolving Fund. At June 30, 2010, the outstanding balance was \$2,661,000. 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 (\$3,955,000). Various limitations and restrictions are contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

During fiscal year 2005, 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, amortization of the loss of \$949,794 began in fiscal year 2010 and will continue to be amortized in the Parking System Enterprise Fund over the next ten years. The outstanding balance of the loss is \$906,962.

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, 2010 are as follows:

| | | | |
|---|-------------|--|-----------|
| 1999 Ann Arbor Building Authority Bonds | \$5,950,000 | Water Supply System Revenue Bonds Series U | \$625,000 |
| 2000 Ann Arbor Building Authority Bonds | 6,700,000 | Water Supply System Revenue Bonds Series V | 1,850,000 |

During fiscal year 2009, the City refinanced the note for \$3,500,000 issued for the purchase of the old YMCA building. The new note requires the principal to be remitted in 2014 and carries an interest rate of 3.89% for the life of the note.

During fiscal year 2010, the City issued \$3,570,000 in refunding bonds to advance refund \$3,560,000 of the 1998 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 \$224,387 over the next seven years and to obtain an economic gain (difference between the present value for the debt service payments on the old and new debt) of \$202,062. In accordance with GASB #23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, since the entire bonds were paid off in fiscal year 2010, the entire loss was recorded in the Parking System Enterprise fund in fiscal year 2010.

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, 2010:

| Governmental Activities Debt | | | | | | | | | | | | | |
|------------------------------|------------------------|----------------------|--------------------------|------------------|-----------------------|----------------------|--------------------------|------------------|---------------------|-------------------|------------------------------------|----------------------|-----------------------|
| FY Ending | Capital Projects Bonds | | Special Assessment Bonds | | Special Revenue Bonds | | Special Assessment Bonds | | Other Debt | | Total Governmental Activities Debt | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2011 | \$ 2,625,000 | \$ 4,186,916 | \$ 80,000 | \$ 18,925 | \$ 585,000 | \$ 919,360 | \$ 120,000 | \$ 19,960 | \$ | \$ 136,149 | \$ 3,410,000 | \$ 5,281,310 | \$ 8,691,310 |
| 2012 | 2,525,000 | 4,102,465 | 80,000 | 15,075 | 625,000 | 895,905 | 90,000 | 14,893 | | 136,149 | 3,320,000 | 5,164,487 | 8,484,487 |
| 2013 | 3,225,000 | 4,010,771 | 80,000 | 11,175 | 650,000 | 871,216 | 80,000 | 10,617 | | 136,149 | 4,035,000 | 5,039,928 | 9,074,928 |
| 2014 | 2,705,000 | 3,918,750 | 80,000 | 7,225 | 685,000 | 845,366 | 80,000 | 6,710 | 3,500,000 | 68,266 | 7,050,000 | 4,846,317 | 11,896,317 |
| 2015 | 2,800,000 | 3,833,920 | 20,000 | 3,225 | 720,000 | 817,914 | 25,000 | 2,750 | | | 3,565,000 | 4,657,809 | 8,222,809 |
| 2016 | 2,910,000 | 3,742,586 | 25,000 | 2,325 | 755,000 | 788,835 | 20,000 | 1,625 | | | 3,710,000 | 4,535,371 | 8,245,371 |
| 2017 | 3,025,000 | 3,644,066 | 25,000 | 1,175 | 795,000 | 757,953 | 15,000 | 705 | | | 3,860,000 | 4,403,899 | 8,263,899 |
| 2018 | 3,150,000 | 3,539,684 | | | 835,000 | 725,200 | | | | | 3,985,000 | 4,264,884 | 8,249,884 |
| 2019 | 3,275,000 | 3,423,740 | | | 875,000 | 690,605 | | | | | 4,150,000 | 4,114,345 | 8,264,345 |
| 2020 | 3,425,000 | 3,298,888 | | | 915,000 | 653,534 | | | | | 4,340,000 | 3,952,422 | 8,292,422 |
| 2021 | 3,570,000 | 3,165,766 | | | 965,000 | 614,176 | | | | | 4,535,000 | 3,779,942 | 8,314,942 |
| 2022 | 3,725,000 | 3,024,716 | | | 1,010,000 | 572,470 | | | | | 4,735,000 | 3,597,186 | 8,332,186 |
| 2023 | 3,905,000 | 2,874,268 | | | 1,060,000 | 527,888 | | | | | 4,965,000 | 3,402,156 | 8,367,156 |
| 2024 | 4,080,000 | 2,715,314 | | | 800,000 | 481,938 | | | | | 4,880,000 | 3,197,252 | 8,077,252 |
| 2025 | 4,270,000 | 2,547,926 | | | 840,000 | 446,663 | | | | | 5,110,000 | 2,994,589 | 8,104,589 |
| 2026 | 4,470,000 | 2,369,364 | | | 885,000 | 408,698 | | | | | 5,355,000 | 2,778,062 | 8,133,062 |
| 2027 | 4,675,000 | 2,181,176 | | | 930,000 | 368,503 | | | | | 5,605,000 | 2,549,679 | 8,154,679 |
| 2028 | 4,895,000 | 1,984,066 | | | 975,000 | 326,339 | | | | | 5,870,000 | 2,310,405 | 8,180,405 |
| 2029 | 5,120,000 | 1,774,556 | | | 1,030,000 | 280,913 | | | | | 6,150,000 | 2,055,469 | 8,205,469 |
| 2030 | 5,360,000 | 1,549,958 | | | 1,080,000 | 232,875 | | | | | 6,440,000 | 1,782,833 | 8,222,833 |
| 2031 | 5,615,000 | 1,312,284 | | | 1,135,000 | 182,419 | | | | | 6,750,000 | 1,494,703 | 8,244,703 |
| 2032 | 4,220,000 | 1,056,138 | | | 1,195,000 | 129,319 | | | | | 5,415,000 | 1,185,457 | 6,600,457 |
| 2033 | 4,430,000 | 870,940 | | | 1,255,000 | 73,519 | | | | | 5,685,000 | 944,459 | 6,629,459 |
| 2034 | 4,645,000 | 676,526 | | | 1,320,000 | 14,850 | | | | | 5,965,000 | 691,376 | 6,656,376 |
| 2035 | 4,870,000 | 469,038 | | | | | | | | | 4,870,000 | 469,038 | 5,339,038 |
| 2036 | 1,595,000 | 251,500 | | | | | | | | | 1,595,000 | 251,500 | 1,846,500 |
| 2037 | 1,675,000 | 171,750 | | | | | | | | | 1,675,000 | 171,750 | 1,846,750 |
| 2038 | 1,760,000 | 88,000 | | | | | | | | | 1,760,000 | 88,000 | 1,848,000 |
| | <u>\$ 102,545,000</u> | <u>\$ 66,785,072</u> | <u>\$ 390,000</u> | <u>\$ 59,125</u> | <u>\$ 21,920,000</u> | <u>\$ 12,626,458</u> | <u>\$ 430,000</u> | <u>\$ 57,260</u> | <u>\$ 3,500,000</u> | <u>\$ 476,713</u> | <u>\$ 128,785,000</u> | <u>\$ 80,004,628</u> | <u>\$ 208,789,628</u> |
| Interest Ranges | | 2.500 - 6.500% | | 4.100 - 5.200% | | 3.500 - 4.500% | | 4.100 - 5.700% | | 3.89% | | 3.500 - 5.700% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2010:

| FY Ending | Enterprise Funds | | | | | | | | | Component Units | | | | |
|-----------------|---------------------------------------|-------------------|--------------------------------|-------------------|-------------|-------------------|-------------|-------------------|-----------------------|-------------------|---------------|--------------------------------|----------|-------------|
| | Ann Arbor Building Authority Bonds | | Water & Sewer 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 |
| 2011 | \$1,895,000 | \$817,319 | \$6,075,000 | \$3,728,630 | \$218,390 | \$38,412 | \$155,000 | \$160,544 | \$8,343,390 | \$4,744,905 | \$13,088,295 | \$610,000 | \$50,400 | \$660,400 |
| 2012 | 1,960,000 | 748,445 | 6,160,000 | 3,513,563 | 126,442 | 31,907 | 165,000 | 154,344 | 8,411,442 | 4,448,259 | 12,859,701 | 650,000 | 26,000 | 676,000 |
| 2013 | 2,035,000 | 672,073 | 6,350,000 | 3,290,755 | 131,178 | 28,734 | 170,000 | 147,744 | 8,686,178 | 4,139,306 | 12,825,484 | | | |
| 2014 | 2,095,000 | 582,212 | 4,910,000 | 3,076,502 | 135,131 | 25,357 | 180,000 | 140,942 | 7,320,131 | 3,825,013 | 11,145,144 | | | |
| 2015 | 2,155,000 | 488,860 | 4,550,000 | 2,905,672 | 135,132 | 21,897 | 190,000 | 133,744 | 7,030,132 | 3,550,173 | 10,580,305 | | | |
| 2016 | 2,115,000 | 395,014 | 4,695,000 | 2,731,837 | 139,085 | 18,378 | 200,000 | 126,144 | 7,149,085 | 3,271,373 | 10,420,458 | | | |
| 2017 | 2,175,000 | 296,989 | 4,890,000 | 2,548,400 | 86,983 | 15,334 | 205,000 | 118,144 | 7,356,983 | 2,978,867 | 10,335,850 | | | |
| 2018 | 1,665,000 | 212,510 | 4,365,000 | 2,366,512 | 86,984 | 13,921 | 215,000 | 109,944 | 6,331,984 | 2,702,887 | 9,034,871 | | | |
| 2019 | 1,710,000 | 128,890 | 4,540,000 | 2,192,561 | 90,937 | 12,508 | 225,000 | 101,344 | 6,565,937 | 2,435,303 | 9,001,240 | | | |
| 2020 | 1,070,000 | 56,950 | 4,725,000 | 2,008,819 | 90,937 | 11,040 | 235,000 | 92,344 | 6,120,937 | 2,169,153 | 8,290,090 | | | |
| 2021 | 260,000 | 22,417 | 4,945,000 | 1,815,360 | 90,937 | 9,562 | 250,000 | 82,944 | 5,545,937 | 1,930,283 | 7,476,220 | | | |
| 2022 | 275,000 | 9,167 | 5,130,000 | 1,608,593 | 94,891 | 8,084 | 260,000 | 72,942 | 5,759,891 | 1,698,786 | 7,458,677 | | | |
| 2023 | | | 5,335,000 | 1,385,879 | 94,891 | 6,553 | 275,000 | 62,544 | 5,704,891 | 1,454,976 | 7,159,867 | | | |
| 2024 | | | 5,570,000 | 1,151,917 | 94,890 | 5,011 | 285,000 | 51,544 | 5,949,890 | 1,208,472 | 7,158,362 | | | |
| 2025 | | | 5,000,000 | 920,597 | 98,845 | 3,469 | 300,000 | 39,788 | 5,398,845 | 963,854 | 6,362,699 | | | |
| 2026 | | | 2,975,000 | 741,702 | 98,844 | 1,874 | 315,000 | 27,412 | 3,388,844 | 770,988 | 4,159,832 | | | |
| 2027 | | | 3,050,000 | 599,488 | | 268 | 330,000 | 14,025 | 3,380,000 | 613,781 | 3,993,781 | | | |
| 2028 | | | 3,125,000 | 452,932 | | | | | 3,125,000 | 452,932 | 3,577,932 | | | |
| 2029 | | | 1,450,000 | 337,250 | | | | | 1,450,000 | 337,250 | 1,787,250 | | | |
| 2030 | | | 1,500,000 | 267,188 | | | | | 1,500,000 | 267,188 | 1,767,188 | | | |
| 2031 | | | 1,550,000 | 194,750 | | | | | 1,550,000 | 194,750 | 1,744,750 | | | |
| 2032 | | | 1,625,000 | 119,344 | | | | | 1,625,000 | 119,344 | 1,744,344 | | | |
| 2033 | | | 1,700,000 | 40,375 | | | | | 1,700,000 | 40,375 | 1,740,375 | | | |
| | \$19,410,000 | \$4,430,846 | \$94,215,000 | \$37,998,626 | \$1,814,497 | \$252,309 | \$3,955,000 | \$1,636,437 | \$119,394,497 | \$44,318,218 | \$163,712,715 | \$1,260,000 | \$76,400 | \$1,336,400 |
| Interest Ranges | | 2.250 - 5.000% | | 2.750 - 5.600% | | 1.625 - 4.500% | | 4.000 - 4.250% | | 1.625 - 5.600% | | | 4.000% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

CAPITAL PROJECTS BONDS

| FY | 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 | | 2008 Court & Police Facility Bonds \$27,660,000 Dated 7/1/08 Due 5-1 & 11-1 | | 2009-A Build America Bonds \$49,420,000 Dated 08/19/09 Due 5-1 & 11-1 | | Total | | Requirements |
|----------------|---|-----------|--|----------|--|----------------|--|----------------|--|----------------|---------------|----------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2011 | \$625,000 | \$78,125 | \$1,340,000 | \$26,799 | \$660,000 | \$996,632 | \$ | \$1,297,820 | \$ | \$1,787,540 | \$2,625,000 | \$4,186,916 | \$6,811,916 |
| 2012 | 625,000 | 46,875 | | | 690,000 | 970,230 | 555,000 | 1,297,820 | \$655,000 | 1,787,540 | 2,525,000 | 4,102,465 | 6,627,465 |
| 2013 | 625,000 | 15,625 | | | 720,000 | 942,630 | 575,000 | 1,275,620 | 1,305,000 | 1,776,896 | 3,225,000 | 4,010,771 | 7,235,771 |
| 2014 | | | | | 750,000 | 913,832 | 600,000 | 1,252,620 | 1,355,000 | 1,752,298 | 2,705,000 | 3,918,750 | 6,623,750 |
| 2015 | | | | | 785,000 | 883,830 | 620,000 | 1,228,620 | 1,395,000 | 1,721,470 | 2,800,000 | 3,833,920 | 6,633,920 |
| 2016 | | | | | 820,000 | 852,432 | 645,000 | 1,203,820 | 1,445,000 | 1,686,334 | 2,910,000 | 3,742,586 | 6,652,586 |
| 2017 | | | | | 860,000 | 819,630 | 670,000 | 1,178,020 | 1,495,000 | 1,646,416 | 3,025,000 | 3,644,066 | 6,669,066 |
| 2018 | | | | | 895,000 | 785,232 | 700,000 | 1,150,550 | 1,555,000 | 1,603,902 | 3,150,000 | 3,539,684 | 6,689,684 |
| 2019 | | | | | 935,000 | 748,312 | 725,000 | 1,120,800 | 1,615,000 | 1,554,628 | 3,275,000 | 3,423,740 | 6,698,740 |
| 2020 | | | | | 980,000 | 708,574 | 765,000 | 1,088,174 | 1,680,000 | 1,502,140 | 3,425,000 | 3,298,888 | 6,723,888 |
| 2021 | | | | | 1,025,000 | 664,476 | 795,000 | 1,053,750 | 1,750,000 | 1,447,540 | 3,570,000 | 3,165,766 | 6,735,766 |
| 2022 | | | | | 1,070,000 | 618,350 | 830,000 | 1,017,976 | 1,825,000 | 1,388,390 | 3,725,000 | 3,024,716 | 6,749,716 |
| 2023 | | | | | 1,115,000 | 570,200 | 875,000 | 978,550 | 1,915,000 | 1,325,518 | 3,905,000 | 2,874,268 | 6,779,268 |
| 2024 | | | | | 1,165,000 | 520,024 | 915,000 | 936,988 | 2,000,000 | 1,258,302 | 4,080,000 | 2,715,314 | 6,795,314 |
| 2025 | | | | | 1,220,000 | 467,600 | 955,000 | 893,524 | 2,095,000 | 1,186,802 | 4,270,000 | 2,547,926 | 6,817,926 |
| 2026 | | | | | 1,275,000 | 412,700 | 1,000,000 | 848,162 | 2,195,000 | 1,108,502 | 4,470,000 | 2,369,364 | 6,839,364 |
| 2027 | | | | | 1,330,000 | 354,050 | 1,045,000 | 800,662 | 2,300,000 | 1,026,464 | 4,675,000 | 2,181,176 | 6,856,176 |
| 2028 | | | | | 1,390,000 | 292,538 | 1,095,000 | 751,026 | 2,410,000 | 940,502 | 4,895,000 | 1,984,066 | 6,879,066 |
| 2029 | | | | | 1,455,000 | 228,250 | 1,145,000 | 699,012 | 2,520,000 | 847,294 | 5,120,000 | 1,774,556 | 6,894,556 |
| 2030 | | | | | 1,520,000 | 155,500 | 1,200,000 | 644,624 | 2,640,000 | 749,834 | 5,360,000 | 1,549,958 | 6,909,958 |
| 2031 | | | | | 1,590,000 | 79,500 | 1,255,000 | 587,626 | 2,770,000 | 645,158 | 5,615,000 | 1,312,284 | 6,927,284 |
| 2032 | | | | | | | 1,315,000 | 528,012 | 2,905,000 | 528,126 | 4,220,000 | 1,056,138 | 5,276,138 |
| 2033 | | | | | | | 1,380,000 | 465,550 | 3,050,000 | 405,390 | 4,430,000 | 870,940 | 5,300,940 |
| 2034 | | | | | | | 1,450,000 | 400,000 | 3,195,000 | 276,526 | 4,645,000 | 676,526 | 5,321,526 |
| 2035 | | | | | | | 1,520,000 | 327,500 | 3,350,000 | 141,538 | 4,870,000 | 469,038 | 5,339,038 |
| 2036 | | | | | | | 1,595,000 | 251,500 | | | 1,595,000 | 251,500 | 1,846,500 |
| 2037 | | | | | | | 1,675,000 | 171,750 | | | 1,675,000 | 171,750 | 1,846,750 |
| 2038 | | | | | | | 1,760,000 | 88,000 | | | 1,760,000 | 88,000 | 1,848,000 |
| | \$1,875,000 | \$140,625 | \$1,340,000 | \$26,799 | \$22,250,000 | \$12,984,522 | \$27,660,000 | \$23,538,076 | \$49,420,000 | \$30,095,050 | \$102,545,000 | \$66,785,072 | \$169,330,072 |
| Interest Range | | 5.000% | | 4.000% | | 4.000 - 5.000% | | 4.000 - 5.000% | | 2.500 - 6.500% | | 2.500 - 6.500% | |

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 |
| 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>\$240,000</u> | <u>\$30,900</u> | <u>\$150,000</u> | <u>\$28,225</u> | <u>\$390,000</u> | <u>\$59,125</u> | <u>\$449,125</u> |
| Interest Range | | 5.050 - 5.200% | | 4.100 - 4.700% | | 4.100 - 5.200% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL REVENUE BONDS

| FY | 2003 MTF Bonds \$4,000,000 Dated 4/1/03 Due 6-1 & 12-1 | | 2005 Open Space Bonds \$20,250,000 Dated 9/1/05 Due 4-1 & 10-1 | | Total | | |
|------|--|------------------|--|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 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>\$3,020,000</u> | <u>\$960,300</u> | <u>\$18,900,000</u> | <u>\$11,666,158</u> | <u>\$21,920,000</u> | <u>\$12,626,458</u> | <u>\$34,546,458</u> |

| | | | |
|----------------|----------------|----------------|----------------|
| Interest Range | 3.500 - 4.500% | 4.000 - 4.500% | 3.500 - 4.500% |
|----------------|----------------|----------------|----------------|

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

| SPECIAL ASSESSMENT BONDS | | | | | | | | | |
|--------------------------|--|---------------|--|-------------------|--|-------------------|-------------------|-------------------|-------------------|
| FY | \$455,000 Dated 6/1/96 Due 3-1 & 9-1 | | \$770,000 Dated 6/1/99 Due 3-1 & 9-1 | | \$525,000 Dated 5/1/02 Due 3-1 & 9-1 | | Total | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 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>\$ 30,000</u> | <u>\$ 855</u> | <u>\$ 220,000</u> | <u>\$ 28,325</u> | <u>\$ 180,000</u> | <u>\$ 28,080</u> | <u>\$ 430,000</u> | <u>\$ 57,260</u> | <u>\$ 487,260</u> |
| Interest Range | | 5.700% | | 5.050 - 5.200% | | 4.100 - 4.700% | | 4.100 - 5.700% | |

NOTES TO FINANCIAL STATEMENTS (Continued)
9. LONG TERM OBLIGATIONS (Continued)

ANN ARBOR BUILDING AUTHORITY BONDS

| FY | 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 | | Parking/Refunding Bonds \$3,570,000 Dated 7/01/09 Due 3-1 & 9-1 | | Total | | Requirements |
|----------------|---|-------------------|--|-------------------|---|--------------------|--|-------------------|---------------------|--------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2011 | \$160,000 | \$118,471 | \$110,000 | \$16,735 | \$1,155,000 | \$588,100 | \$470,000 | \$94,013 | \$1,895,000 | \$817,319 | \$2,712,319 |
| 2012 | 170,000 | 111,689 | 110,000 | 13,206 | 1,200,000 | 541,300 | 480,000 | 82,250 | 1,960,000 | 748,445 | 2,708,445 |
| 2013 | 180,000 | 104,233 | 115,000 | 9,352 | 1,245,000 | 488,550 | 495,000 | 69,938 | 2,035,000 | 672,073 | 2,707,073 |
| 2014 | 185,000 | 96,178 | 120,000 | 5,150 | 1,285,000 | 425,633 | 505,000 | 55,251 | 2,095,000 | 582,212 | 2,677,212 |
| 2015 | 195,000 | 87,638 | 120,000 | 740 | 1,315,000 | 360,883 | 525,000 | 39,599 | 2,155,000 | 488,860 | 2,643,860 |
| 2016 | 205,000 | 78,446 | | | 1,370,000 | 294,217 | 540,000 | 22,351 | 2,115,000 | 395,014 | 2,510,014 |
| 2017 | 215,000 | 68,618 | | | 1,405,000 | 225,133 | 555,000 | 3,238 | 2,175,000 | 296,989 | 2,471,989 |
| 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>\$2,560,000</u> | <u>\$837,240</u> | <u>\$575,000</u> | <u>\$45,183</u> | <u>\$12,705,000</u> | <u>\$3,181,783</u> | <u>\$3,570,000</u> | <u>\$366,640</u> | <u>\$19,410,000</u> | <u>\$4,430,846</u> | <u>\$23,840,846</u> |
| Interest Range | | 4.100 - 5.000% | | 3.000 - 3.700% | | 4.000 - 5.000% | | 2.250 - 3.500% | | 2.250 - 5.000% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

WATER SYSTEM REVENUE BONDS

| FY | 1998 Series W \$6,750,000 Dated 12/1/98 Due 2/1 & 8/1 | | 2002 Series X \$5,210,000 Dated 5/1/02 Due 2/1 & 8/1 | | 2003 Series Y \$13,265,000 Dated 11/5/03 Due 2/1 & 8/1 | | 2004 Series Z \$9,765,000 Dated 2/1/04 Due 2/1 & 8/1 | | 2005 Series 2005-A \$6,795,000 Dated 6/29/05 Due 2/1 & 8/1 | | 2008 Series 2008-A \$23,375,000 Dated 4/30/08 Due 2/1 & 8/1 | | Total | | |
|-----------------|--|------------------|---|------------------|---|------------------|---|--------------------|---|------------------|--|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 2011 | \$380,000 | \$59,920 | \$380,000 | \$178,115 | \$1,400,000 | \$141,618 | \$265,000 | \$328,615 | \$1,175,000 | \$74,303 | \$425,000 | \$955,981 | \$4,025,000 | \$1,738,552 | \$5,763,552 |
| 2012 | 395,000 | 43,698 | 500,000 | 160,492 | 1,505,000 | 89,833 | 520,000 | 316,936 | 605,000 | 38,517 | 500,000 | 942,294 | 4,025,000 | 1,591,770 | 5,616,770 |
| 2013 | 405,000 | 26,933 | 575,000 | 138,205 | 1,480,000 | 33,454 | 535,000 | 299,554 | 610,000 | 14,233 | 525,000 | 926,982 | 4,130,000 | 1,439,361 | 5,569,361 |
| 2014 | 405,000 | 9,923 | 650,000 | 112,033 | | | 550,000 | 281,000 | | | 1,000,000 | 901,127 | 2,605,000 | 1,304,083 | 3,909,083 |
| 2015 | | | 675,000 | 82,553 | | | 575,000 | 261,386 | | | 1,075,000 | 859,877 | 2,325,000 | 1,203,816 | 3,528,816 |
| 2016 | | | 675,000 | 51,559 | | | 595,000 | 240,659 | | | 1,125,000 | 816,044 | 2,395,000 | 1,108,262 | 3,503,262 |
| 2017 | | | 700,000 | 19,396 | | | 615,000 | 218,468 | | | 1,175,000 | 770,211 | 2,490,000 | 1,008,075 | 3,498,075 |
| 2018 | | | | | | | 640,000 | 194,748 | | | 1,225,000 | 722,377 | 1,865,000 | 917,125 | 2,782,125 |
| 2019 | | | | | | | 665,000 | 169,292 | | | 1,275,000 | 672,544 | 1,940,000 | 841,836 | 2,781,836 |
| 2020 | | | | | | | 690,000 | 142,275 | | | 1,335,000 | 620,544 | 2,025,000 | 762,819 | 2,787,819 |
| 2021 | | | | | | | 720,000 | 113,800 | | | 1,400,000 | 566,060 | 2,120,000 | 679,860 | 2,799,860 |
| 2022 | | | | | | | 740,000 | 83,371 | | | 1,465,000 | 505,925 | 2,205,000 | 589,296 | 2,794,296 |
| 2023 | | | | | | | 760,000 | 51,567 | | | 1,525,000 | 438,875 | 2,285,000 | 490,442 | 2,775,442 |
| 2024 | | | | | | | 770,000 | 19,090 | | | 1,600,000 | 368,843 | 2,370,000 | 387,933 | 2,757,933 |
| 2025 | | | | | | | | | | | 1,675,000 | 294,566 | 1,675,000 | 294,566 | 1,969,566 |
| 2026 | | | | | | | | | | | 1,725,000 | 215,234 | 1,725,000 | 215,234 | 1,940,234 |
| 2027 | | | | | | | | | | | 1,750,000 | 132,801 | 1,750,000 | 132,801 | 1,882,801 |
| 2028 | | | | | | | | | | | 1,775,000 | 49,182 | 1,775,000 | 49,182 | 1,824,182 |
| | <u>\$1,585,000</u> | <u>\$140,474</u> | <u>\$4,155,000</u> | <u>\$742,353</u> | <u>\$4,385,000</u> | <u>\$264,905</u> | <u>\$8,640,000</u> | <u>\$2,720,761</u> | <u>\$2,390,000</u> | <u>\$127,053</u> | <u>\$22,575,000</u> | <u>\$10,759,467</u> | <u>\$43,730,000</u> | <u>\$14,755,013</u> | <u>\$58,485,013</u> |
| Interest Ranges | | 4.200% | | 4.050 - 4.750% | | 3.500 - 3.875% | | 3.000 - 4.250% | | 3.750 - 4.000% | | 3.000 - 4.750% | | 3.000 - 4.750% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SEWAGE DISPOSAL SYSTEM 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 | | 2008 Series 2008-A \$24,550,000 Dated 4/30/08 Due 1/1 & 7/1 | | Total | | |
|-----------------|--|-----------|--|----------------|--|-----------------|--|--------------------|--|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 2011 | \$125,000 | \$ | \$125,000 | \$8,400 | \$350,000 | \$45,728 | \$950,000 | \$913,856 | \$500,000 | \$1,022,094 | \$2,050,000 | \$1,990,078 | \$4,040,078 |
| 2012 | | | 150,000 | | 335,000 | 31,155 | 1,100,000 | 884,294 | 550,000 | 1,006,344 | 2,135,000 | 1,921,793 | 4,056,793 |
| 2013 | | | | | 345,000 | 15,975 | 1,300,000 | 846,669 | 575,000 | 988,750 | 2,220,000 | 1,851,394 | 4,071,394 |
| 2014 | | | | | 355,000 | | 1,350,000 | 802,763 | 600,000 | 969,656 | 2,305,000 | 1,772,419 | 4,077,419 |
| 2015 | | | | | | | 1,500,000 | 753,731 | 725,000 | 948,125 | 2,225,000 | 1,701,856 | 3,926,856 |
| 2016 | | | | | | | 1,550,000 | 700,356 | 750,000 | 923,219 | 2,300,000 | 1,623,575 | 3,923,575 |
| 2017 | | | | | | | 1,600,000 | 644,231 | 800,000 | 896,094 | 2,400,000 | 1,540,325 | 3,940,325 |
| 2018 | | | | | | | 1,650,000 | 584,294 | 850,000 | 865,093 | 2,500,000 | 1,449,387 | 3,949,387 |
| 2019 | | | | | | | 1,700,000 | 520,631 | 900,000 | 830,094 | 2,600,000 | 1,350,725 | 3,950,725 |
| 2020 | | | | | | | 1,775,000 | 452,406 | 925,000 | 793,594 | 2,700,000 | 1,246,000 | 3,946,000 |
| 2021 | | | | | | | 1,850,000 | 379,906 | 975,000 | 755,594 | 2,825,000 | 1,135,500 | 3,960,500 |
| 2022 | | | | | | | 1,925,000 | 303,203 | 1,000,000 | 716,094 | 2,925,000 | 1,019,297 | 3,944,297 |
| 2023 | | | | | | | 2,000,000 | 221,000 | 1,050,000 | 674,437 | 3,050,000 | 895,437 | 3,945,437 |
| 2024 | | | | | | | 2,075,000 | 134,406 | 1,125,000 | 629,578 | 3,200,000 | 763,984 | 3,963,984 |
| 2025 | | | | | | | 2,125,000 | 45,156 | 1,200,000 | 580,875 | 3,325,000 | 626,031 | 3,951,031 |
| 2026 | | | | | | | | | 1,250,000 | 526,468 | 1,250,000 | 526,468 | 1,776,468 |
| 2027 | | | | | | | | | 1,300,000 | 466,687 | 1,300,000 | 466,687 | 1,766,687 |
| 2028 | | | | | | | | | 1,350,000 | 403,750 | 1,350,000 | 403,750 | 1,753,750 |
| 2029 | | | | | | | | | 1,450,000 | 337,250 | 1,450,000 | 337,250 | 1,787,250 |
| 2030 | | | | | | | | | 1,500,000 | 267,188 | 1,500,000 | 267,188 | 1,767,188 |
| 2031 | | | | | | | | | 1,550,000 | 194,750 | 1,550,000 | 194,750 | 1,744,750 |
| 2032 | | | | | | | | | 1,625,000 | 119,344 | 1,625,000 | 119,344 | 1,744,344 |
| 2033 | | | | | | | | | 1,700,000 | 40,375 | 1,700,000 | 40,375 | 1,740,375 |
| | <u>\$125,000</u> | <u>\$</u> | <u>\$275,000</u> | <u>\$8,400</u> | <u>\$1,385,000</u> | <u>\$92,858</u> | <u>\$24,450,000</u> | <u>\$8,186,902</u> | <u>\$24,250,000</u> | <u>\$14,955,453</u> | <u>\$50,485,000</u> | <u>\$23,243,613</u> | <u>\$73,728,613</u> |
| Interest Ranges | | | 5.500 - 5.600% | | 4.250 - 4.500% | | 2.750 - 4.250% | | 3.000 - 4.750% | | 2.750 - 5.600% | | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER DEBT

| Fiscal Year Ending | 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 & 10-1 | | 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 | | Total | | |
|--------------------------|--|----------|--|----------|--|-------------------|---|-----------|-------------|-------------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 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 | \$36,948 | \$957 | \$55,000 | \$2,475 | \$303,140 | \$41,021 | \$1,419,409 | \$207,856 | \$1,814,497 | \$252,309 | \$2,066,806 |
| Interest Ranges | | 2.590% | | 4.500% | | 3.750 - 4.200% | | 1.625% | | 1.625 - 4.500% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER DEBT (CONCLUDED)

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

| <u>Loan Segment</u> | <u>Date</u> | <u>Draws at 06/30/10</u> | <u>Payments at 06/30/10</u> | <u>Outstanding Debt at 06/30/10</u> |
|--------------------------------|-------------|------------------------------|---------------------------------|---|
| 2004 DWRF, Project #7146-01 | 03/25/04 | | \$20,000 | \$382,950 |
| 2004 SWQIF, Project #3002-01 | 08/10/04 | | 40,000 | 639,672 |
| 2005 SWQIF, Project #3002-02 | 02/03/05 | | 40,000 | 684,382 |
| 2006 SWQIF, Project #3002-03 | 04/13/06 | | 40,000 | 729,903 |
| 2007 SWQIF, Project #3002-04 | 05/14/07 | | 45,000 | 839,976 |
| 2008 SWQIF, Project #3002-05 | 04/10/08 | | 35,000 | 830,000 |
| 2009 SWQIF, Project #3010-01 | 07/23/09 | \$912,672 | 50,000 | 862,672 |
| 2010 CWRF, Pioneer High School | 09/01/09 | 2,661,000 | | 2,661,000 |
| | | <u>\$3,573,672</u> | <u>\$270,000</u> | <u>\$7,630,555</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER BONDS

| FY | 2007 Parking Facility Bonds \$4,250,000 Dated 5/1/07 Due 3-1 & 9-1 | | Total | | |
|-------------------|--|--------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Principal | Interest | Requirements |
| 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>\$3,955,000</u> | <u>\$1,636,437</u> | <u>\$3,955,000</u> | <u>\$1,636,437</u> | <u>\$5,591,437</u> |
| Interest Range | | 4.000 - 4.250% | | 4.000 - 4.250% | |

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

DOWNTOWN DEVELOPMENT AUTHORITY BONDS

| FY | \$4,925,000 Dated 5/1/02 Due 3-1 & 9-1 | | Total | | |
|-------------------|--|------------------|---------------------|------------------|---------------------|
| | Principal | Interest | Principal | Interest | Requirements |
| 2011 | \$ 610,000 | \$ 50,400 | \$ 610,000 | \$ 50,400 | \$ 660,400 |
| 2012 | 650,000 | 26,000 | 650,000 | 26,000 | 676,000 |
| | <u>\$ 1,260,000</u> | <u>\$ 76,400</u> | <u>\$ 1,260,000</u> | <u>\$ 76,400</u> | <u>\$ 1,336,400</u> |
| Interest Range | | 4.000% | | 4.000% | |

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 \$500,000 for each general liability claim, \$50,000 for each property damage claim, and Blue Cross Blue Shield health insurance claims. The City purchases (where coverage is available and properly priced) commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the insurance program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for Incurred But Not Reported (IBNR) losses. The IBNR reserve was \$1,662,198 at June 30, 2010 and is included in Estimated Claims Payable. The total Estimated Claims Payable of \$3,152,410 is reflected in the Insurance fund at June 30, 2010. 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 2008, 2009, and 2010 are summarized below:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|------|--|---|----------------|-------------------------------|
| 2008 | \$2,344,455 | \$16,198,553 | (\$15,356,791) | \$3,186,217 |
| 2009 | 3,186,217 | 15,394,304 | (15,115,697) | 3,464,824 |
| 2010 | 3,464,824 | 14,858,916 | (15,171,330) | 3,152,410 |

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*.

NOTES TO FINANCIAL STATEMENTS (Continued)

12. POST EMPLOYMENT BENEFITS

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

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year 2010, the City contributed \$10,276,855 to the plan, including \$9,349,438 for current premiums (approximately 60 percent of total premiums) and an additional \$927,417 to prefund benefits. Plan members receiving benefits contributed \$20,268, or approximately .13 percent of the total premiums through required contributions. Plan members contributions are based on the year of retirement, union affiliation, and the premium requirement at that time. Currently only employees from the Salaried group and Teamster union pay premiums. Below are the tables for the premium requirements, based on the employee group and time of retirement, and the number of employees required to contribute at the end of the fiscal year.

SALARIED MEMBERS

| Year of Retirement | Monthly Required Premium | | | | | |
|--------------------|--------------------------|---------|------------------|---------|-----------------|---------|
| | Retiree Only | | Retiree & Spouse | | Family Coverage | |
| | # of Employees | Premium | # of Employees | Premium | # of Employees | Premium |
| FY 2005 | 0 | \$20 | 3 | \$40 | 2 | \$80 |
| FY 2006 | 2 | 20 | 2 | 40 | 2 | 80 |
| FY 2007 | 0 | 20 | 1 | 40 | 1 | 80 |
| FY 2008 | 0 | 34 | 0 | 75 | 1 | 84 |
| FY 2009 | 2 | 37 | 1 | 78 | 1 | 88 |
| FY 2010 | 4 | 44 | 1 | 93 | 4 | 104 |

TEAMSTER MEMBERS

| Year of Retirement | Monthly Required Premium | | | | | |
|--------------------|--------------------------|---------|------------------|---------|-----------------|---------|
| | Retiree Only | | Retiree & Spouse | | Family Coverage | |
| | # of Employees | Premium | # of Employees | Premium | # of Employees | Premium |
| FY 2008 | 0 | \$42 | 0 | \$89 | 1 | \$100 |
| FY 2009 | 0 | | 0 | | 0 | |
| FY 2010 | 0 | | 0 | | 0 | |

NOTES TO FINANCIAL STATEMENTS (Continued)

12. POST EMPLOYMENT BENEFITS (continued):

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

| | |
|--|-----------------------|
| Annual required contribution (ARC) | \$14,284 |
| Interest on net OPEB obligation | 302 |
| Adjustment to annual required contribution | <u>(231)</u> |
| Annual OPEB cost (expense) | 14,355 |
| Contributions made | <u>9,326</u> |
| Increase in net OPEB obligation | 5,029 |
| Net OPEB obligation - beginning of year | <u>4,318</u> |
| Net OPEB obligation - end of year | <u><u>\$9,347</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2009 were as follows (dollar amounts in thousands):

| Year Ended June 30 | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------|------------------------|---|---------------------------|
| 2010 | \$14,284 | 65% | \$9,347 |
| 2009 | 13,908 | 69% | 4,318 |
| 2008 | 12,360 | 100% | 0 |

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the plan was 30.1 percent funded. The actuarial accrued liability for benefits was \$243 million, and the actuarial value of assets was \$73 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$170 million. The covered payroll (annual payroll of active employees covered by the plan) was \$49 million, and the ratio of the UAAL to the covered payroll was 348 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 91, following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

12. POST EMPLOYMENT BENEFITS (concluded):

In the June 30, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after ten years. Both rates include a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll contributions on an open basis over 30 years.

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, 532 S. Maple Rd., Ann Arbor, Michigan, 48103 or by calling 877-994-4590.

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.

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 12.7% 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):

| | |
|--|-------------------|
| Annual required contribution (ARC) | \$7,560 |
| Interest on net pension obligation | 0 |
| Adjustment to annual required contribution | 0 |
| Annual pension cost (expense) | <u>7,560</u> |
| Contributions made | <u>7,560</u> |
| Increase in net pension obligation | 0 |
| Net pension obligation - beginning of year | <u>0</u> |
| Net pension obligation - end of year | <u><u>\$0</u></u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

13. RETIREMENT COMMITMENTS (concluded):

Three-Year Trend Information
(Dollar amounts in thousands)

| Year Ended June 30 | Annual Required Contribution | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|------------------------------------|-------------------------------------|------------------------------|
| 2010 | \$7,560 | 100% | \$0 |
| 2009 | 6,895 | 100% | 0 |
| 2008 | 7,517 | 100% | 0 |

Actuarial Methods & Assumptions. The annual required contribution for the current year was determined as part of the June 30, 2010, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of 0.4% to 6.0% 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 a closed 29-year closed period rolling down to 25 years. The employer contributions consisted of \$7,463,147 for normal cost and \$96,634 for amortization of the unfunded actuarial accrued liability. Employer contributions represented 13.76% of projected covered payroll.

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the plan was 90.3 percent funded. The actuarial accrued liability for benefits was \$466.9 million, and the actuarial value of assets was \$421.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$45.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$48.7 million, and the ratio of the UAAL to the covered payroll was 93.4 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements on page 91, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2010 was \$2,304,340, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure.

NOTES TO FINANCIAL STATEMENTS (Continued)

15. SIGNIFICANT COMMITMENTS

As of June 30, 2010, the City had \$19,921,517 in construction commitments for various projects including resurfacing of streets, bridge reconstruction and other road improvements.

16. JUDGMENT PAYABLE

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). The Pension System's transfer to the VEBA was not fully compliant with Section 420 of the Internal Revenue Code with respect to the transfers to the VEBA. The City filed an application through the Internal Revenue Service Voluntary Correction Program and the IRS determined that \$17.1 million dollars of plan assets, incorrectly distributed from the plan, should be returned to the plan, adjusted for income over a five year period beginning in FY09. While the City has sufficient monies to fund the future years actuarial required contribution (ARC) for both the pension and VEBA systems, the repayment to the pension system will result in reduced funding of the VEBA ARC in a like amount during the period of the pension repayment. This will necessitate an OPEB liability in the City's financial statements during the repayment period per GASB 45. The OPEB liability is being amortized over a closed 15 year period. At the end of this fiscal year the City has repaid the Pension system \$10.2 million, and the remaining liability over the next two years is \$6.9 million.

IRS REPAYMENT SCHEDULE

| <u>FY</u> | <u>AMOUNT</u> |
|-----------|---------------|
| 2011 | \$5,632,120 |
| 2012 | 1,334,654 |

NOTES TO FINANCIAL STATEMENTS (Continued)

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:

| | |
|---|----------------------|
| Highways and Streets: | |
| Major Streets | \$ 7,470,719 |
| Local Streets | 3,348,442 |
| Street Repair Millage | 28,473,396 |
| Metro Expansion | 1,291,479 |
| Total restricted for highways and streets | <u>\$ 40,584,036</u> |
| Culture and Recreation: | |
| Parks Repair & Restoration Millage | 140,835 |
| Parks Rehab & Development Millage | 1,975,372 |
| Parks Maint & Capital Imp Millage | 3,442,843 |
| Open Space and Park Acquisition Millage | 15,790,131 |
| Parks Memorials & Contributions | 191,892 |
| Open Space Endowment | 149,167 |
| Art In Public Places | 1,292,644 |
| Senior Center Endowment | 110,239 |
| Total restricted for culture and recreation | <u>\$ 23,093,123</u> |
| Other purposes: | |
| Community Television Network | 3,799,601 |
| Court Facilities | 7,820 |
| Federal Equitable Sharing Forfeiture | 265,601 |
| Police and Fire Relief | 708,490 |
| Michigan Justice Training | 109,010 |
| Local Forfeiture | 44,038 |
| Major Grants | 106,424 |
| Total restricted for other purposes | <u>\$ 5,040,984</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

18. ADVANCES FROM POOLED INVESTMENTS

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

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

| FY | 2009 Retirement System \$400,000 07/01/08 Due 3-1 & 9-1 | | 2009 Airport - Hangars \$1,150,000 07/03/08 Due 6-1 & 12-1 | | Total | | |
|---------------|---|-------------------|--|-------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Requirements |
| 2011 | \$ 21,017 | \$ 15,817 | \$ 60,433 | \$ 42,898 | \$ 81,450 | \$ 58,715 | \$ 140,165 |
| 2012 | 21,963 | 14,872 | 62,930 | 40,401 | 84,893 | 55,273 | 140,166 |
| 2013 | 22,951 | 13,883 | 65,530 | 37,801 | 88,481 | 51,684 | 140,165 |
| 2014 | 23,984 | 12,851 | 68,238 | 35,094 | 92,222 | 47,945 | 140,167 |
| 2015 | 25,063 | 11,772 | 71,057 | 32,274 | 96,120 | 44,046 | 140,166 |
| 2016 | 26,191 | 10,644 | 73,993 | 29,339 | 100,184 | 39,983 | 140,167 |
| 2017 | 27,369 | 9,465 | 77,050 | 26,281 | 104,419 | 35,746 | 140,165 |
| 2018 | 28,601 | 8,234 | 80,234 | 23,098 | 108,835 | 31,332 | 140,167 |
| 2019 | 29,887 | 6,947 | 83,549 | 19,782 | 113,436 | 26,729 | 140,165 |
| 2020 | 31,232 | 5,602 | 87,001 | 16,330 | 118,233 | 21,932 | 140,165 |
| 2021 | 32,637 | 4,197 | 90,596 | 12,736 | 123,233 | 16,933 | 140,166 |
| 2022 | 34,106 | 2,728 | 94,339 | 8,993 | 128,445 | 11,721 | 140,166 |
| 2023 | 35,641 | 1,194 | 98,237 | 5,094 | 133,878 | 6,288 | 140,166 |
| 2024 | | | 50,630 | 1,035 | 50,630 | 1,035 | 51,665 |
| | <u>\$ 360,642</u> | <u>\$ 118,206</u> | <u>\$ 1,063,817</u> | <u>\$ 331,156</u> | <u>\$ 1,424,459</u> | <u>\$ 449,362</u> | <u>\$ 1,873,821</u> |
| Interest Rate | 4.45% | | 4.09% | | | | |

NOTES TO FINANCIAL STATEMENTS (Continued)

19. RESTATEMENT OF FUND BALANCE/NET ASSETS

The following is an explanation of the adjustments to the beginning balance as of July 1, 2009, for governmental funds fund balance and the government-wide statement of net assets.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Governmental Funds</u> |
|--|------------------------------------|-------------------------------------|---|
| Net Assets/Fund Balance at July 1, 2009 | \$ 724,611,301 | \$ 210,525,268 | \$121,441,804 |
| Prior Period Restatement for Change in Fixed Asset Threshold | (740,957) | (156,107) | |
| Prior Period Restatement for Fund Closure | | | (803) |
| Restated Net Assets/Fund Balance at July 1, 2009 | <u>\$ 723,870,344</u> | <u>\$ 210,369,161</u> | <u>\$121,441,001</u> |

20. GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

**OTHER REQUIRED
SUPPLEMENTAL
INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

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

SPECIAL REVENUE FUND

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

CAPITAL PROJECTS FUNDS

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

DDA Build America Parking Bond - to account for the proceeds from the Build America bond for the construction of the new Fifth Avenue underground parking structure and for infrastructure improvements to the surrounding area.

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.

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. Supplemental appropriations in the amount of \$965,014 were made in fiscal 2010. 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.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Fiscal year 2010 one agency in the General fund ended with expenditures in excess of their budgeted appropriations due to unexpected temporary services. The Special Assessments-Debt Service fund ended with expenditures in excess of their budgeted appropriations due to negative investment income that was reclassified to miscellaneous expense.

**City of Ann Arbor
General
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|---------------------|---------------------------|---|
| Revenues | | | | |
| Taxes | \$ 51,192,881 | \$ 51,192,881 | \$ 51,215,295 | \$ 22,414 |
| Special Assessments/Improvement Charges | - | - | 13,315 | 13,315 |
| Licenses, Permits and Registrations | 1,243,020 | 1,243,020 | 1,268,435 | 25,415 |
| State shared revenues and grants | 11,441,848 | 11,413,797 | 9,697,734 | (1,716,063) |
| Charges for services | 9,262,835 | 9,262,835 | 8,858,357 | (404,478) |
| Fines and forfeits | 5,131,420 | 5,131,420 | 3,857,401 | (1,274,019) |
| Interest and penalties | 300,000 | 300,000 | 496,162 | 196,162 |
| Investment Income | 1,725,776 | 1,725,776 | 47,994 | (1,677,782) |
| Rentals | 354,000 | 354,000 | 404,147 | 50,147 |
| Contributions and donations | 1,000 | 1,000 | 1,000 | - |
| Sale of property and equipment | 500 | 500 | 13,855 | 13,355 |
| Intragovernmental sales | 40,000 | 40,000 | 35,103 | (4,897) |
| Miscellaneous | 282,150 | 1,219,165 | 210,822 | (1,008,343) |
| Total Revenues | 80,975,430 | 81,884,394 | 76,119,620 | (5,764,774) |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| Mayor & Council | 348,917 | 348,917 | 339,129 | 9,788 |
| Administration | 634,034 | 634,034 | 514,548 | 119,486 |
| Human Resources | 1,337,628 | 1,337,628 | 1,287,046 | 50,582 |
| Attorney | 2,041,949 | 2,041,949 | 2,040,668 | 1,281 |
| Clerk/elections | 885,960 | 885,960 | 751,136 | 134,824 |
| Finance | 3,956,114 | 3,956,114 | 3,896,309 | 59,805 |
| Environmental Coordination Services | 116,724 | 112,724 | 113,013 | (289) |
| District Court | 4,226,107 | 4,188,957 | 3,989,266 | 199,691 |
| Parks Operation & Forestry | 3,748,037 | 3,258,723 | 2,933,483 | 325,240 |
| Miscellaneous | 2,982,741 | 3,142,655 | 1,520,917 | 1,621,738 |
| Municipal Service Charge | (3,181,635) | (3,181,635) | (3,180,132) | (1,503) |

(Continued)

**City of Ann Arbor
General
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|----------------------|---------------------------|---|
| Expenditures (continued) | | | | |
| Current (concluded): | | | | |
| Public Safety: | | | | |
| Police Department | \$ 26,035,095 | \$ 26,109,443 | \$ 24,761,356 | \$ 1,348,087 |
| Fire Department | 14,125,519 | 14,137,390 | 13,741,432 | 395,958 |
| Building Department | 2,420,317 | 2,750,580 | 2,584,504 | 166,076 |
| Public Works: | | | | |
| Public Services | 3,819,147 | 4,392,461 | 3,530,257 | 862,204 |
| Community and economic development: | | | | |
| Community Development | 2,328,699 | 2,686,618 | 2,244,805 | 441,813 |
| Other | 49,000 | 49,000 | 46,781 | 2,219 |
| Culture and recreation: | | | | |
| Parks & Recreation | 3,743,513 | 3,581,462 | 3,462,364 | 119,098 |
| Historic District Commission | 44,488 | 52,988 | 52,919 | 69 |
| Other - Public Transportation | 9,733,682 | 9,733,682 | 9,682,798 | 50,884 |
| Capital Outlay | 375,000 | 494,021 | 67,469 | 426,552 |
| Total Expenditures | <u>79,771,036</u> | <u>80,713,671</u> | <u>74,380,068</u> | <u>6,333,603</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,204,394</u> | <u>1,170,723</u> | <u>1,739,552</u> | <u>568,829</u> |
| Other Financing Sources (Uses) | | | | |
| Transfer in (Note 7) | 1,045,323 | 1,045,323 | 949,189 | (96,134) |
| Transfers out (Note 7) | (1,782,705) | (1,805,084) | (1,555,907) | 249,177 |
| Total Other Financing Sources (Uses) | <u>(737,382)</u> | <u>(759,761)</u> | <u>(606,718)</u> | <u>153,043</u> |
| Net Change in Fund Balance | 467,012 | 410,962 | 1,132,834 | 721,872 |
| Fund Balance - Beginning, as restated | 11,354,782 | 11,354,782 | 11,354,782 | - |
| Fund Balance - Ending | <u>\$ 11,821,794</u> | <u>\$ 11,765,744</u> | <u>\$ 12,487,616</u> | <u>\$ 721,872</u> |

**City of Ann Arbor
Street Millage Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|----------------------|-----------------------|---|
| Revenues | | | | |
| Taxes | \$ 9,442,050 | \$ 9,442,050 | \$ 9,440,434 | \$ (1,616) |
| Special Assessments/Improvement Charges | - | - | 2,573 | 2,573 |
| State shared revenues and grants | - | - | 187,121 | 187,121 |
| Charges for services | - | - | 29,780 | 29,780 |
| Interest and penalties | - | - | 583 | 583 |
| Investment Income | 550,000 | 550,000 | 866,729 | 316,729 |
| Contributions and donations | - | - | 14,566 | 14,566 |
| Miscellaneous | - | - | 4,377 | 4,377 |
| Total Revenues | 9,992,050 | 9,992,050 | 10,546,163 | 554,113 |
| Expenditures | | | | |
| Current: | | | | |
| Public Works: | | | | |
| Public Services | 331,270 | 9,357,413 | 4,715,488 | 4,641,925 |
| Capital Outlay | - | 892,831 | 5,354,083 | (4,461,252) |
| Total Expenditures | 331,270 | 10,250,244 | 10,069,571 | 180,673 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,660,780 | (258,194) | 476,592 | 734,786 |
| Other Financing Sources (Uses) | | | | |
| Transfer in (Note 7) | - | 3,086,600 | 3,181,600 | 95,000 |
| Transfers out (Note 7) | (182,619) | (592,619) | (592,616) | 3 |
| Total Other Financing Sources (Uses) | (182,619) | 2,493,981 | 2,588,984 | 95,003 |
| Net Change in Fund Balance | 9,478,161 | 2,235,787 | 3,065,576 | 829,789 |
| Fund Balance - Beginning | 27,521,738 | 27,521,738 | 25,407,820 | (2,113,918) |
| Fund Balance - Ending | \$ 36,999,899 | \$ 29,757,525 | \$ 28,473,396 | \$ (1,284,129) |

**City of Ann Arbor
Ann Arbor Municipal Center
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|---------------------|---------------------------|---|
| Revenues | | | | |
| Investment Income | \$ - | \$ - | \$ 390,272 | \$ 390,272 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>390,272</u> | <u>390,272</u> |
| Expenditures | | | | |
| Capital Outlay | 14,300 | 24,060,606 | 24,060,606 | - |
| Total Expenditures | <u>14,300</u> | <u>24,060,606</u> | <u>24,060,606</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(14,300)</u> | <u>(24,060,606)</u> | <u>(23,670,334)</u> | <u>390,272</u> |
| Other Financing Sources (Uses) | | | | |
| Transfer in (Note 7) | - | 1,300,000 | 1,300,000 | - |
| Net Change in Fund Balance | (14,300) | (22,760,606) | (22,370,334) | 390,272 |
| Fund Balance - Beginning | <u>32,360,239</u> | <u>32,360,239</u> | <u>32,360,239</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 32,345,939</u> | <u>\$ 9,599,633</u> | <u>\$ 9,989,905</u> | <u>\$ 390,272</u> |

City of Ann Arbor
DDA Build America Parking Bond-2009
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|---------------------|---------------------------|---|
| Revenues | | | | |
| Investment Income | \$ - | \$ - | \$ 305,367 | \$ 305,367 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>305,367</u> | <u>305,367</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| Finance | - | 96,532 | 122,782 | (26,250) |
| Capital Outlay | - | 49,229,794 | 13,950,307 | 35,279,487 |
| Total Expenditures | <u>-</u> | <u>49,326,326</u> | <u>14,073,089</u> | <u>35,253,237</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(49,326,326)</u> | <u>(13,767,722)</u> | <u>35,558,604</u> |
| Other Financing Sources (Uses) | | | | |
| Issuance of debt | - | 49,420,000 | 49,420,000 | - |
| Bond Discount | | (93,674) | (93,674) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>49,326,326</u> | <u>49,326,326</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | 35,558,604 | 35,558,604 |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,558,604</u> | <u>\$ 35,558,604</u> |

CITY OF ANN ARBOR
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS
 (amounts expressed in thousands)

EMPLOYEES' RETIREMENT SYSTEM

| 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] |
|--------------------------------|--|---|---|--------------------------|---------------------------|---|
| 6/30/2010 | \$421,387 | \$466,883 | \$45,496 | 90.3% | \$48,688 | 93.4% |
| 6/30/2009 | 426,283 | 455,219 | 28,936 | 93.6% | 51,076 | 56.7% |
| 6/30/2008 | 428,689 | 430,438 | 1,749 | 99.6% | 51,287 | 3.4% |
| 6/30/2007 | 413,712 | 413,490 | (222) | 100.1% | 50,678 | -0.4% |
| 6/30/2006 | 398,258 | 407,302 | 9,044 | 97.8% | 49,627 | 18.2% |
| 6/30/2005 | 398,690 | 384,369 | (14,321) | 103.7% | 47,225 | -30.3% |

RETIREE HEALTH CARE BENEFITS PLAN AND TRUST

| 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] |
|--------------------------------|--|---|---|--------------------------|---------------------------|---|
| 6/30/2010 | \$73,205 | \$242,842 | \$169,637 | 30.1% | \$48,688 | 348.4% |
| 6/30/2009 | 70,770 | 232,180 | 161,410 | 30.5% | 51,076 | 316.0% |
| 6/30/2008 | 68,312 | 225,998 | 157,686 | 30.2% | 51,287 | 307.5% |
| 6/30/2007 | 60,090 | 215,949 | 155,859 | 27.8% | 50,678 | 307.5% |
| 6/30/2006 | 55,250 | 197,199 | 141,949 | 28.0% | 49,627 | 286.0% |
| 6/30/2005 | 45,256 | 166,824 | 121,568 | 27.1% | 47,225 | 257.4% |

CITY OF ANN ARBOR
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS

EMPLOYEES' RETIREMENT SYSTEM

| Year Ended June 30 | Annual Required Contribution | Percentage Contribution |
|--------------------------|------------------------------------|----------------------------|
| 2010 | \$7,559,781 | 100% |
| 2009 | 6,894,506 | 100% |
| 2008 | 7,517,024 | 100% |
| 2007 | 5,038,578 | 100% |
| 2006 | 2,871,450 | 100% |

RETIREE HEALTH CARE BENEFITS PLAN AND TRUST

| Year Ended June 30 | Annual Required Contribution | Current Premiums Paid by City | Pre-funding Contributions to VEBA Trust | Percentage Contribution |
|--------------------------|------------------------------------|-------------------------------------|---|----------------------------|
| 2010 | \$14,284,470 | \$9,349,438 | \$927,417 | 71.9% |
| 2009 | 13,908,444 | 7,890,737 | 1,699,505 | 69.0% |
| 2008 (a) | 12,360,028 | 7,737,424 | 4,622,604 | 100.0% |
| 2007 | N/A | 7,616,064 | - | N/A |
| 2006 | N/A | 7,292,343 | 7,065,913 | N/A |
| 2005 | N/A | 6,522,226 | 4,099,023 | N/A |

(a) GASB 45 was effective for the year ended June 30, 2008.

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Federal Equitable Sharing 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.

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

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

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

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

NONMAJOR DEBT SERVICE FUNDS

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

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

NONMAJOR PERMANENT FUND

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

**City of Ann Arbor
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

| | Special Revenue | | | | | | | | | | | | |
|--|--------------------|--|------------------------------------|------------------------------------|-------------------------------|-------------------------------------|---------------------|---------------------|---------------------|-------------------------------------|------------------|----------------------|---------------------|
| | Energy Projects | Parks Repair & Restor Millage | Local Law Enforc Block Grant | Community Television Network | Homeland Security Grant | Parks Rehab & Develop Millage | Major Street | Local Street | Court Facilities | Open Space & Park Acq Millage | Bandemer | Construction Code | Drug Enforcement |
| Assets | | | | | | | | | | | | | |
| Cash | \$ - | \$ - | \$ 102,600 | \$ - | \$ - | \$ - | \$ - | \$ 5,756 | \$ 469,642 | \$ - | \$ - | \$ - | \$ - |
| Equity in Pooled Cash and Investments | 685,720 | 140,783 | 67,085 | 3,432,647 | 3,531 | 1,985,236 | 6,661,908 | 3,169,122 | 2,064 | 15,388,629 | 91,151 | 946,400 | 152,564 |
| Investments, at fair value | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | | | | | | |
| Taxes Receivable | - | 2,266 | - | - | - | 2,230 | - | - | - | 7,316 | - | - | - |
| Accounts Receivable | - | - | - | 456,453 | 350 | - | 154,475 | 118 | - | - | 575 | 28,702 | - |
| Special Assessment Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Interest and Dividends Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Improvement Charges Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Less: Allowance for Doubtful Accounts | - | (2,214) | - | - | - | (2,179) | (58,794) | (118) | - | (7,088) | - | (19,688) | - |
| Due from Other Funds | - | - | - | - | 76 | - | 28,980 | - | - | 100 | - | - | - |
| Due from other governments | - | - | - | - | - | - | 863,538 | 240,991 | - | - | - | - | - |
| Total Assets | \$ 685,720 | \$ 140,835 | \$ 169,685 | \$ 3,889,100 | \$ 3,957 | \$ 1,985,287 | \$ 7,650,107 | \$ 3,410,113 | \$ 7,820 | \$ 15,858,599 | \$ 91,726 | \$ 955,414 | \$ 152,564 |
| Liabilities and Fund Balances | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Accounts Payable | \$ 6 | \$ - | \$ - | \$ 56,726 | \$ - | \$ 8,630 | \$ 64,497 | \$ 9,420 | \$ - | \$ 67,321 | \$ - | \$ 1,214 | \$ - |
| Accrued Liabilities | 1,797 | - | - | 22,691 | - | 1,261 | 61,692 | 14,163 | - | 1,047 | - | 34,079 | - |
| Due to Other Funds | 21 | - | - | 82 | - | 24 | 43,199 | 38,088 | - | 100 | - | 1,640 | - |
| Deposits | - | - | - | 10,000 | - | - | 10,000 | - | - | - | - | - | - |
| Deferred Revenue | - | - | 169,685 | - | 3,957 | - | - | - | - | - | - | - | - |
| Total Liabilities | 1,824 | - | 169,685 | 89,499 | 3,957 | 9,915 | 179,388 | 61,671 | - | 68,468 | - | 36,933 | - |
| Fund Balances: | | | | | | | | | | | | | |
| Reserved for encumbrances | - | - | - | - | - | 151,680 | 24,005 | - | - | 24,625 | - | - | - |
| Reserved for endowment | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserved for debt service | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unreserved balances: | | | | | | | | | | | | | |
| Designated, nonmajor capital projects funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Undesignated, nonmajor special revenue funds | 683,896 | 140,835 | - | 3,799,601 | - | 1,823,692 | 7,446,714 | 3,348,442 | 7,820 | 15,765,506 | 91,726 | 918,481 | 152,564 |
| Undesignated, permanent fund | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Fund Balances | 683,896 | 140,835 | - | 3,799,601 | - | 1,975,372 | 7,470,719 | 3,348,442 | 7,820 | 15,790,131 | 91,726 | 918,481 | 152,564 |
| Total Liabilities and Fund Balances | \$ 685,720 | \$ 140,835 | \$ 169,685 | \$ 3,889,100 | \$ 3,957 | \$ 1,985,287 | \$ 7,650,107 | \$ 3,410,113 | \$ 7,820 | \$ 15,858,599 | \$ 91,726 | \$ 955,414 | \$ 152,564 |

(Continued)

**City of Ann Arbor
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Special Revenue

| | Federal Equitable Sharing Forf | Parks Memorials & Contributions | Metro Expansion | Special Assistance | Open Space Endowment | Economic Development | Police & Fire Relief | Cemetery Perpetual Care | Art in Public Places | Alternative Transportation | Michigan Justice Training | Affordable Housing | Park Maint & Capital Imp Millage |
|--|---|--|----------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------------|--|---------------------------------|---------------------------------------|--|-------------------------------|---|
| Assets | | | | | | | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in Pooled Cash and Investments | 267,045 | 207,073 | 1,293,429 | 4,880 | 149,167 | 1,033,092 | 646,374 | 69,167 | 1,296,921 | 796,766 | 110,766 | 678,894 | 3,673,112 |
| Investments, at fair value | - | - | - | - | - | - | 62,116 | - | - | - | - | - | - |
| Receivables: | | | | | | | | | | | | | |
| Taxes Receivable | - | - | - | - | - | - | - | - | - | - | - | - | 11,379 |
| Accounts Receivable | - | - | - | 461 | - | - | - | - | - | - | - | - | 14,346 |
| Special Assessment Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Interest and Dividends Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Improvement Charges Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Less: Allowance for Doubtful Accounts | - | - | - | - | - | - | - | - | - | - | - | - | (10,978) |
| Due from Other Funds | - | - | - | 53 | - | - | - | - | - | - | 1,049 | - | 28,286 |
| Due from other governments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | \$ 267,045 | \$ 207,073 | \$ 1,293,429 | \$ 5,394 | \$ 149,167 | \$ 1,033,092 | \$ 708,490 | \$ 69,167 | \$ 1,296,921 | \$ 796,766 | \$ 111,815 | \$ 678,894 | \$ 3,716,145 |
| Liabilities and Fund Balances | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Accounts Payable | \$ 1,444 | \$ - | \$ - | \$ - | \$ - | \$ 65,931 | \$ - | \$ - | \$ 4,277 | \$ 21,852 | \$ 2,805 | \$ 25,364 | \$ 203,648 |
| Accrued Liabilities | - | 152 | 1,947 | - | - | - | - | - | - | 4,113 | - | - | 50,197 |
| Due to Other Funds | - | 15,029 | 3 | - | - | - | - | - | - | 33 | - | - | 19,457 |
| Deposits | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 1,444 | 15,181 | 1,950 | - | - | 65,931 | - | - | 4,277 | 25,998 | 2,805 | 25,364 | 273,302 |
| Fund Balances: | | | | | | | | | | | | | |
| Reserved for encumbrances | - | - | - | - | - | - | - | - | - | 22,280 | - | 64,500 | 179,045 |
| Reserved for endowment | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserved for debt service | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unreserved balances: | | | | | | | | | | | | | |
| Designated, nonmajor capital projects funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Undesignated, nonmajor special revenue funds | 265,601 | 191,892 | 1,291,479 | 5,394 | 149,167 | 967,161 | 708,490 | 69,167 | 1,292,644 | 748,488 | 109,010 | 589,030 | 3,263,798 |
| Undesignated, permanent fund | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Fund Balances | 265,601 | 191,892 | 1,291,479 | 5,394 | 149,167 | 967,161 | 708,490 | 69,167 | 1,292,644 | 770,768 | 109,010 | 653,530 | 3,442,843 |
| Total Liabilities and Fund Balances | \$ 267,045 | \$ 207,073 | \$ 1,293,429 | \$ 5,394 | \$ 149,167 | \$ 1,033,092 | \$ 708,490 | \$ 69,167 | \$ 1,296,921 | \$ 796,766 | \$ 111,815 | \$ 678,894 | \$ 3,716,145 |

(Continued)

**City of Ann Arbor
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

| | Special Revenue | | | | | | | Debt Service | | | Capital Projects | | | Permanent | Total Nonmajor Governmental Funds |
|--|------------------|---------------------------|-------------------------|-------------------------|------------------|----------------------|-------------------|----------------------|-----------------------|----------------------|-----------------------------|------------------------------|------------------------------|----------------------|-----------------------------------|
| | Local Forfeiture | Community Dev Block Grant | Tree Removal & Disposal | Senior Center Endowment | HOME Program | Sidewalk Improvement | Major Grants | General Debt Service | Spec Assessment Bonds | Maintenance Facility | Special Assessment Projects | General Capital Improvements | Elizabeth R. Dean Trust Fund | | |
| Assets | | | | | | | | | | | | | | | |
| Cash | \$ - | \$ 100 | \$ - | \$ - | \$ 23,187 | \$ - | \$ - | \$ 90,947 | \$ 5,184 | \$ - | \$ - | \$ - | \$ - | \$ 697,416 | |
| Equity in Pooled Cash and Investments | 44,038 | - | - | 110,239 | - | 328,891 | - | 186,651 | 987,910 | 2,027,205 | 133,727 | 96,301 | 187,856 | 47,056,344 | |
| Investments, at fair value | - | - | - | - | - | - | - | - | - | - | - | - | 2,107,260 | 2,169,376 | |
| Receivables: | | | | | | | | | | | | | | | |
| Taxes Receivable | - | - | - | - | - | - | - | 7,963 | - | - | - | - | - | 31,154 | |
| Accounts Receivable | - | - | - | - | - | 900 | 167,614 | - | - | 135,717 | - | 279,512 | - | 1,239,223 | |
| Special Assessment Receivable | - | - | - | - | - | - | - | - | 255,233 | - | - | - | - | 255,233 | |
| Accrued Interest and Dividends Receivable | - | - | - | - | - | - | - | - | - | - | - | - | 16,245 | 16,245 | |
| Improvement Charges Receivable | - | - | - | - | - | - | - | - | 13,160 | - | - | - | - | 13,160 | |
| Loans Receivable | - | 62,787 | - | - | - | - | - | - | - | - | - | - | - | 62,787 | |
| Less: Allowance for Doubtful Accounts | - | - | - | - | - | (608) | - | (7,729) | - | (47,501) | - | (79,173) | - | (236,070) | |
| Due from Other Funds | - | 30,017 | - | - | 53,135 | 12,022 | 82,825 | - | - | - | - | - | 12,289 | 248,832 | |
| Due from other governments | - | 350,257 | - | - | 8,990 | - | - | 19,209 | - | - | - | - | - | 1,482,985 | |
| Total Assets | \$ 44,038 | \$ 443,161 | \$ - | \$ 110,239 | \$ 85,312 | \$ 341,205 | \$ 250,439 | \$ 297,041 | \$ 1,261,487 | \$ 2,115,421 | \$ 133,727 | \$ 308,929 | \$ 2,311,361 | \$ 53,036,685 | |
| Liabilities and Fund Balances | | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | | |
| Accounts Payable | \$ - | \$ 92,413 | \$ - | \$ - | \$ 8,991 | \$ - | \$ 24,307 | \$ - | \$ - | \$ 16,626 | \$ - | \$ 60,779 | \$ 284 | \$ 736,535 | |
| Accrued Liabilities | - | - | - | - | - | - | 2,837 | 14,208 | - | - | - | - | 1,994 | 212,178 | |
| Due to Other Funds | - | 272,960 | - | - | 76,321 | - | 52,212 | - | 2,648 | - | - | 7,733 | 4,743 | 534,293 | |
| Deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | 20,000 | |
| Deferred Revenue | - | 77,788 | - | - | - | - | 64,659 | - | 217,220 | - | - | - | - | 533,309 | |
| Total Liabilities | - | 443,161 | - | - | 85,312 | - | 144,015 | 14,208 | 219,868 | 16,626 | - | 68,512 | 7,021 | 2,036,315 | |
| Fund Balances: | | | | | | | | | | | | | | | |
| Reserved for encumbrances | - | - | - | - | - | - | - | - | - | - | - | - | - | 466,135 | |
| Reserved for endowment | - | - | - | - | - | - | - | - | - | - | - | - | 1,984,000 | 1,984,000 | |
| Reserved for debt service | - | - | - | - | - | - | - | 282,833 | 1,041,619 | - | - | - | - | 1,324,452 | |
| Unreserved balances: | | | | | | | | | | | | | | | |
| Designated, nonmajor capital projects funds | - | - | - | - | - | - | - | - | - | 2,098,795 | 133,727 | 240,417 | - | 2,472,939 | |
| Undesignated, nonmajor special revenue funds | 44,038 | - | - | 110,239 | - | 341,205 | 106,424 | - | - | - | - | - | - | 44,432,504 | |
| Undesignated, permanent fund | - | - | - | - | - | - | - | - | - | - | - | - | 320,340 | 320,340 | |
| Total Fund Balances | 44,038 | - | - | 110,239 | - | 341,205 | 106,424 | 282,833 | 1,041,619 | 2,098,795 | 133,727 | 240,417 | 2,304,340 | 51,000,370 | |
| Total Liabilities and Fund Balances | \$ 44,038 | \$ 443,161 | \$ - | \$ 110,239 | \$ 85,312 | \$ 341,205 | \$ 250,439 | \$ 297,041 | \$ 1,261,487 | \$ 2,115,421 | \$ 133,727 | \$ 308,929 | \$ 2,311,361 | \$ 53,036,685 | |

(Concluded)

City of Ann Arbor
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

| | Special Revenue | | | | | | | | | | | | |
|---|--------------------|--|------------------------------------|------------------------------------|-------------------------------|-------------------------------------|---------------------|---------------------|---------------------|-------------------------------------|------------------|----------------------|---------------------|
| | Energy Projects | Parks Repair & Restor Millage | Local Law Enforc Block Grant | Community Television Network | Homeland Security Grant | Parks Rehab & Develop Millage | Major Street | Local Street | Court Facilities | Open Space & Park Acq Millage | Bandemer | Construction Code | Drug Enforcement |
| Revenues | | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,262,001 | \$ - | \$ - | \$ - |
| Special assessments/Improvement charges | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | 1,798,026 | - | - | - | - | - | - | - | 2,041,948 | - |
| Federal grants | - | - | 47,164 | - | 29,893 | - | - | - | - | 1,030,500 | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | 5,481,922 | 1,471,384 | - | - | - | - | - |
| Charges for services | 12,000 | - | - | - | - | - | 927,994 | 176,112 | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | 152,940 | - | - | - | 2,600 |
| Interest and penalties | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investment Income (expense) | 22,442 | 7,528 | - | 120,828 | - | 5,253 | 192,076 | 91,071 | 1,666 | 492,576 | 2,313 | 17,972 | 4,072 |
| Contributions and donations | - | - | - | - | - | - | - | - | - | 3,500 | - | - | - |
| Intragovernmental sales | - | - | - | - | - | - | 283,593 | - | - | - | - | - | - |
| Miscellaneous | - | 960 | - | 1,509 | - | (576) | 67,929 | - | - | - | 6,975 | 1,002 | - |
| Total Revenues | 34,442 | 8,488 | 47,164 | 1,920,363 | 29,893 | 4,677 | 6,953,514 | 1,738,567 | 154,606 | 3,788,577 | 9,288 | 2,060,922 | 6,672 |
| Expenditures | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| General Government: | | | | | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | 85,045 | - | - | - | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks Operation & Forestry | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | 1,436,422 | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | | | | | |
| Police Department | - | - | 47,164 | - | 29,893 | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - | - | - | 2,382,675 | - |
| Public Works: | | | | | | | | | | | | | |
| Public Services | - | - | - | - | - | - | 5,577,505 | 1,389,337 | - | - | - | - | - |
| Community and economic development: | | | | | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | | | | | |
| Parks & Recreation | - | 30,798 | - | - | - | 142,823 | - | - | - | 273,358 | 2,472 | - | - |
| Capital Outlay: | | | | | | | | | | | | | |
| Capital Outlay | - | 97,900 | - | 51,799 | - | 1,511,060 | 16,024 | - | - | 3,628,267 | - | - | - |
| Debt Service: | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 85,045 | 128,698 | 47,164 | 1,488,221 | 29,893 | 1,653,883 | 5,593,529 | 1,389,337 | - | 3,901,625 | 2,472 | 2,382,675 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (50,603) | (120,210) | - | 432,142 | - | (1,649,206) | 1,359,985 | 349,230 | 154,606 | (113,048) | 6,816 | (321,753) | 6,672 |
| Other Financing Sources (Uses) | | | | | | | | | | | | | |
| Transfer in | 25,776 | - | - | - | - | 683,434 | 34,656 | - | - | - | - | 99,996 | - |
| Transfers out | (3,584) | - | - | - | - | (256) | (1,253,027) | (168,064) | (225,000) | (1,197,950) | - | (39,996) | - |
| Total Other Financing Sources (Uses) | 22,212 | - | - | - | - | 683,178 | (1,218,371) | (168,064) | (225,000) | (1,197,950) | - | 60,000 | - |
| Net Change in Fund Balances | (28,391) | (120,210) | - | 432,142 | - | (966,028) | 141,614 | 181,166 | (70,394) | (1,310,998) | 6,816 | (261,753) | 6,672 |
| Fund Balances - Beginning | 712,287 | 261,045 | - | 3,367,459 | - | 2,941,400 | 7,329,105 | 3,167,276 | 78,214 | 17,101,129 | 84,910 | 1,180,234 | 145,892 |
| Fund Balances - Ending | \$ 683,896 | \$ 140,835 | \$ - | \$ 3,799,601 | \$ - | \$ 1,975,372 | \$ 7,470,719 | \$ 3,348,442 | \$ 7,820 | \$ 15,790,131 | \$ 91,726 | \$ 918,481 | \$ 152,564 |

(Continued)

City of Ann Arbor
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

Special Revenue

| | Federal Equitable Sharing Forf | Parks Memorials & Contributions | Metro Expansion | Special Assistance | Open Space Endowment | Economic Development | Police & Fire Relief | Cemetery Perpetual Care | Art in Public Places | Alternative Transportation | Michigan Justice Training | Affordable Housing | Park Maint & Capital Imp Millage |
|---|--------------------------------------|------------------------------------|---------------------|-----------------------|-------------------------|-------------------------|-------------------------|----------------------------|-------------------------|-------------------------------|---------------------------------|-----------------------|--|
| Revenues | | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,192,129 |
| Special assessments/improvement charges | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | 346,654 | - | - | - | - | - | - | - | 28,504 | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | 125,341 | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investment Income (expense) | 6,449 | 5,499 | 68,865 | 328 | 2,310 | (14,761) | 19,251 | 2,055 | 39,963 | (8,079) | 3,208 | 22,469 | 118,870 |
| Contributions and donations | - | 27,610 | - | 5,065 | - | - | - | - | - | - | - | 28,012 | - |
| Intragovernmental sales | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 5,427 | - | - | - | - | - | - | - | - | - | 8,286 | 9,480 |
| Total Revenues | 131,790 | 38,536 | 415,519 | 5,393 | 2,310 | (14,761) | 19,251 | 2,055 | 39,963 | (8,079) | 31,712 | 58,767 | 5,320,479 |
| Expenditures | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| General Government: | | | | | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks Operation & Forestry | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | | | | | |
| Police Department | 58,342 | - | - | - | - | - | - | - | - | - | 35,287 | - | - |
| Building Department | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | | | | | |
| Public Services | - | - | 121,163 | - | - | - | - | - | - | 251,981 | - | - | - |
| Community and economic development: | | | | | | | | | | | | | |
| Community Development | - | - | - | 13,612 | - | - | - | - | - | - | - | 174,954 | - |
| Other | - | - | - | - | - | 379,433 | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | | | | | |
| Parks & Recreation | - | 9,967 | - | - | - | - | - | - | 45,198 | - | - | - | 3,403,305 |
| Capital Outlay: | | | | | | | | | | | | | |
| Capital Outlay | - | 43,379 | - | - | - | - | - | - | - | - | - | - | 887,886 |
| Debt Service: | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 58,342 | 53,346 | 121,163 | 13,612 | - | 379,433 | - | - | 45,198 | 251,981 | 35,287 | 174,954 | 4,291,191 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 73,448 | (14,810) | 294,356 | (8,219) | 2,310 | (394,194) | 19,251 | 2,055 | (5,235) | (260,060) | (3,575) | (116,187) | 1,029,288 |
| Other Financing Sources (Uses) | | | | | | | | | | | | | |
| Transfer in | - | - | - | - | - | - | - | - | 429,972 | 275,113 | - | 24,996 | - |
| Transfers out | - | (14,860) | - | - | - | (104,742) | - | - | - | (44,733) | - | - | (5,792) |
| Total Other Financing Sources (Uses) | - | (14,860) | - | - | - | (104,742) | - | - | 429,972 | 230,380 | - | 24,996 | (5,792) |
| Net Change in Fund Balances | 73,448 | (29,670) | 294,356 | (8,219) | 2,310 | (498,936) | 19,251 | 2,055 | 424,737 | (29,680) | (3,575) | (91,191) | 1,023,496 |
| Fund Balances - Beginning | 192,153 | 221,562 | 997,123 | 13,613 | 146,857 | 1,466,097 | 689,239 | 67,112 | 867,907 | 800,448 | 112,585 | 744,721 | 2,419,347 |
| Fund Balances - Ending | \$ 265,601 | \$ 191,892 | \$ 1,291,479 | \$ 5,394 | \$ 149,167 | \$ 967,161 | \$ 708,490 | \$ 69,167 | \$ 1,292,644 | \$ 770,768 | \$ 109,010 | \$ 653,530 | \$ 3,442,843 |

(Continued)

City of Ann Arbor
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

| | Special Revenue | | | | | | Debt Service | | Capital Projects | | | Permanent | Total Nonmajor Governmental Funds | |
|---|------------------|---------------------------|-------------------------|-------------------------|----------------|----------------------|-------------------|----------------------|-----------------------|----------------------|-----------------------------|------------------------------|-----------------------------------|------------------------------|
| | Local Forfeiture | Community Dev Block Grant | Tree Removal & Disposal | Senior Center Endowment | HOME Program | Sidewalk Improvement | Major Grants | General Debt Service | Spec Assessment Bonds | Maintenance Facility | Special Assessment Projects | General Capital Improvements | | Elizabeth R. Dean Trust Fund |
| Revenues | | | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,274,782 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,728,912 |
| Special assessments/Improvement charges | - | - | - | - | - | - | - | - | 38,825 | - | - | - | - | 38,825 |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,839,974 |
| Federal grants | - | 801,181 | - | - | 354,223 | - | 320,550 | - | - | - | - | - | - | 2,583,511 |
| State shared revenues and grants | - | - | - | - | - | - | 64,520 | - | - | - | - | - | - | 7,392,984 |
| Charges for services | - | - | - | - | - | 450 | - | - | 10,824 | - | - | 377,611 | - | 1,504,991 |
| Fines and forfeits | - | - | - | - | - | - | - | - | - | - | - | - | - | 280,881 |
| Interest and penalties | - | - | - | - | - | - | - | - | 18,445 | - | - | - | - | 18,445 |
| Investment Income (expense) | 1,398 | - | 20,801 | 3,282 | - | 10,869 | - | - | - | 117,381 | 3,723 | 16,806 | 62,996 | 1,461,480 |
| Contributions and donations | - | - | - | - | - | - | - | - | - | 180,717 | - | - | - | 244,904 |
| Intragovernmental sales | - | - | - | - | - | - | - | - | - | - | - | - | - | 283,593 |
| Miscellaneous | - | - | - | - | - | 461 | - | - | - | - | - | - | - | 101,453 |
| Total Revenues | 1,398 | 801,181 | 20,801 | 3,282 | 354,223 | 11,780 | 385,070 | 2,274,782 | 68,094 | 298,098 | 3,723 | 394,417 | 62,996 | 27,479,953 |
| Expenditures | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | |
| General Government: | | | | | | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | 10,828 | - | - | - | - | - | - | 10,828 |
| Environmental Coordination Services | - | - | - | - | - | - | 145,537 | - | - | - | - | - | - | 230,582 |
| District Court | - | - | - | - | - | - | 235,633 | - | - | - | - | - | - | 235,633 |
| Parks Operation & Forestry | - | - | - | - | - | - | - | - | - | - | 144,346 | - | - | 144,346 |
| Miscellaneous | - | - | - | - | - | - | - | 25,081 | 9,259 | - | - | - | - | 1,470,762 |
| Public Safety: | | | | | | | | | | | | | | |
| Police Department | 4,574 | - | - | - | - | - | 9,090 | - | - | - | - | - | - | 184,350 |
| Building Department | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,382,675 |
| Public Works: | | | | | | | | | | | | | | |
| Public Services | - | - | 23,027 | - | - | 11,815 | - | - | - | 88,473 | - | 644,401 | - | 8,107,702 |
| Community and economic development: | | | | | | | | | | | | | | |
| Community Development | - | 801,181 | - | - | 354,223 | - | - | - | - | - | - | - | - | 1,343,970 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | 379,433 |
| Culture and recreation: | | | | | | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - | - | - | - | 75,513 | 3,983,434 |
| Capital Outlay: | | | | | | | | | | | | | | |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,236,315 |
| Debt Service: | | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | 3,220,000 | 125,000 | - | - | - | - | 3,345,000 |
| Interest and fiscal charges | - | - | - | - | - | - | - | 2,746,323 | 26,820 | - | - | - | - | 2,773,143 |
| Total Expenditures | 4,574 | 801,181 | 23,027 | - | 354,223 | 11,815 | 401,088 | 5,991,404 | 161,079 | 88,473 | - | 788,747 | 75,513 | 30,828,173 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,176) | - | (2,226) | 3,282 | - | (35) | (16,018) | (3,716,622) | (92,985) | 209,625 | 3,723 | (394,330) | (12,517) | (3,348,220) |
| Other Financing Sources (Uses) | | | | | | | | | | | | | | |
| Transfer in | - | - | - | - | - | - | 122,379 | 3,886,538 | - | - | - | 213,984 | - | 5,796,844 |
| Transfers out | - | - | (683,434) | - | - | (24,996) | - | - | - | - | - | - | - | (3,766,414) |
| Total Other Financing Sources (Uses) | - | - | (683,434) | - | - | (24,996) | 122,379 | 3,886,538 | - | - | - | 213,984 | - | 2,030,430 |
| Net Change in Fund Balances | (3,176) | - | (685,660) | 3,282 | - | (25,031) | 106,361 | 169,916 | (92,985) | 209,625 | 3,723 | (180,346) | (12,517) | (1,317,790) |
| Fund Balances - Beginning | 47,214 | - | 685,660 | 106,957 | - | 366,236 | 63 | 112,917 | 1,134,604 | 1,889,170 | 130,004 | 420,763 | 2,316,857 | 52,318,160 |
| Fund Balances - Ending | \$ 44,038 | \$ - | \$ - | \$ 110,239 | \$ - | \$ 341,205 | \$ 106,424 | \$ 282,833 | \$ 1,041,619 | \$ 2,098,795 | \$ 133,727 | \$ 240,417 | \$ 2,304,340 | \$ 51,000,370 |

(Concluded)

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010

| | Energy Projects | | | Parks Repair & Restor Millage | | | Local Law Enforcement Block Grant | | |
|--|-------------------|-------------------|--|-------------------------------|-------------------|--|-----------------------------------|---------------|--|
| | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | 47,164 | 47,164 | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | 12,000 | 12,000 | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | 22,442 | 22,442 | - | 7,528 | 7,528 | - | - | - |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 243,984 | - | (243,984) | 260,286 | 960 | (259,326) | - | - | - |
| Total Revenues | 255,984 | 34,442 | (221,542) | 260,286 | 8,488 | (251,798) | 47,164 | 47,164 | - |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | 154,630 | 85,045 | 69,585 | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | 8,664 | 47,164 | (38,500) |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | 147,629 | 30,798 | 116,831 | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | 120,000 | - | 120,000 | 112,657 | 97,900 | 14,757 | 38,500 | - | 38,500 |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 274,630 | 85,045 | 189,585 | 260,286 | 128,698 | 131,588 | 47,164 | 47,164 | - |
| Excess of Revenues over (under) Expenditures | (18,646) | (50,603) | (31,957) | - | (120,210) | (120,210) | - | - | - |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | 25,774 | 25,776 | 2 | - | - | - | - | - | - |
| Transfers out | (3,564) | (3,564) | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 22,210 | 22,212 | 2 | - | - | - | - | - | - |
| Net change in fund balances | 3,564 | (28,391) | (31,955) | - | (120,210) | (120,210) | - | - | - |
| Fund Balances - Beginning | 712,287 | 712,287 | - | 261,045 | 261,045 | - | - | - | - |
| Fund Balances - Ending | \$ 715,851 | \$ 683,896 | \$ (31,955) | \$ 261,045 | \$ 140,835 | \$ (120,210) | \$ - | \$ - | \$ - |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Community Television Network | | | Homeland Security | | | Parks Rehab & Development 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | 1,510,045 | 1,798,026 | 287,981 | - | - | - | - | - | - |
| Federal grants | - | - | - | 29,893 | 29,893 | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | 75,000 | 120,828 | 45,828 | 500 | - | (500) | - | 5,253 | 5,253 |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 1,509 | 1,509 | - | - | - | 54,834 | (576) | (55,410) |
| Total Revenues | 1,585,045 | 1,920,363 | 335,318 | 30,393 | 29,893 | (500) | 54,834 | 4,677 | (50,157) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 1,435,045 | 1,436,422 | (1,377) | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | 29,923 | 29,893 | 30 | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 369,866 | 142,823 | 227,043 |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | 150,000 | 51,799 | 98,201 | - | - | - | 1,294,431 | 1,511,060 | (216,629) |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 1,585,045 | 1,488,221 | 96,824 | 29,923 | 29,893 | 30 | 1,664,297 | 1,653,883 | 10,414 |
| Excess of Revenues over (under) Expenditures | - | 432,142 | 432,142 | 470 | - | (470) | (1,609,463) | (1,649,206) | (39,743) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 683,434 | 683,434 |
| Transfers out | - | - | - | - | - | - | (1,000) | (256) | 744 |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | (1,000) | 683,178 | 684,178 |
| Net change in fund balances | - | 432,142 | 432,142 | 470 | - | (470) | (1,610,463) | (966,028) | 644,435 |
| Fund Balances - Beginning | 3,367,459 | 3,367,459 | - | - | - | - | 2,941,400 | 2,941,400 | - |
| Fund Balances - Ending | \$ 3,367,459 | \$ 3,799,601 | \$ 432,142 | \$ 470 | \$ - | \$ (470) | \$ 1,330,937 | \$ 1,975,372 | \$ 644,435 |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Major Street | | | Local Street | | | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | 5,562,968 | 5,481,922 | (81,046) | 1,508,889 | 1,471,384 | (37,505) | - | - | - |
| Charges for services | 755,000 | 927,994 | 172,994 | 175,000 | 176,112 | 1,112 | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | 210,000 | 152,940 | (57,060) |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | 230,000 | 192,076 | (37,924) | 85,000 | 91,071 | 6,071 | - | 1,666 | 1,666 |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | 280,000 | 283,593 | 3,593 | - | - | - | - | - | - |
| Miscellaneous | 420,447 | 67,929 | (352,518) | 58,498 | - | (58,498) | 92,800 | - | (92,800) |
| Total Revenues | 7,248,415 | 6,953,514 | (294,901) | 1,827,387 | 1,738,567 | (88,820) | 302,800 | 154,606 | (148,194) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | 77,800 | - | 77,800 |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | 6,261,179 | 5,577,505 | 683,674 | 1,659,291 | 1,389,337 | 269,954 | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | 56,580 | 16,024 | 40,556 | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 6,317,759 | 5,593,529 | 724,230 | 1,659,291 | 1,389,337 | 269,954 | 77,800 | - | 77,800 |
| Excess of Revenues over (under) Expenditures | 930,656 | 1,359,985 | 429,329 | 168,096 | 349,230 | 181,134 | 225,000 | 154,606 | (70,394) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | 34,656 | 34,656 | - | - | - | - | - | - | - |
| Transfers out | (1,198,409) | (1,253,027) | (54,618) | (168,059) | (168,064) | (5) | (225,000) | (225,000) | - |
| Total Other Financing Sources (Uses) | (1,163,753) | (1,218,371) | (54,618) | (168,059) | (168,064) | (5) | (225,000) | (225,000) | - |
| Net change in fund balances | (233,097) | 141,614 | 374,711 | 37 | 181,166 | 181,129 | - | (70,394) | (70,394) |
| Fund Balances - Beginning | 7,329,105 | 7,329,105 | - | 3,167,276 | 3,167,276 | - | 78,214 | 78,214 | - |
| Fund Balances - Ending | \$ 7,096,008 | \$ 7,470,719 | \$ 374,711 | \$ 3,167,313 | \$ 3,348,442 | \$ 181,129 | \$ 78,214 | \$ 7,820 | \$ (70,394) |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Open Space & Park Acq Millage | | | Bandemer | | | Construction Code | | |
|--|-------------------------------|----------------------|--|------------------|------------------|--|---------------------|-------------------|--|
| | 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 | \$2,262,513 | \$2,262,001 | (\$512) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | 3,015,680 | 2,041,948 | (973,732) |
| Federal grants | 1,030,500 | 1,030,500 | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | 200,000 | 492,576 | 292,576 | - | 2,313 | 2,313 | - | 17,972 | 17,972 |
| Contributions and donations | - | 3,500 | 3,500 | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 4,586,965 | - | (4,586,965) | 26,661 | 6,975 | (19,686) | - | 1,002 | 1,002 |
| Total Revenues | 8,079,978 | 3,788,577 | (4,291,401) | 26,661 | 9,288 | (17,373) | 3,015,680 | 2,060,922 | (954,758) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | 2,755,649 | 2,382,675 | 372,974 |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | 98,877 | 273,358 | (174,481) | 2,471 | 2,472 | (1) | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | 5,397,426 | 3,628,267 | 1,769,159 | 24,190 | - | 24,190 | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 5,496,303 | 3,901,625 | 1,594,678 | 26,661 | 2,472 | 24,189 | 2,755,649 | 2,382,675 | 372,974 |
| Excess of Revenues over (under) Expenditures | 2,583,675 | (113,048) | (2,696,723) | - | 6,816 | 6,816 | 260,031 | (321,753) | (581,784) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | 3,339,921 | - | (3,339,921) | - | - | - | 100,000 | 99,996 | (4) |
| Transfers out | (4,538,096) | (1,197,950) | 3,340,146 | - | - | - | (40,000) | (39,996) | 4 |
| Total Other Financing Sources (Uses) | (1,198,175) | (1,197,950) | 225 | - | - | - | 60,000 | 60,000 | - |
| Net change in fund balances | 1,385,500 | (1,310,998) | (2,696,498) | - | 6,816 | 6,816 | 320,031 | (261,753) | (581,784) |
| Fund Balances - Beginning | 17,101,129 | 17,101,129 | - | 84,910 | 84,910 | - | 1,180,234 | 1,180,234 | - |
| Fund Balances - Ending | \$ 18,486,629 | \$ 15,790,131 | \$ (2,696,498) | \$ 84,910 | \$ 91,726 | \$ 6,816 | \$ 1,500,265 | \$ 918,481 | \$ (581,784) |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Drug Enforcement | | | Federal Equitable Sharing Forfeiture | | | Parks Memorials & Contributions | | |
|--|------------------|--------------|--|--------------------------------------|----------------|--|---------------------------------|-----------------|--|
| | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | 7,500 | 2,600 | (4,900) | - | 125,341 | 125,341 | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | 1,200 | 4,072 | 2,872 | 4,000 | 6,449 | 2,449 | - | 5,499 | 5,499 |
| Contributions and donations | - | - | - | - | - | - | 64,000 | 27,610 | (36,390) |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 22,500 | - | (22,500) | 174,995 | - | (174,995) | - | 5,427 | 5,427 |
| Total Revenues | 31,200 | 6,672 | (24,528) | 178,995 | 131,790 | (47,205) | 64,000 | 38,536 | (25,464) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | 30,000 | - | 30,000 | 57,000 | 58,342 | (1,342) | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 24,000 | 9,967 | 14,033 |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | 117,995 | - | 117,995 | 59,322 | 43,379 | 15,943 |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 30,000 | - | 30,000 | 174,995 | 58,342 | 116,653 | 83,322 | 53,346 | 29,976 |
| Excess of Revenues over (under) Expenditures | 1,200 | 6,672 | 5,472 | 4,000 | 73,448 | 69,448 | (19,322) | (14,810) | 4,512 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | (25,000) | (14,860) | 10,140 |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | (25,000) | (14,860) | 10,140 |
| Net change in fund balances | 1,200 | 6,672 | 5,472 | 4,000 | 73,448 | 69,448 | (44,322) | (29,670) | 14,652 |
| Fund Balances - Beginning | 145,892 | 145,892 | - | 192,153 | 192,153 | - | 221,562 | 221,562 | - |
| Fund Balances - Ending | \$ 147,092 | \$ 152,564 | \$ 5,472 | \$ 196,153 | \$ 265,601 | \$ 69,448 | \$ 177,240 | \$ 191,892 | \$ 14,652 |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Metro Expansion | | | Special Assistance | | | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | 335,000 | 346,654 | 11,654 | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | 25,000 | 68,865 | 43,865 | - | 328 | 328 | 1,000 | 2,310 | 1,310 |
| Contributions and donations | - | - | - | 8,000 | 5,065 | (2,935) | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 360,000 | - | (360,000) | 13,613 | - | (13,613) | - | - | - |
| Total Revenues | 720,000 | 415,519 | (304,481) | 21,613 | 5,393 | (16,220) | 1,000 | 2,310 | 1,310 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | 700,484 | 121,163 | 579,321 | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | 21,613 | 13,612 | 8,001 | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 143,201 | - | 143,201 |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 700,484 | 121,163 | 579,321 | 21,613 | 13,612 | 8,001 | 143,201 | - | 143,201 |
| Excess of Revenues over (under) Expenditures | 19,516 | 294,356 | 274,840 | - | (8,219) | (8,219) | (142,201) | 2,310 | 144,511 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 19,516 | 294,356 | 274,840 | - | (8,219) | (8,219) | (142,201) | 2,310 | 144,511 |
| Fund Balances - Beginning | 997,123 | 997,123 | - | 13,613 | 13,613 | - | 146,857 | 146,857 | - |
| Fund Balances - Ending | \$ 1,016,639 | \$ 1,291,479 | \$ 274,840 | \$ 13,613 | \$ 5,394 | \$ (8,219) | \$ 4,656 | \$ 149,167 | \$ 144,511 |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Economic Development | | | Police & Fire Relief | | | Cemetery Perpetual Care | | |
|--|----------------------|-------------------|--|----------------------|-------------------|--|-------------------------|------------------|--|
| | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | 1,200 | - | (1,200) |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | (14,761) | (14,761) | 25,000 | 19,251 | (5,749) | - | 2,055 | 2,055 |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 729,742 | - | (729,742) | - | - | - | 5,000 | - | (5,000) |
| Total Revenues | 729,742 | (14,761) | (744,503) | 25,000 | 19,251 | (5,749) | 6,200 | 2,055 | (4,145) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | 5,000 | - | 5,000 |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | 625,000 | 379,433 | 245,567 | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 625,000 | 379,433 | 245,567 | - | - | - | 5,000 | - | 5,000 |
| Excess of Revenues over (under) Expenditures | 104,742 | (394,194) | (498,936) | 25,000 | 19,251 | (5,749) | 1,200 | 2,055 | 855 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | (104,742) | (104,742) | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | (104,742) | (104,742) | - | - | - | - | - | - | - |
| Net change in fund balances | - | (498,936) | (498,936) | 25,000 | 19,251 | (5,749) | 1,200 | 2,055 | 855 |
| Fund Balances - Beginning | 1,466,097 | 1,466,097 | - | 689,239 | 689,239 | - | 67,112 | 67,112 | - |
| Fund Balances - Ending | \$ 1,466,097 | \$ 967,161 | \$ (498,936) | \$ 714,239 | \$ 708,490 | \$ (5,749) | \$ 68,312 | \$ 69,167 | \$ 855 |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Art in Public Places | | | Alternative Transportation | | | Michigan Justice Training | | |
|--|----------------------|----------------|--|----------------------------|----------------|--|---------------------------|---------------|--|
| | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | 30,000 | 28,504 | (1,496) |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | 39,963 | 39,963 | - | (8,079) | (8,079) | 3,000 | 3,208 | 208 |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | 408 | - | (408) | 45,000 | - | (45,000) |
| Total Revenues | - | 39,963 | 39,963 | 408 | (8,079) | (8,487) | 78,000 | 31,712 | (46,288) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | 75,000 | 35,287 | 39,713 |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | 251,981 | 251,981 | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | 45,199 | 45,198 | 1 | - | - | - | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 45,199 | 45,198 | 1 | 251,981 | 251,981 | - | 75,000 | 35,287 | 39,713 |
| Excess of Revenues over (under) Expenditures | (45,199) | (5,235) | 39,964 | (251,573) | (260,060) | (8,487) | 3,000 | (3,575) | (6,575) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | 439,880 | 429,972 | (9,908) | 148,880 | 275,113 | 126,233 | - | - | - |
| Transfers out | - | - | - | (56,353) | (44,733) | 11,620 | - | - | - |
| Total Other Financing Sources (Uses) | 439,880 | 429,972 | (9,908) | 92,527 | 230,380 | 137,853 | - | - | - |
| Net change in fund balances | 394,681 | 424,737 | 30,056 | (159,046) | (29,680) | 129,366 | 3,000 | (3,575) | (6,575) |
| Fund Balances - Beginning | 867,907 | 867,907 | - | 800,448 | 800,448 | - | 112,585 | 112,585 | - |
| Fund Balances - Ending | \$ 1,262,588 | \$ 1,292,644 | \$ 30,056 | \$ 641,402 | \$ 770,768 | \$ 129,366 | \$ 115,585 | \$ 109,010 | \$ (6,575) |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Affordable Housing | | | Parks Maint & Capital Imp Millage | | | 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 | \$ - | \$ - | \$ - | \$ 5,193,033 | \$ 5,192,129 | \$ (904) | \$ - | \$ - | \$ - |
| Special assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | 22,469 | 22,469 | - | 118,870 | 118,870 | 1,200 | 1,398 | 198 |
| Contributions and donations | - | 28,012 | 28,012 | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 272,508 | 8,286 | (264,222) | 122,493 | 9,480 | (113,013) | 46,858 | - | (46,858) |
| Total Revenues | 272,508 | 58,767 | (213,741) | 5,315,526 | 5,320,479 | 4,953 | 48,058 | 1,398 | (46,660) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | 5,000 | 4,574 | 426 |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | - | - | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | 372,508 | 174,954 | 197,554 | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | 4,905,300 | 3,403,305 | 1,501,995 | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | 25,000 | - | 25,000 | 1,063,322 | 887,886 | 175,436 | 41,858 | - | 41,858 |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 397,508 | 174,954 | 222,554 | 5,968,622 | 4,291,191 | 1,677,431 | 46,858 | 4,574 | 42,284 |
| Excess of Revenues over (under) Expenditures | (125,000) | (116,187) | 8,813 | (653,096) | 1,029,288 | 1,682,384 | 1,200 | (3,176) | (4,376) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | 125,000 | 24,996 | (100,004) | - | - | - | - | - | - |
| Transfers out | - | - | - | (5,178) | (5,792) | (614) | - | - | - |
| Total Other Financing Sources (Uses) | 125,000 | 24,996 | (100,004) | (5,178) | (5,792) | (614) | - | - | - |
| Net change in fund balances | - | (91,191) | (91,191) | (658,274) | 1,023,496 | 1,681,770 | 1,200 | (3,176) | (4,376) |
| Fund Balances - Beginning | 744,721 | 744,721 | - | 2,419,347 | 2,419,347 | - | 47,214 | 47,214 | - |
| Fund Balances - Ending | \$ 744,721 | \$ 653,530 | \$ (91,191) | \$ 1,761,073 | \$ 3,442,843 | \$ 1,681,770 | \$ 48,414 | \$ 44,038 | \$ (4,376) |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | Community Development Block Grant | | | Tree Removal & Disposal | | | Senior Center 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | 1,791,726 | 801,181 | (990,545) | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | - | - | - | 20,801 | 20,801 | 5,000 | 3,282 | (1,718) |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | 5,000 | - | (5,000) |
| Total Revenues | 1,791,726 | 801,181 | (990,545) | - | 20,801 | 20,801 | 10,000 | 3,282 | (6,718) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | 23,027 | 23,027 | - | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | 1,791,726 | 801,181 | 990,545 | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 5,000 | - | 5,000 |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 1,791,726 | 801,181 | 990,545 | 23,027 | 23,027 | - | 5,000 | - | 5,000 |
| Excess of Revenues over (under) Expenditures | - | - | - | (23,027) | (2,226) | 20,801 | 5,000 | 3,282 | (1,718) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | (683,434) | (683,434) | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | (683,434) | (683,434) | - | - | - |
| Net change in fund balances | - | - | - | (23,027) | (685,660) | (662,633) | 5,000 | 3,282 | (1,718) |
| Fund Balances - Beginning | - | - | - | 685,660 | 685,660 | - | 106,957 | 106,957 | - |
| Fund Balances - Ending | \$ - | \$ - | \$ - | \$ 662,633 | \$ - | \$ (662,633) | \$ 111,957 | \$ 110,239 | \$ (1,718) |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balances - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (continued)

| | HOME Program | | | Sidewalk Improvements | | | Major Grants | | |
|--|-----------------|----------------|--|-----------------------|-----------------|--|-----------------|----------------|--|
| | 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 assessment/Improvement charges | - | - | - | - | - | - | - | - | - |
| Licenses, Permits and Registrations | - | - | - | - | - | - | - | - | - |
| Federal grants | 632,230 | 354,223 | (278,007) | - | - | - | 407,625 | 320,550 | (87,075) |
| State shared revenues and grants | - | - | - | - | - | - | 71,964 | 64,520 | (7,444) |
| Charges for services | - | - | - | 450 | 450 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - |
| Interest and penalties | - | - | - | - | - | - | - | - | - |
| Investment income (expense) | - | - | - | - | 10,869 | 10,869 | - | - | - |
| Contributions and donations | - | - | - | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 461 | 461 | - | - | - |
| Total Revenues | 632,230 | 354,223 | (278,007) | 450 | 11,780 | 11,330 | 479,589 | 385,070 | (94,519) |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government: | | | | | | | | | |
| Clerk/elections | - | - | - | - | - | - | 10,828 | 10,828 | - |
| Environmental Coordination Services | - | - | - | - | - | - | 145,537 | 145,537 | - |
| District Court | - | - | - | - | - | - | 235,633 | 235,633 | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | | |
| Police Department | - | - | - | - | - | - | 9,090 | 9,090 | - |
| Building Department | - | - | - | - | - | - | - | - | - |
| Public Works: | | | | | | | | | |
| Public Services | - | - | - | 36,811 | 11,815 | 24,996 | - | - | - |
| Community and economic development: | | | | | | | | | |
| Community Development | 632,230 | 354,223 | 278,007 | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Culture and recreation: | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - |
| Capital Outlay: | | | | | | | | | |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 632,230 | 354,223 | 278,007 | 36,811 | 11,815 | 24,996 | 401,088 | 401,088 | - |
| Excess of Revenues over (under) Expenditures | - | - | - | (36,361) | (35) | 36,326 | 78,501 | (16,018) | (94,519) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 7,850 | 122,379 | 114,529 |
| Transfers out | - | - | - | - | (24,996) | (24,996) | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | (24,996) | (24,996) | 7,850 | 122,379 | 114,529 |
| Net change in fund balances | - | - | - | (36,361) | (25,031) | 11,330 | 86,351 | 106,361 | 20,010 |
| Fund Balances - Beginning | - | - | - | 366,236 | 366,236 | - | 63 | 63 | - |
| Fund Balances - Ending | \$ - | \$ - | \$ - | \$ 329,875 | \$ 341,205 | \$ 11,330 | \$ 86,414 | \$ 106,424 | \$ 20,010 |

City of Ann Arbor
 Schedule of Revenues, Expenditures and Changes In
 Fund Balance - Budgetary Comparisons
 For the Year Ended June 30, 2010
 (concluded)

| | General Debt Service | | | Special Assessment Bonds | | |
|--|----------------------|-------------------|--|--------------------------|---------------------|--|
| | Modified Budget | Actual | Variance with Final Budget Positive (Negative) | Modified Budget | Actual | Variance with Final Budget Positive (Negative) |
| Revenues: | | | | | | |
| Taxes | \$ 2,275,295 | \$2,274,782 | (\$513) | \$ - | \$ - | \$ - |
| Special assessment/Improvement charges | - | - | - | - | 38,825 | 38,825 |
| Licenses, Permits and Registrations | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - |
| State shared revenues and grants | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 10,824 | 10,824 |
| Fines and forfeits | - | - | - | - | - | - |
| Interest and penalties | - | - | - | 20,000 | 18,445 | (1,555) |
| Investment income (expense) | - | - | - | 24,000 | - | (24,000) |
| Contributions and donations | - | - | - | - | - | - |
| Intra-governmental sales | - | - | - | - | - | - |
| Miscellaneous | 7,300 | - | (7,300) | 107,820 | - | (107,820) |
| Total Revenues | 2,282,595 | 2,274,782 | (7,813) | 151,820 | 68,094 | (83,726) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government: | | | | | | |
| Clerk/elections | - | - | - | - | - | - |
| Environmental Coordination Services | - | - | - | - | - | - |
| District Court | - | - | - | - | - | - |
| Miscellaneous | 2,000 | 25,081 | (23,081) | - | 9,259 | (9,259) |
| Public Safety: | | | | | | |
| Police Department | - | - | - | - | - | - |
| Building Department | - | - | - | - | - | - |
| Public Works: | | | | | | |
| Public Services | - | - | - | - | - | - |
| Community and economic development: | | | | | | |
| Community Development | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Culture and recreation: | | | | | | |
| Parks & Recreation | - | - | - | - | - | - |
| Capital Outlay: | | | | | | |
| Capital outlay | - | - | - | - | - | - |
| Debt Service: | | | | | | |
| Principal retirement | 3,220,000 | 3,220,000 | - | 125,000 | 125,000 | - |
| Interest and fiscal charges | 2,886,508 | 2,746,323 | 140,185 | 26,820 | 26,820 | - |
| Total Expenditures | 6,108,508 | 5,991,404 | 117,104 | 151,820 | 161,079 | (9,259) |
| Excess of Revenues over (under) Expenditures | (3,825,913) | (3,716,622) | (124,917) | - | (92,985) | (74,467) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 3,900,327 | 3,886,538 | (13,789) | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 3,900,327 | 3,886,538 | (13,789) | - | - | - |
| Net change in fund balances | 74,414 | 169,916 | (138,706) | - | (92,985) | (74,467) |
| Fund Balances - Beginning | 112,917 | 112,917 | - | 1,134,604 | 1,134,604 | - |
| Fund Balances - Ending | \$ 187,331 | \$ 282,833 | \$ (138,706) | \$ 1,134,604 | \$ 1,041,619 | \$ (74,467) |

**City of Ann Arbor
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010**

| | Central Stores | Fleet Services | Information Technology | Parks Service Headquarters | Project Management | Insurance Fund | Wheeler Center | Total Internal Service Funds |
|--|---------------------|----------------------|---------------------------|-------------------------------|-----------------------|---------------------|------------------|---------------------------------|
| Assets | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash | \$ - | \$ 150 | \$ - | \$ - | \$ 200 | \$ 1,002 | \$ - | \$ 1,352 |
| Equity in pooled cash and investments | 1,197,009 | 8,810,506 | 5,312,392 | - | 2,326,353 | 4,922,075 | 69,605 | 22,637,940 |
| Receivables: | | | | | | | | |
| Accounts | 2,234 | 3,466 | - | - | 10,651 | 7,904 | 27 | 24,282 |
| Less: Allowance for uncollectibles | (133) | - | - | - | (4,439) | (4,256) | (7) | (8,835) |
| Due from other funds | 42,560 | 237,437 | - | - | 13,316 | 32,349 | - | 325,662 |
| Prepaid items | - | - | - | - | - | 760,122 | - | 760,122 |
| Inventory, at cost | 614,222 | 348,839 | - | - | - | - | - | 963,061 |
| Total Current Assets | 1,855,892 | 9,400,398 | 5,312,392 | - | 2,346,081 | 5,719,196 | 69,625 | 24,703,584 |
| Noncurrent Assets: | | | | | | | | |
| Capital assets: | | | | | | | | |
| Land | - | 90,005 | - | - | - | - | - | 90,005 |
| Buildings | 90,663 | 228,934 | 205,043 | - | - | - | - | 524,640 |
| Improvements other than buildings | - | 62,407 | - | - | - | - | - | 62,407 |
| Machinery and equipment | 58,340 | 2,430,847 | 1,269,960 | - | 24,999 | - | - | 3,784,146 |
| Vehicles | - | 9,055,791 | - | - | - | - | - | 9,055,791 |
| Less: Accumulated depreciation | (119,520) | (8,039,749) | (565,400) | - | (2,292) | - | - | (8,726,961) |
| Construction in progress | - | - | 801,810 | - | - | - | - | 801,810 |
| Total Noncurrent Assets | 29,483 | 3,828,235 | 1,711,413 | - | 22,707 | - | - | 5,591,838 |
| Total Assets | 1,885,375 | 13,228,633 | 7,023,805 | - | 2,368,788 | 5,719,196 | 69,625 | 30,295,422 |
| Liabilities | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts payable | 41,583 | 431,807 | 231,056 | - | 12,433 | 602,916 | 5,344 | 1,325,139 |
| Estimated claims payable | - | - | - | - | - | 3,152,410 | - | 3,152,410 |
| Accrued liabilities | 7,827 | 36,688 | 103,356 | - | 27,573 | 9,051 | 847 | 185,342 |
| Due to other funds | 3,211 | 68,725 | 21,898 | - | 2,134 | - | 892 | 96,860 |
| Accrued compensated absences | 10,376 | - | 41,071 | - | - | - | - | 51,447 |
| Total Current Liabilities | 62,997 | 537,220 | 397,381 | - | 42,140 | 3,764,377 | 7,083 | 4,811,198 |
| Noncurrent Liabilities: | | | | | | | | |
| Judgment payable | 21,684 | 45,573 | - | - | - | - | - | 67,257 |
| Unfunded OPEB liability | 46,123 | 201,025 | 53,620 | - | 53,620 | 54,258 | - | 408,646 |
| Accrued compensated absences-non-current portion | 26,002 | 367,856 | 278,128 | - | 184,298 | 29,613 | - | 885,897 |
| Total Noncurrent Liabilities | 93,809 | 614,454 | 331,748 | - | 237,918 | 83,871 | - | 1,361,800 |
| Total Liabilities | 156,806 | 1,151,674 | 729,129 | - | 280,058 | 3,848,248 | 7,083 | 6,172,998 |
| Net Assets | | | | | | | | |
| Invested in Capital Assets | 29,483 | 3,828,235 | 1,711,413 | - | 22,707 | - | - | 5,591,838 |
| Unrestricted | 1,699,086 | 8,248,724 | 4,583,263 | - | 2,066,023 | 1,870,948 | 62,542 | 18,530,586 |
| Total Net Assets | \$ 1,728,569 | \$ 12,076,959 | \$ 6,294,676 | \$ - | \$ 2,088,730 | \$ 1,870,948 | \$ 62,542 | \$ 24,122,424 |

City of Ann Arbor
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

| | Central Stores | Fleet Services | Information Technology | Parks Service Headquarters | Project Management | Insurance Fund | Wheeler Center | Total Internal Service Funds |
|--|----------------|----------------|---------------------------|-------------------------------|-----------------------|----------------|----------------|---------------------------------|
| Operating revenues | | | | | | | | |
| Charges for services | \$ 1,081,751 | \$ 6,316,073 | \$ 6,568,599 | \$ - | \$ 2,250,054 | \$ 25,212,148 | \$ 471,923 | \$ 41,900,548 |
| Total Operating revenues | 1,081,751 | 6,316,073 | 6,568,599 | - | 2,250,054 | 25,212,148 | 471,923 | 41,900,548 |
| Operating Expenses | | | | | | | | |
| Personal services | 335,245 | 1,563,605 | 2,827,060 | - | 1,563,022 | 514,322 | 35,249 | 6,838,503 |
| Municipal service charge | 29,112 | 138,348 | 474,828 | - | 131,244 | 303,660 | - | 1,077,192 |
| Information technology charge | 10,356 | 89,220 | 314,916 | - | 289,536 | 20,688 | - | 724,716 |
| Materials and supplies | 31,854 | 45,896 | 301,145 | - | 22,886 | 12,278 | 35,932 | 449,991 |
| Utilities | 1,974 | 54,572 | 113,727 | - | 22,997 | 942 | 221,253 | 415,465 |
| Insurance | 2,688 | 75,576 | 5,340 | - | 13,908 | 18,131,517 | 53,052 | 18,282,081 |
| Contracted services | 49,612 | 28,051 | 102,215 | - | 29,617 | 256 | 67,498 | 277,249 |
| Maintenance | 4,773 | 159,856 | 938,297 | - | 31,127 | 6,064 | 23,192 | 1,163,309 |
| Professional fees | - | - | 18,162 | - | 12,578 | 184,400 | - | 215,140 |
| Pension Refund Repayment | - | - | - | - | - | 5,654,484 | - | 5,654,484 |
| Miscellaneous | 413 | 982 | 41,718 | - | 1,216 | 15,261 | 7 | 59,597 |
| Cost of goods sold | 489,895 | 1,744,527 | - | - | - | - | - | 2,234,422 |
| Depreciation and amortization | 2,255 | 1,095,904 | 200,948 | - | 2,292 | - | - | 1,301,399 |
| Total Operating Expenses | 958,177 | 4,996,537 | 5,338,356 | - | 2,120,423 | 24,843,872 | 436,183 | 38,693,548 |
| Operating Income (Loss) | 123,574 | 1,319,536 | 1,230,243 | - | 129,631 | 368,276 | 35,740 | 3,207,000 |
| Nonoperating Revenues (Expenses) | | | | | | | | |
| Interest income (expense) | (6,314) | 276,983 | 146,605 | 802 | 84,149 | 216,667 | 2,169 | 721,061 |
| Net gain (loss) on retirement of capital assets | - | 171,228 | 225 | - | - | - | - | 171,453 |
| Total Nonoperating Revenues (Expenses) | (6,314) | 448,211 | 146,830 | 802 | 84,149 | 216,667 | 2,169 | 892,514 |
| Income (Loss) Before Capital Contributions and Transfers | 117,260 | 1,767,747 | 1,377,073 | 802 | 213,780 | 584,943 | 37,909 | 4,099,514 |
| Capital contributions | - | 210,237 | 4,626 | - | - | - | - | 214,863 |
| Transfers in | - | 560,174 | - | - | 343,560 | - | - | 903,734 |
| Transfers out | (41,964) | (691,310) | (8,316) | - | (34,212) | (1,300,000) | - | (2,075,802) |
| Change in Net Assets | 75,296 | 1,846,848 | 1,373,383 | 802 | 523,128 | (715,057) | 37,909 | 3,142,309 |
| Net Assets - Beginning | 1,653,273 | 10,230,111 | 4,921,293 | (802) | 1,565,602 | 2,586,005 | 24,633 | 20,980,115 |
| Net Assets - Ending | \$ 1,728,569 | \$ 12,076,959 | \$ 6,294,676 | \$ - | \$ 2,088,730 | \$ 1,870,948 | \$ 62,542 | \$ 24,122,424 |

**City of Ann Arbor
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

| | Central Stores | Fleet Services | Information Technology | Park Service Headquarters | Project Management | Insurance | Wheeler Center | Total |
|--|-------------------|-------------------|---------------------------|---------------------------------|-----------------------|---------------|-------------------|---------------|
| Cash flow from operating activities: | | | | | | | | |
| Receipts from customers | \$ 1,080,046 | \$ 6,314,219 | \$ 6,868,334 | \$ - | \$ 2,295,620 | \$ 25,212,148 | \$ 474,226 | \$ 42,244,593 |
| Receipts from interfund services provided | - | - | - | - | 868,897 | - | - | 868,897 |
| Payments to suppliers | (788,003) | (2,270,321) | (2,575,984) | - | (603,363) | (19,074,561) | (403,055) | (25,715,287) |
| Payments on behalf of employees | (268,334) | (1,308,424) | (2,813,896) | (1,134) | (1,456,027) | (6,175,544) | (34,728) | (12,058,087) |
| Payments for interfund services used | (16,540) | (153,225) | (5,367) | - | - | (538,454) | (728) | (714,314) |
| Net cash provided by (used in) operating activities | 7,169 | 2,582,249 | 1,473,087 | (1,134) | 1,105,127 | (576,411) | 35,715 | 4,625,802 |
| Cash flows from noncapital financing activities: | | | | | | | | |
| Transfers in | - | 560,174 | - | - | 343,560 | - | - | 903,734 |
| Transfers out | (41,964) | (691,310) | (8,316) | - | (34,212) | (1,300,000) | - | (2,075,802) |
| Net cash flows provided by (used in) noncapital financing activities | (41,964) | (131,136) | (8,316) | - | 309,348 | (1,300,000) | - | (1,172,068) |
| Cash flows from capital and related financing activities: | | | | | | | | |
| Proceeds from sale of equipment | - | 241,978 | 7,760 | - | - | - | - | 249,738 |
| Acquisition of capital assets | - | (2,060,438) | (941,864) | - | (24,999) | - | - | (3,027,301) |
| Net cash flows (used in) capital and related financing activities | - | (1,818,460) | (934,104) | - | (24,999) | - | - | (2,777,563) |
| Cash flows from investing activities: | | | | | | | | |
| Interest and dividends on investments | (6,314) | 276,983 | 146,605 | 802 | 84,149 | 216,667 | 2,169 | 721,061 |
| Net cash flows provided by investing activities | (6,314) | 276,983 | 146,605 | 802 | 84,149 | 216,667 | 2,169 | 721,061 |
| Net increase (decrease) in cash and cash equivalents | (41,109) | 909,636 | 677,272 | (332) | 1,473,625 | (1,659,744) | 37,884 | 1,397,232 |
| Cash and cash equivalents at beginning of the year | 1,238,118 | 7,901,020 | 4,635,120 | 332 | 852,928 | 6,582,821 | 31,721 | 21,242,060 |
| Cash and cash equivalents at end of the year | \$ 1,197,009 | \$ 8,810,656 | \$ 5,312,392 | \$ - | \$ 2,326,553 | \$ 4,923,077 | \$ 69,605 | \$ 22,639,292 |

**City of Ann Arbor
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010
(Concluded)**

| | Central Stores | Fleet Services | Information Technology | Park Service Headquarters | Project Management | Insurance | Wheeler Center | Total |
|--|-------------------|-------------------|---------------------------|---------------------------------|-----------------------|--------------|-------------------|--------------|
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | | | | | |
| Operating income | \$ 123,574 | \$ 1,319,536 | \$ 1,230,243 | \$ - | \$ 129,631 | \$ 368,276 | \$ 35,740 | \$ 3,207,000 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation and amortization | 2,255 | 1,095,904 | 200,948 | - | 2,292 | - | - | 1,301,399 |
| (Increase) decrease in assets and increase (decrease) in liabilities: | | | | | | | | |
| Allowance for uncollectible accounts | 1 | (868) | - | - | (15,094) | - | (767) | (16,728) |
| Accounts receivable | (1,706) | (986) | 299,735 | - | 60,660 | - | 3,070 | 360,773 |
| Inventory | (103,191) | 10,056 | - | - | - | - | - | (93,135) |
| Prepaid items | - | - | - | - | - | (76,436) | - | (76,436) |
| Accounts payable | (64,135) | 56,651 | (265,636) | - | (48,254) | (10,645) | (2,121) | (334,140) |
| Accrued compensated absences | 1,793 | 23,679 | (21,003) | - | 50,475 | (6,271) | - | 48,673 |
| Judgment payable | 21,684 | 45,573 | - | - | - | (22,067) | - | 45,190 |
| Unfunded OPEB liability | 46,123 | 201,025 | - | - | 53,620 | 22,067 | - | 322,835 |
| Estimated claims payable | - | - | - | - | - | (312,414) | - | (312,414) |
| Accrued liabilities | (2,689) | (15,096) | 34,167 | (1,134) | 2,900 | (467) | 521 | 18,202 |
| Due to other funds | (15,049) | 8,712 | (5,367) | - | 2,103 | (528,605) | (728) | (538,934) |
| Due from other funds | (1,491) | (161,937) | - | - | 866,794 | (9,849) | - | 693,517 |
| Net cash provided by (used in) operating activities | \$ 7,169 | \$ 2,582,249 | \$ 1,473,087 | \$ (1,134) | \$ 1,105,127 | \$ (576,411) | \$ 35,715 | \$ 4,625,802 |

City of Ann Arbor
Combining Statement of Fiduciary Net Assets
Employees' Benefit Trust Funds
June 30, 2010

| | <u>VEBA Trust</u> | <u>Retirement System</u> | <u>Total</u> |
|---|----------------------|------------------------------|-----------------------|
| Assets | | | |
| Cash | \$ - | \$ 2,436 | \$ 2,436 |
| Investments, at fair value | 63,225,528 | 350,314,313 | 413,539,841 |
| Accrued interest and dividends | 170,870 | 958,066 | 1,128,936 |
| Due from other governments | 22,683 | 7,025,138 | 7,047,821 |
| Capital assets (net of depreciation of \$42,699) | - | 443,351 | 443,351 |
| Total Assets | <u>63,419,081</u> | <u>358,743,304</u> | <u>422,162,385</u> |
| Liabilities | | | |
| Accounts payable | 52,070 | 2,443,164 | 2,495,234 |
| Accrued liabilities | - | 248,769 | 248,769 |
| Mortgage payable | - | 360,642 | 360,642 |
| Due to other governments | - | 113,395 | 113,395 |
| Unearned revenue | - | 6,966,774 | 6,966,774 |
| Total Liabilities | <u>52,070</u> | <u>10,132,744</u> | <u>10,184,814</u> |
| Net Assets | | | |
| Invested in Capital Assets, net of related debt | | 82,709 | 82,709 |
| Held in Trust for Pension Benefits and Other Purposes | 63,367,011 | 348,527,851 | 411,894,862 |
| Total Net Assets | <u>\$ 63,367,011</u> | <u>\$ 348,610,560</u> | <u>\$ 411,977,571</u> |

City of Ann Arbor
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

| | <u>15th Dist Court Agency Fund</u> | <u>Contractor's Retainage Fund</u> | <u>Payroll</u> | <u>Treasurer's Delinquent Tax</u> | <u>Treasurer's Current Tax</u> | <u>Total Agency Funds</u> |
|---------------------------------------|--|--|----------------|---------------------------------------|------------------------------------|-------------------------------|
| Assets | | | | | | |
| Cash | \$ 26,743 | \$ 4,688,923 | \$ 260 | \$ - | \$ 30,417 | \$ 4,746,343 |
| Equity in pooled cash and investments | - | 78,966 | - | 112,052 | 70,836 | 261,854 |
| Total Assets | <u>26,743</u> | <u>4,767,889</u> | <u>260</u> | <u>112,052</u> | <u>101,253</u> | <u>5,008,197</u> |
| Liabilities | | | | | | |
| Due to others | - | 4,767,889 | 260 | - | 87,168 | 4,855,317 |
| Due to other governments | - | - | - | 112,052 | 14,085 | 126,137 |
| Deposits | 26,743 | - | - | - | - | 26,743 |
| Total Liabilities | <u>\$ 26,743</u> | <u>\$ 4,767,889</u> | <u>\$ 260</u> | <u>\$ 112,052</u> | <u>\$ 101,253</u> | <u>\$ 5,008,197</u> |

City of Ann Arbor
Combining Statement of Changes in Fiduciary Net Assets
Employees' Benefits Trust Funds
For the Year Ended June 30, 2010

| | VEBA Trust | Retirement System | Total |
|---|----------------------|-----------------------|-----------------------|
| Additions | | | |
| Investment income: | | | |
| Net realized and unrealized appreciation (depreciation) | \$ 7,338,807 | \$ 35,096,811 | \$ 42,435,618 |
| Interest | 651,741 | 4,389,049 | 5,040,790 |
| Dividends | 716,793 | 1,535,381 | 2,252,174 |
| Total Investment income | <u>8,707,341</u> | <u>41,021,241</u> | <u>49,728,582</u> |
| Less: Investment expense | 297,068 | 1,045,003 | 1,342,071 |
| Contributions | | | |
| Employer | 927,417 | 12,538,412 | 13,465,829 |
| Plan Member | - | 3,148,209 | 3,148,209 |
| Total Contributions | <u>927,417</u> | <u>15,686,621</u> | <u>16,614,038</u> |
| Total Additions | <u>9,337,690</u> | <u>55,662,859</u> | <u>65,000,549</u> |
| Deductions | | | |
| Benefits | - | 26,874,321 | 26,874,321 |
| Refund of contributions | - | 639,911 | 639,911 |
| Administrative expense | 29,371 | 700,558 | 729,929 |
| Total Deductions | <u>29,371</u> | <u>28,214,790</u> | <u>28,244,161</u> |
| Change in Net Assets | 9,308,319 | 27,448,069 | 36,756,388 |
| Net Assets - Beginning, as restated | 54,058,692 | 321,162,491 | 375,221,183 |
| Net Assets - Ending | <u>\$ 63,367,011</u> | <u>\$ 348,610,560</u> | <u>\$ 411,977,571</u> |

CITY OF ANN ARBOR
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
|--|-------------------------|-------------------------|-------------------------|--------------------------|
| TREASURER'S CURRENT TAX FUND | | | | |
| ASSETS | | | | |
| Cash | \$ - | \$ 973,693,914 | \$ 973,663,497 | \$ 30,417 |
| Equity in pooled cash and investments | 110,412 | 81,548,198 | 81,587,774 | 70,836 |
| Due from other funds | - | 5,233 | 5,233 | - |
| Due from other governments | - | 3,322 | 3,322 | - |
| Total Assets | \$ 110,412 | \$ 1,055,250,667 | \$ 1,055,259,826 | \$ 101,253 |
| LIABILITIES | | | | |
| Due to others | \$ 110,412 | \$ 247,528,872 | \$ 247,552,116 | \$ 87,168 |
| Due to other funds | - | 47,219,811 | 47,219,811 | - |
| Due to other governments | - | 14,085 | | 14,085 |
| Total Liabilities | \$ 110,412 | \$ 294,762,768 | \$ 294,771,927 | \$ 101,253 |
| TREASURER'S DELINQUENT TAX FUND | | | | |
| ASSETS | | | | |
| Cash | \$ 148,970 | \$ 1,356,561 | \$ 1,505,531 | \$ - |
| Equity in pooled cash and investments | - | 876,772 | 764,720 | 112,052 |
| Due from other funds | - | 380,653 | 380,653 | - |
| Total Assets | \$ 148,970 | \$ 2,613,986 | \$ 2,650,904 | \$ 112,052 |
| LIABILITIES | | | | |
| Due to others | \$ 1,188 | \$ 443,163 | \$ 444,351 | \$ - |
| Due to other funds | - | 207,886 | 207,886 | - |
| Due to other governments | 147,782 | 214,266 | 249,996 | 112,052 |
| Total Liabilities | \$ 148,970 | \$ 865,315 | \$ 902,233 | \$ 112,052 |

CITY OF ANN ARBOR
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010
 (continued)

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| CONTRACTORS' RETAINAGE FUND | | | | |
| ASSETS | | | | |
| Cash | \$ 1,190,420 | \$ 6,604,672 | \$ 3,106,169 | \$ 4,688,923 |
| Equity in pooled cash and investments | - | 1,058,323 | 979,357 | 78,966 |
| Total Assets | \$ 1,190,420 | \$ 7,662,995 | \$ 4,085,526 | \$ 4,767,889 |
| LIABILITIES | | | | |
| Due to others | \$ 1,190,420 | \$ 5,614,567 | \$ 2,037,098 | \$ 4,767,889 |
| Total Liabilities | \$ 1,190,420 | \$ 5,614,567 | \$ 2,037,098 | \$ 4,767,889 |
| FIFTEENTH DISTRICT COURT | | | | |
| ASSETS | | | | |
| Cash | \$ 120,755 | \$ 472,106 | \$ 566,118 | \$ 26,743 |
| LIABILITIES | | | | |
| Due to other funds | \$ - | \$ 269,029 | \$ 269,029 | \$ - |
| Due to other governments | 100,504 | - | 100,504 | - |
| Deposits | 20,251 | 6,492 | - | 26,743 |
| Total Liabilities | \$ 120,755 | \$ 275,521 | \$ 369,533 | \$ 26,743 |

CITY OF ANN ARBOR
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010
 (concluded)

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| PAYROLL | | | | |
| ASSETS | | | | |
| Cash | \$ - | \$ 151,687,063 | \$ 151,686,803 | \$ 260 |
| Equity in pooled cash and investments | 166 | 75,832,671 | 75,832,837 | - |
| Total Assets | <u>\$ 166</u> | <u>\$ 227,519,734</u> | <u>\$ 227,519,640</u> | <u>\$ 260</u> |
| LIABILITIES | | | | |
| Due to others | \$ 166 | \$ 140,313,351 | \$ 140,313,257 | \$ 260 |
| Due to other funds | - | 1,056,917 | 1,056,917 | - |
| Total Liabilities | <u>\$ 166</u> | <u>\$ 141,370,268</u> | <u>\$ 141,370,174</u> | <u>\$ 260</u> |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash | \$ 1,460,145 | \$ 1,133,814,316 | \$ 1,130,528,118 | \$ 4,746,343 |
| Equity in pooled cash and investments | 110,578 | 159,315,964 | 159,164,688 | 261,854 |
| Due from other funds | - | 385,886 | 385,886 | - |
| Due from other governments | - | 3,322 | 3,322 | - |
| Total Assets | <u>\$ 1,570,723</u> | <u>\$ 1,293,519,488</u> | <u>\$ 1,290,082,014</u> | <u>\$ 5,008,197</u> |
| LIABILITIES | | | | |
| Due to others | \$ 1,302,186 | \$ 393,899,953 | \$ 390,346,822 | \$ 4,855,317 |
| Due to other funds | - | 48,753,643 | 48,753,643 | - |
| Due to other governments | 248,286 | 228,351 | 350,500 | 126,137 |
| Deposits | 20,251 | 6,492 | - | 26,743 |
| Total Liabilities | <u>\$ 1,570,723</u> | <u>\$ 442,888,439</u> | <u>\$ 439,450,965</u> | <u>\$ 5,008,197</u> |

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the City of Ann Arbor, Michigan's basic financial statements and have issued our report thereon dated December 17, 2010. We did not audit the financial statements of the Ann Arbor Housing Commission (discretely presented component unit) which represents 40 percent and 44 percent of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors who report thereon has been furnished to us, and our opinion, insofar as they relate to the amounts included for the City of Ann Arbor, Michigan, are based solely on the reports 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ann Arbor, Michigan'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, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor, Michigan's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

2010-1 USE OF CITY PURCHASING CARDS

Condition: During our analysis of internal controls over the purchasing card process we noted that the City does not appear to be in compliance with established administrative policy and financial management procedures or applicable laws of the State of Michigan. It was specifically noted that five of the twenty transactions sampled contained no purchasing card statement listing the details of the transactions that occurred during the month. The receipts detailing the purchases and the appropriate business purpose pertaining to these statements were also missing. Credit card payments are made by the City on a monthly basis so the City had paid for these transactions without ever reviewing the statement or any supporting receipt to authorize the purchase and determine that there was a business purpose for the transaction.

Criteria: City administrative policy #512 provides (among other things) that documentation be maintained for all purchases including purchasing card transactions, that all purchases be made only for official City business, 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. Michigan Public Act 266 of 1995 requires submission of documentation that details the goods or services purchased, the costs of the goods or services, the date of purchase, and the official business use. This law also requires the governmental unit to approve purchases prior to payment.

Effect: When the City does not receive the individual credit card statements along with sufficient supporting documentation to approve the purchases prior to payment, these are violations of administrative policy #512 and Michigan Public Act 266 of 1995. Unlawful purchases could potentially be made without the City having any knowledge of these purchases. The City also has the potential to pay for expenses that do not have a clearly stated business purposes.

Recommendation: We recommend that the City require all departments to submit their credit card statements along with receipts and the documented business purposes to the Accounting Department, on a timely basis each month, for all purchases made using City purchasing cards. We also recommend the Accounting Department review purchases prior to paying the purchasing card statement.

Corrective Action Response: Management concurs with the recommendation that statements and back-up documentation should be provided on a monthly basis, and management will take steps necessary to insure this requirement is complied with. However a cardholder's supervisor or Service Area Administrator is responsible for signing off on the purchases prior to it being sent to Accounting because they are responsible for insuring their employee's cards are being utilized appropriately. The card program is a Purchasing Card program administered by JP Morgan/Chase and not a Credit Card program. One aspect of the program is that the bank automatically draws the funds for the charges on or about the 4th day of the month. The City has 60 days to notify the bank if there are incorrect charges or activity on the account. In instances where incorrect activity has occurred, the bank has held the City harmless. This program continues to be a beneficial procurement process for the City, so the appropriate efforts will be made to insure the reviews, approvals, and document retention requirements are followed.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Ann Arbor's response to the finding identified in our audit is described in the corrective action response above. We did not audit the City of Ann Arbor's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, 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 PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2010

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. | 127 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. | 133 |
| 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. | 137 |
| 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. | 142 |
| 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. | 144 |

TABLE I

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 580,089,833 | \$ 583,715,108 | \$ 598,685,040 | \$ 603,474,157 | \$ 575,895,851 | \$ 611,225,989 | \$ 626,041,914 | \$ 612,949,811 | \$ 579,020,698 | |
| Restricted | 17,869,882 | 19,772,929 | 18,488,574 | 14,535,869 | 101,447,127 | 79,571,639 | 75,698,698 | 101,462,605 | 118,723,718 | |
| Unrestricted | 30,948,761 | 41,910,911 | 48,319,797 | 44,040,557 | 17,347,389 | 25,703,229 | 30,524,342 | 10,198,885 | 43,955,179 | |
| Total governmental activities net assets | <u>\$ 628,908,476</u> | <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> | <u>\$ 732,264,954</u> | <u>\$ 724,611,301</u> | <u>\$ 741,699,595</u> | |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 87,975,478 | \$ 95,615,594 | \$ 67,551,963 | \$ 90,066,898 | \$ 97,487,787 | \$ 111,888,472 | \$ 77,083,900 | \$ 122,234,225 | \$ 145,084,736 | |
| Restricted | 4,655,000 | 13,049,290 | 16,493,596 | 16,634,604 | 15,918,577 | 15,291,215 | 18,837,147 | 18,391,715 | 17,245,077 | |
| Unrestricted | 39,993,236 | 29,295,034 | 58,330,509 | 58,691,676 | 56,489,160 | 55,985,356 | 101,517,578 | 69,899,328 | 59,771,622 | |
| Total business-type activities net assets | <u>\$ 132,623,714</u> | <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> | <u>\$ 197,438,625</u> | <u>\$ 210,525,268</u> | <u>\$ 222,101,435</u> | |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 668,065,311 | \$ 679,330,702 | \$ 666,237,003 | \$ 693,541,055 | \$ 673,383,638 | \$ 723,114,461 | \$ 703,125,814 | \$ 735,184,036 | \$ 724,105,434 | |
| Restricted | 22,524,882 | 32,822,219 | 34,982,170 | 31,170,473 | 117,365,704 | 94,862,854 | 94,535,845 | 119,854,320 | 135,968,795 | |
| Unrestricted | 70,941,997 | 71,205,945 | 106,650,306 | 102,732,233 | 73,836,549 | 81,688,585 | 132,041,920 | 80,098,213 | 103,726,801 | |
| Total primary government net assets | <u>\$ 761,532,190</u> | <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> | <u>\$ 929,703,579</u> | <u>\$ 935,136,569</u> | <u>\$ 963,801,030</u> | |

Per GASB Statement 44 this table requires last 10 fiscal years or recommends reporting from implementation of GASB Statement 34. The City of Ann Arbor implemented GASB Statement 34 in fiscal year 2002.

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

TABLE II

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

| | Fiscal Year | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Expenses | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 21,091,757 | \$ 21,638,200 | \$ 22,240,005 | \$ 13,732,411 | \$ 13,908,277 | \$ 15,219,894 | \$ 14,290,184 | \$ 24,108,111 | \$ 17,333,282 |
| Public safety | 37,281,245 | 36,517,037 | 38,535,603 | 43,656,127 | 44,026,682 | 42,368,701 | 48,004,360 | 56,723,757 | 43,010,456 |
| Public works | 19,052,187 | 15,913,431 | 16,728,351 | 22,554,703 | 19,659,069 | 16,388,169 | 22,948,985 | 21,084,898 | 17,933,743 |
| Community and economic development | 3,765,862 | 14,392,069 | 4,158,934 | 5,425,385 | 2,188,427 | 5,146,231 | 5,611,549 | 5,869,426 | 3,996,830 |
| Culture and recreation | 10,019,656 | 11,586,697 | 9,190,992 | 7,697,210 | 6,810,978 | 6,464,261 | 8,616,049 | 9,530,857 | 7,945,806 |
| Other - Public Transportation | 7,137,843 | 7,613,357 | 7,951,457 | 8,349,044 | 8,666,141 | 9,169,355 | 9,574,677 | 9,592,129 | 9,682,798 |
| Debt service | 1,029,598 | 943,997 | 1,218,936 | 934,007 | 1,539,263 | 2,737,333 | 2,544,827 | 3,229,523 | 3,297,914 |
| Unallocated depreciation | 14,840 | 27,326 | 41,414 | 37,375 | 71,575 | 55,005 | 64,861 | 39,175 | 141,823 |
| Total governmental activities expenses | <u>99,392,988</u> | <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> | <u>111,655,492</u> | <u>130,177,876</u> | <u>103,342,652</u> |
| Business-type activities: | | | | | | | | | |
| Water | 13,262,228 | 14,521,017 | 15,772,718 | 16,671,468 | 16,881,883 | 16,943,066 | 17,876,975 | 18,971,550 | 16,861,582 |
| Sewer | 14,282,194 | 13,665,415 | 14,102,932 | 14,019,208 | 13,488,810 | 15,247,981 | 13,585,023 | 15,190,288 | 14,242,272 |
| Parking | 3,695,555 | 2,630,276 | 2,478,172 | 2,368,344 | 3,684,777 | 2,902,894 | 2,963,565 | 3,048,960 | 2,879,139 |
| Market | 97,002 | 121,863 | 149,660 | 115,892 | 124,754 | 124,636 | 136,004 | 145,024 | 155,993 |
| Golf courses | 1,452,657 | 1,465,206 | 1,275,010 | 1,152,354 | 1,134,301 | 1,115,341 | 1,374,434 | 1,510,711 | 1,646,340 |
| Airport | 639,529 | 837,252 | 804,005 | 860,515 | 904,514 | 842,521 | 728,168 | 846,383 | 670,736 |
| Stormwater | 1,753,065 | 1,879,044 | 1,875,871 | 1,662,144 | 1,556,229 | 2,622,490 | 3,038,548 | 2,789,058 | 3,031,318 |
| Solid Waste | | | | 8,086,147 | 9,876,503 | 10,322,715 | 10,881,003 | 12,131,440 | 11,770,761 |
| Hydropower | 440,838 | 420,254 | 467,783 | 259,773 | | | | | |
| Total business-type activities expenses | <u>35,623,068</u> | <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> | <u>50,583,720</u> | <u>54,633,414</u> | <u>51,258,141</u> |
| Total primary government expenses | <u>\$ 135,016,056</u> | <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> | <u>\$ 162,239,212</u> | <u>\$ 184,811,290</u> | <u>\$ 154,600,793</u> |

TABLE II

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

| | Fiscal Year | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Program Revenues | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Charges for services: | | | | | | | | | |
| General government | \$ 6,185,098 | \$ 8,376,855 | \$ 8,974,662 | \$ 5,425,726 | \$ 10,716,589 | \$ 4,968,702 | \$ 5,365,601 | \$ 5,747,883 | \$ 8,527,479 |
| Public safety | 9,776,870 | 10,347,613 | 10,189,485 | 11,539,080 | 11,624,431 | 12,119,252 | 13,042,927 | 11,128,662 | 7,272,976 |
| Public works | 1,519,878 | 2,172,513 | 7,495,156 | 3,220,105 | 1,834,707 | 4,224,568 | 2,104,180 | 1,552,806 | 3,158,923 |
| Community and economic development | | | 1,109,134 | (81,681) | 890 | | | | |
| Culture and Recreation | 2,071,114 | 2,119,851 | 2,650,541 | 2,280,083 | 2,482,219 | 2,447,072 | 2,561,561 | 2,615,433 | 2,372,364 |
| Other - Public Transportation | 71,760 | 76,113 | 79,541 | 83,507 | 86,770 | 91,589 | 91,589 | 98,464 | 97,513 |
| Operating grants and contributions | 4,653,491 | 21,132,464 | 10,608,459 | 12,245,420 | 12,604,477 | 10,659,938 | 10,635,661 | 10,174,646 | 9,998,747 |
| Capital grants and contributions | | 893,925 | 1,806,735 | 1,213,663 | 791,100 | 479,321 | 336,643 | 681,800 | 1,239,229 |
| Total governmental activities program revenues | <u>24,278,211</u> | <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> | <u>34,138,162</u> | <u>31,999,694</u> | <u>32,667,231</u> |
| Business-type activities: | | | | | | | | | |
| Charges for services: | | | | | | | | | |
| Water | 17,437,552 | 16,174,325 | 15,997,464 | 18,085,363 | 18,377,961 | 19,075,505 | 20,274,057 | 18,420,957 | 19,905,769 |
| Sewer | 16,111,883 | 16,042,136 | 15,830,994 | 18,330,302 | 18,933,853 | 17,330,738 | 19,493,468 | 19,074,478 | 19,292,506 |
| Parking | 6,957,734 | 4,328,687 | 3,691,597 | 3,462,633 | 3,066,276 | 3,305,205 | 2,531,021 | 3,423,624 | 2,941,159 |
| Market | 74,926 | 80,162 | 151,244 | 131,348 | 125,347 | 126,979 | 122,644 | 115,902 | 144,591 |
| Golf courses | 1,282,804 | 1,201,935 | 1,172,313 | 1,042,785 | 998,218 | 870,567 | 865,113 | 1,031,632 | 1,164,840 |
| Airport | 703,886 | 687,558 | 716,242 | 830,657 | 719,842 | 773,784 | 793,125 | 741,339 | 782,039 |
| Stormwater | 2,421,378 | 2,641,035 | 2,881,077 | 3,529,955 | 3,758,240 | 4,373,848 | 4,910,929 | 5,316,391 | 5,954,788 |
| Solid Waste | | | | 478,493 | 814,140 | 729,343 | 1,543,903 | 1,049,923 | 1,517,653 |
| Hydropower | 308,471 | 214,556 | 261,730 | | | | | | |
| Capital grants and contributions | | | | | | 668,917 | 418,430 | 2,736,217 | 2,204,638 |
| Total business-type activities program revenues | <u>45,298,634</u> | <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> | <u>50,952,690</u> | <u>51,910,463</u> | <u>53,907,983</u> |
| Total primary government program revenues | <u>\$ 69,576,845</u> | <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> | <u>\$ 85,090,852</u> | <u>\$ 83,910,157</u> | <u>\$ 86,575,214</u> |

TABLE II

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

| | Fiscal Year | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Net (Expense) Revenue | | | | | | | | | |
| Governmental activities | \$ (75,114,777) | \$ (63,512,780) | \$ (57,151,979) | \$ (66,460,359) | \$ (56,729,229) | \$ (62,558,507) | \$ (77,517,330) | \$ (98,178,182) | \$ (70,675,421) |
| Business-type activities | 9,675,566 | 5,830,067 | 3,776,510 | 695,691 | (857,894) | (2,866,758) | 368,970 | (2,722,951) | 2,649,842 |
| Total primary government net expense | <u>\$ (65,439,211)</u> | <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> | <u>\$ (77,148,360)</u> | <u>\$ (100,901,133)</u> | <u>\$ (68,025,579)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Taxes | | | | | | | | | |
| Property taxes, levied for general purposes | \$ 55,094,195 | \$ 53,597,747 | \$ 56,035,123 | \$ 51,423,077 | \$ 45,587,059 | \$ 48,243,639 | \$ 60,510,514 | \$ 60,468,022 | \$ 60,655,729 |
| Property taxes, levied for designated purpose | | | | | | | | | 7,454,130 |
| Property taxes, levied for debt services | 2,707,538 | 7,686,425 | 8,127,043 | 8,029,733 | 16,430,807 | 17,236,440 | 9,555,291 | 9,526,085 | 2,274,782 |
| Special Assessment | 293,355 | | | | | | | | |
| State-shared revenues and grants (unrestricted) | 21,877,296 | 13,227,051 | 11,865,469 | 11,674,762 | 11,469,467 | 11,464,818 | 11,116,813 | 11,102,183 | 9,456,109 |
| Investment income | 3,659,707 | 2,495,814 | 907,722 | 2,181,348 | 4,246,277 | 7,990,673 | 9,059,668 | 7,890,239 | 4,308,095 |
| Gain on sale of assets | 138,683 | 268,143 | | | | | | | |
| Special Item | | | | | 4,100,000 | | | | |
| Transfers | 1,813,700 | 1,623,844 | (335,508) | 1,870,457 | 7,134,212 | (1,276,359) | 2,139,564 | 1,162,611 | 4,140,628 |
| Other | 452,366 | 1,104,228 | 646,593 | 367,458 | 194,410 | 709,786 | 899,577 | 375,390 | 215,199 |
| Total governmental activities | <u>86,036,840</u> | <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> | <u>93,281,427</u> | <u>90,524,530</u> | <u>88,504,672</u> |
| Business-type activities: | | | | | | | | | |
| Taxes | | | | | | | | | |
| Property taxes, levied for general purposes | | | | 10,011,080 | 10,399,700 | 10,998,459 | 11,550,982 | 11,529,057 | 11,677,513 |
| Investment income | 1,589,314 | 1,083,726 | 304,192 | 1,651,492 | 2,177,470 | 3,861,459 | 4,493,194 | 5,443,148 | 1,545,547 |
| Gain on sale of assets | 90,103 | 46,255 | | | | | | | |
| Transfers | (1,813,700) | (1,623,844) | 335,508 | (1,870,457) | (7,134,212) | 1,276,359 | (2,139,564) | (1,162,611) | (4,140,628) |
| Total business-type activities | <u>(134,283)</u> | <u>(493,863)</u> | <u>639,700</u> | <u>9,792,115</u> | <u>5,442,958</u> | <u>16,136,277</u> | <u>13,904,612</u> | <u>15,809,594</u> | <u>9,082,432</u> |
| Total primary government | <u>\$ 85,902,557</u> | <u>\$ 79,509,389</u> | <u>\$ 77,886,142</u> | <u>\$ 85,338,950</u> | <u>\$ 94,605,190</u> | <u>\$ 100,505,274</u> | <u>\$ 107,186,039</u> | <u>\$ 106,334,124</u> | <u>\$ 97,587,104</u> |
| Change in Net Assets | | | | | | | | | |
| Governmental activities | \$ 10,922,063 | \$ 16,490,472 | \$ 20,094,463 | \$ 9,086,476 | \$ 32,433,003 | \$ 21,810,490 | \$ 15,764,097 | \$ (7,653,652) | \$ 17,829,251 |
| Business-type activities | 9,541,283 | 5,336,204 | 4,416,150 | 10,487,806 | 4,585,064 | 13,269,519 | 14,273,582 | 13,086,643 | 11,732,274 |
| Total primary government | <u>\$ 20,463,346</u> | <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> | <u>\$ 30,037,679</u> | <u>\$ 5,432,991</u> | <u>\$ 29,561,525</u> |

Per GASB Statement 44 this table requires last 10 fiscal years or recommends reporting from implementation of GASB Statement 34. The City of Ann Arbor implemented GASB Statement 34 in fiscal year 2002.

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)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 2,156,339 | \$ 1,128,857 | \$ 798,049 | \$ 1,346,170 | \$ 920,078 | \$ 485,868 | \$ 270,048 | \$ 219,224 | \$ 444,744 | \$ 199,238 |
| Unreserved | 7,964,747 | 6,488,557 | 7,759,394 | 8,117,344 | 9,740,289 | 11,962,837 | 16,126,413 | 19,561,545 | 10,910,841 | 12,288,378 |
| Total General Fund | <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> | <u>\$ 19,780,769</u> | <u>\$ 11,355,585</u> | <u>\$ 12,487,616</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 9,271,201 | \$ 11,954,731 | \$ 15,115,496 | \$ 13,463,689 | \$ 7,410,788 | \$ 33,451,679 | \$ 14,783,804 | \$ 16,289,679 | \$ 43,160,630 | \$ 19,102,850 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 15,096,984 | 23,169,533 | 26,026,533 | 21,250,565 | 35,852,445 | 34,425,813 | 70,463,629 | 64,279,003 | 64,524,470 | 67,567,542 |
| Capital projects funds | 13,088,634 | 13,724,712 | 15,260,231 | 21,486,018 | 10,799,473 | 11,709,820 | | 3,622,949 | 2,401,119 | 38,031,543 |
| Information Services projects | 2,060,987 | 321,977 | | | | | | | | |
| Debt service funds | | | 1,990,759 | 1,828,253 | 1,621,672 | | | | | |
| Subsequent year's expenditures | 1,512,921 | 2,527,377 | 1,963,668 | | | | | | | |
| Undesignated | | | | | | 26,634,034 | | | | 320,340 |
| Total all other governmental funds | <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> | <u>\$ 84,191,631</u> | <u>\$ 110,086,219</u> | <u>\$ 125,022,275</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)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-----------------------|---------------------|---------------------|-----------------------|---------------------|----------------------|------------------------|---------------------|----------------------|----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 54,797,240 | \$ 57,801,733 | \$ 61,284,172 | \$ 64,162,166 | \$ 59,452,810 | \$ 62,017,866 | \$ 65,480,079 | \$ 70,065,805 | \$ 69,994,107 | \$ 70,384,641 |
| Special Assessments/improvement charges | 471,113 | 293,355 | 893,925 | 714,075 | 130,872 | 122,147 | 119,198 | 182,302 | 77,748 | 54,713 |
| Licenses, fees & permits | 3,122,293 | 2,856,377 | 3,001,458 | 3,145,919 | 3,715,412 | 3,229,331 | 1,210,631 | 1,284,685 | 1,133,847 | 5,108,409 |
| Federal grants | 3,279,419 | 2,475,059 | 3,018,503 | 2,132,556 | 3,842,697 | 4,853,737 | 3,801,631 | 3,470,830 | 3,434,753 | 2,583,511 |
| State shared revenues and grants | 22,428,861 | 24,055,728 | 31,341,012 | 20,341,372 | 20,077,485 | 20,011,307 | 19,214,610 | 18,743,579 | 18,469,118 | 17,277,839 |
| Charges for services | 10,196,953 | 7,251,540 | 8,175,886 | 13,268,471 | 9,343,486 | 9,608,385 | 14,846,082 | 14,228,315 | 13,350,572 | 10,393,128 |
| Fines & penalties | 5,541,929 | 5,321,733 | 5,901,225 | 5,479,578 | 5,787,212 | 5,997,715 | 5,894,126 | 5,874,429 | 4,963,134 | 4,138,282 |
| Interest and penalties | 100,644 | 120,128 | 86,841 | 95,095 | 50,227 | 39,894 | 36,551 | 30,472 | 28,963 | 515,190 |
| Investment income | 5,495,927 | 3,355,595 | 2,324,906 | 786,244 | 1,830,015 | 3,844,416 | 7,216,882 | 7,864,379 | 6,807,477 | 3,071,842 |
| Rental | 49,163 | 53,363 | 52,839 | 109,655 | 58,482 | 128,882 | 185,173 | 335,642 | 310,520 | 404,147 |
| Contributions and donations | 104,087 | 50,176 | 140,025 | 398,211 | 232,206 | 164,162 | 171,640 | 297,087 | 228,208 | 260,470 |
| Sale of property and equipment | 15,051 | 15,227 | 97,668 | 49,471 | 18,370 | 3,470 | 33,837 | 15,457 | 312,501 | 13,855 |
| Intra-governmental sales | 143,388 | 83,826 | 47,048 | 526,340 | 57,020 | 157,850 | 535,049 | 363,457 | 188,958 | 318,696 |
| Reimbursements and refunds | 482,100 | | | | | | | | | |
| Miscellaneous | 467,197 | 503,275 | 1,104,228 | 646,593 | 367,458 | 194,410 | 709,786 | 899,577 | 375,390 | 316,652 |
| Total Revenues | 106,695,365 | 104,237,115 | 117,469,736 | 111,855,746 | 104,963,752 | 110,373,572 | 119,455,275 | 123,656,016 | 119,675,296 | 114,841,375 |
| Expenditures | | | | | | | | | | |
| General government | 67,977,909 | 64,786,881 | 76,380,826 | 71,949,620 | 62,580,503 | 58,196,427 | 54,702,644 | 55,447,393 | 60,810,845 | 53,843,735 |
| Public Safety | 34,397,326 | 31,924,968 | 31,920,806 | 33,472,092 | 34,559,387 | 37,492,113 | 43,476,726 | 45,003,004 | 47,151,174 | 43,654,317 |
| Capital outlay | 4,324,540 | 1,110,978 | 1,687,981 | 7,216,099 | 2,438,127 | 10,943,071 | 31,209,188 | 16,661,477 | 18,102,248 | 49,795,312 |
| Debt service: | | | | | | | | | | |
| Principal | 3,330,792 | 2,544,562 | 2,470,661 | 2,556,100 | 2,516,100 | 2,508,050 | 3,405,000 | 3,175,000 | 3,270,000 | 3,345,000 |
| Interest | 1,472,433 | 1,066,153 | 970,388 | 1,187,383 | 971,713 | 1,329,166 | 2,422,079 | 2,586,455 | 2,934,523 | 2,773,143 |
| Total expenditures | 111,503,000 | 101,433,542 | 113,430,662 | 116,381,294 | 103,065,830 | 110,468,827 | 135,215,637 | 122,873,329 | 132,268,790 | 153,411,507 |
| Excess of revenues over (under) expenditures | (4,807,635) | 2,803,573 | 4,039,074 | (4,525,548) | 1,897,922 | (95,255) | (15,760,362) | 782,687 | (12,593,494) | (38,570,132) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | 18,173,436 | 16,973,562 | 9,652,384 | 7,927,995 | 11,784,483 | 21,817,720 | 9,362,022 | 8,879,908 | 13,104,036 | 11,227,633 |
| Transfers out | (15,704,753) | (15,126,528) | (8,037,958) | (8,324,538) | (9,577,715) | (12,938,988) | (10,627,817) | (7,334,089) | (10,513,218) | (5,914,937) |
| Issuance of debt | | 815,000 | 4,000,000 | | | 44,885,000 | | | 27,472,080 | 49,420,000 |
| Bond Discount | | | (55,114) | | | | | | | (93,674) |
| Bond Issuance Costs | | (12,225) | | | | (305,812) | | | | |
| Note Proceeds | 263,041 | | | 3,500,000 | | | | | | |
| Total other financing sources (uses) | 2,731,724 | 2,649,809 | 5,559,312 | 3,103,457 | 2,206,768 | 53,457,920 | (1,265,795) | 1,545,819 | 30,062,898 | 54,639,022 |
| Net change in fund balances | \$ (2,075,911) | \$ 5,453,382 | \$ 9,598,386 | \$ (1,422,091) | \$ 4,104,690 | \$ 53,362,665 | \$ (17,026,157) | \$ 2,328,506 | \$ 17,469,404 | \$ 16,068,890 |
| Debt service as a percentage of noncapital expenditures | 4.5% | 3.9% | 3.4% | 4.2% | 4.1% | 4.3% | 6.2% | 5.8% | 5.7% | 6.4% |

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

TABLE V

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

| Fiscal Year Ended June 30, | Real Property | Personal Property | Less: Tax-exempt Property (4) | Total Taxable Value | Total Direct Tax Rate |
|-------------------------------------|------------------|----------------------|-------------------------------------|------------------------|-----------------------------|
| 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 |
| 2008 | 4,469,676,977 | 266,530,700 | | 4,736,207,677 | 16.7825 |
| 2009 | 4,577,802,604 | 309,165,535 | | 4,886,968,139 | 16.7807 |
| 2010 | 4,595,490,848 | 263,449,000 | | 4,858,939,848 | 16.7970 |

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 | 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 |
| Principal Residence Exemption (PRE) | 2008 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4661 | 1.5748 | 1.9944 | 16.7825 | 17.9610 | 1.9214 | 5.6768 | 3.6956 | 46.0373 |
| Non-PRE | 2008 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4661 | 1.5748 | 1.9944 | 16.7825 | 31.2072 | 1.9214 | 5.6768 | 3.6956 | 59.2835 |
| Principal Residence Exemption (PRE) | 2009 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4643 | 1.5748 | 1.9944 | 16.7807 | 17.5203 | 1.9214 | 5.7018 | 3.6856 | 45.6098 |
| Non-PRE | 2009 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4643 | 1.5748 | 1.9944 | 16.7807 | 31.2040 | 1.9214 | 5.7018 | 3.6856 | 59.2935 |
| Principal Residence Exemption (PRE) | 2010 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4806 | 1.5748 | 1.9944 | 16.7970 | 17.4132 | 1.5500 | 5.7418 | 3.6856 | 45.1876 |
| Non-PRE | 2010 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4806 | 1.5748 | 1.9944 | 16.7970 | 30.9625 | 1.5500 | 5.7418 | 3.6856 | 58.7369 |

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 3.9745 mills and State Education Tax of 6.0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 13.6837 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.

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 | 2010 | | | 2001 | | |
|--|---------------------|-----------------------|------|---|-----------------------|------|--|
| | | Taxable Value | Rank | Percentage of Total City Assessed Value | Taxable Value | Rank | Percentage of Total City Taxable Value |
| Briarwood Shopping Complex | Shopping Center | \$ 41,852,283 | 1 | 0.86% | \$ 34,541,936 | 2 | 1.07% |
| Detroit Edison | Utility | 33,738,131 | 2 | 0.69% | 28,750,249 | 3 | 0.89% |
| AMCAP Arborland LLC | Shopping Center | 32,520,896 | 3 | 0.67% | | | |
| Ann Arbor Campus Housing, LLC | Apartments | 26,907,819 | 4 | 0.55% | | | |
| Transwestern Great Lakes | Office Building | 26,169,606 | 5 | 0.54% | | | |
| McMullen Properties LLC | Office Building | 20,729,140 | 6 | 0.43% | | | |
| Maple Village Shopping | Shopping Center | 19,104,389 | 7 | 0.39% | | | |
| McKinley Associates | Apartments & Office | 18,328,741 | 8 | 0.38% | 14,651,984 | 6 | 0.46% |
| Windwood Dr Ann Arbor | Apartments | 18,168,847 | 9 | 0.37% | | | |
| Green Road Investments | Office Building | 17,688,814 | 10 | 0.36% | | | |
| Pfizer-Parke Davis | Pharmaceuticals | | | | 129,479,500 | 1 | 4.02% |
| Great Lakes Real Estate Investment Trust | Office Building | | | | 19,581,081 | 4 | 0.61% |
| Arborland | Shopping Center | | | | 18,839,028 | 5 | 0.59% |
| Geddes Lake Co-op | Co-op Housing | | | | 14,213,468 | 7 | 0.44% |
| Michigan Consolidated Gas Co. | Utility | | | | 13,302,000 | 8 | 0.41% |
| Comcast | Cable Television | | | | 12,879,100 | 9 | 0.40% |
| EQR-Fancap | Apartments | | | | 12,462,800 | 10 | 0.39% |
| Total | | \$ 255,208,666 | | 5.24% | \$ 298,701,146 | | 9.28% |

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 |
| 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% |
| 2008 | 81,075,841 | 78,911,292 | 97.3% | 2,055,627 | 80,966,919 | 99.9% |
| 2009 | 81,928,011 | 79,444,679 | 97.0% | 2,377,225 | 81,821,904 | 99.9% |
| 2010 | 82,000,343 | 79,609,594 | 97.1% | 2,286,118 | 81,895,712 | 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 | | | |
| 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 | 4,000 | 2,730 | 876 | 33,040 | 1,200 | 45,855 | 896 | 3,939 | 107,556 | 0.88% | 943 |
| 2003 | 16,180 | 1,150 | 3,925 | 2,335 | 460 | 31,505 | 800 | 42,210 | 721 | 3,269 | 102,630 | 0.79% | 900 |
| 2004 | 14,515 | 1,025 | 3,790 | 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 |
| 2008 | 30,615 | 545 | 22,980 | 680 | 3,911 | 22,900 | | 105,160 | 2,333 | 4,610 | 193,734 | 1.42% | 1,683 |
| 2009 | 55,715 | 470 | 22,470 | 555 | 3,500 | 21,190 | | 99,855 | 2,033 | 4,105 | 209,893 | 1.56% | 1,831 |
| 2010 | 102,545 | 390 | 21,920 | 430 | 3,500 | 19,410 | | 94,215 | 1,814 | 3,955 | 248,179 | 1.88% | 2,199 |

Note: For fiscal year 2010 percent of personal income, the divisor used was for 2009 since 2010 Personal income is not available at this time.

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 | | |
| 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 |
| 2008 | 30,615 | 545 | 22,980 | 54,140 | 1.14% | 470.41 |
| 2009 | 55,715 | 470 | 22,470 | 78,655 | 1.61% | 686.33 |
| 2010 | 102,545 | 390 | 21,920 | 124,855 | 2.57% | 1,106.36 |

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

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

TABLE XI

CITY OF ANN ARBOR
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2010
 (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 | \$ 102,935 | | |
| Ann Arbor Building Authority Bonds | 19,410 | | |
| Other Long-Term Debt | 3,500 | | |
| City direct debt | <u>\$ 125,845</u> | | |
| OVERLAPPING DEBT | | | |
| Ann Arbor School District | \$ 190,290 | 61.690% | \$ 117,390 |
| Washtenaw Community College | 92,476 | 31.300% | 28,945 |
| Washtenaw County at Large | 45,320 | 32.030% | 14,516 |
| Overlapping debt | <u>\$ 328,086</u> | | <u>160,851</u> |
| Total direct & overlapping debt | | | <u>\$ 286,696</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 2010

| | |
|---|-----------------------|
| Taxable value of real and personal property | \$ 4,858,939,848 |
| Debt limit (10% of assessed value) | 485,893,985 |
| Debt applicable to limit: | |
| Net direct debt | 125,845,000 |
| Less: Special Assessment bonds (general obligation portion) | <u>(430,000)</u> |
| Total net debt applicable to limit | <u>125,415,000</u> |
| Legal debt margin | <u>\$ 360,478,985</u> |

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Debt limit | \$ 321,692,521 | \$ 342,285,479 | \$ 367,497,490 | \$ 382,945,009 | \$ 402,917,629 | \$ 422,074,836 | \$ 448,160,209 | \$ 473,620,768 | \$ 488,696,814 | \$ 485,893,985 |
| Total net debt applicable to limit | 51,485,511 | 51,625,889 | 47,909,852 | 48,124,150 | 43,944,619 | 63,436,196 | 56,724,615 | 56,724,615 | 80,146,618 | 125,415,000 |
| Legal debt margin | <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>\$ 391,435,594</u> | <u>\$ 416,896,153</u> | <u>\$ 408,550,196</u> | <u>\$ 360,478,985</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 16.00% | 15.08% | 13.04% | 12.57% | 10.91% | 15.03% | 12.66% | 11.98% | 16.40% | 25.81% |

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

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

TABLE XIII

| Fiscal Year | Operating Revenue (1) | Operating Expenses (2) | Net Revenue Available For Debt Service | Debt Service | | Total | Coverage |
|------------------------------|-----------------------|------------------------|--|--------------|--------------|--------------|----------|
| | | | | Principal | Interest | | |
| Water Supply System: | | | | | | | |
| 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 |
| 2008 | 20,878,987 | 13,227,385 | 7,651,602 | 3,175,000 | 1,201,181 | 4,376,181 | 1.7 |
| 2009 | 19,228,211 | 14,442,403 | 4,785,808 | 3,710,000 | 2,004,487 | 5,714,487 | 0.8 |
| 2010 | 20,386,564 | 12,440,872 | 7,945,692 | 3,850,000 | 1,890,994 | 5,740,994 | 1.4 |
| Sewage Disposal System: | | | | | | | |
| 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 |
| 2008 | 22,263,810 | 10,571,368 | 11,692,442 | 1,490,000 | 1,110,639 | 2,600,639 | 4.5 |
| 2009 | 22,752,472 | 11,185,369 | 11,567,103 | 1,450,000 | 1,763,808 | 3,213,808 | 3.6 |
| 2010 | 19,851,400 | 10,306,331 | 9,545,069 | 1,790,000 | 2,054,391 | 3,844,391 | 2.5 |
| Stormwater Sewer System (3): | | | | | | | |
| 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 |
| 2008 | 5,176,719 | 2,701,223 | 2,475,496 | 140,000 | 15,588 | 155,588 | 15.9 |
| 2009 | 5,517,486 | 2,501,139 | 3,016,347 | 145,000 | 7,643 | 152,643 | 19.8 |

Notes:

- (1) Includes interest income.
- (2) Excludes depreciation expense.
- (3) 2009 was the final year of debt service for Stormwater bonds.

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

TABLE XIV

| Year | Population (1) | Personal income (2) | Per Capita Personal Income (2) | Median Age (1) | Education Level in Years of Schooling (1) | School Enrollment (3) | Unemployment Rate % (4) |
|------|----------------|------------------------|---|-------------------|---|--------------------------|----------------------------|
| 2001 | 113,992 | \$ 11,774,476 | \$ 35,873 | 27.9 | 16.5 | 16,589 | 2.9 |
| 2002 | 113,992 | 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 | 114,103 | 13,751,795 | 40,228 | 28.1 | 16.5 | 16,980 | 4.7 |
| 2006 | 114,216 | 13,892,850 | 40,381 | 27.3 | 16.5 | 16,879 | 4.4 |
| 2007 | 114,282 | 13,614,000 | 39,142 | 27.3 | 16.5 | 16,680 | 5.2 |
| 2008 | 114,282 | 13,483,000 | 39,107 | 27.3 | 16.5 | 17,012 | 6.3 |
| 2009 | 114,602 | 13,219,000 | 38,032 | 27.3 | 16.5 | 16,539 | 10.6 |
| 2010 | 112,852 | NA | NA | 28.1 | 16.5 | 16,536 | 10.0 |

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis
http://www.bea.gov/scb/pdf/2010/09%20September/0910_n Page 7(135)
<http://research.stlouisfed.org/fred2/series/ANNA426PCPI?rid=139>
- *Note: Accelerated estimates of personal income for 2009 from metropolitan statistical areas (MSAs) were released September 2010. 2010 data has not been released at this time.
- (3) Ann Arbor Public School's Child Accounting Office.
http://www.aaps.k12.mi.us/aaps.about/demographic_data
- (4) Michigan Employment Security Commission statistics for Washtenaw County.
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

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

TABLE XV

| Taxpayer | 2010 | | | 2001 | | |
|---|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| University of Michigan | 26,241 | 1 | 42.27% | 14,804 | 1 | 42.81% |
| Univ. of Mich Hospitals & Health System | 19,614 | 2 | 31.60% | 7,130 | 2 | 20.62% |
| St. Joseph Mercy Health System | 5,670 | 3 | 9.13% | 4,243 | 3 | 12.27% |
| Washtenaw Community College | 2,773 | 4 | 4.47% | | | |
| Ann Arbor Public Schools | 2,659 | 5 | 4.28% | 1,900 | 4 | 5.49% |
| Veterans Administration Medical Center | 1,600 | 6 | 2.58% | | | |
| Washtenaw County | 1,345 | 7 | 2.17% | 1,300 | 6 | 3.76% |
| Borders Group, Inc. | 825 | 8 | 1.33% | 1,800 | 5 | 5.20% |
| City of Ann Arbor | 766 | 9 | 1.23% | 1,000 | 8 | 2.89% |
| Glacier Hills Inc. | 582 | 10 | 0.94% | | | |
| Busch's Inc. | | | | 1,250 | 7 | 3.61% |
| NSK Corp | | | | 609 | 9 | 1.76% |
| Domino's Pizza | | | | 550 | 10 | 1.59% |
| Total | <u>62,075</u> | | <u>100.00%</u> | <u>34,586</u> | | <u>100.00%</u> |

Source: Business Week (Prime Numbers: Top 100 Employers, January's Edition)
Crain's Business Detroit (Washtenaw County's Largest Employers) May 4, 2000 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 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General government | | | | | | | | | | |
| Financial Services | 66 | 67 | 66 | 54 | 49 | 47 | 50 | 51 | 49 | 49 |
| Community Services | 37 | 72 | 73 | 65 | 67 | 56 | 41 | 42 | 35 | 35 |
| Parks & Recreation | 82 | 32 | 34 | 23 | 18 | 24 | 23 | 21 | 17 | 19 |
| City Administrator Services | 8 | 20 | 20 | 20 | 18 | 16 | 31 | 32 | 29 | 31 |
| Mayor & Council | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other | | 1 | 1 | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 232 | 242 | 240 | 236 | 225 | 159 | 159 | 160 | 152 | 152 |
| Civilians | 12 | | | | | 67 | 67 | 50 | 30 | 30 |
| Fire | | | | | | | | | | |
| Firefighters & Officers | 126 | 114 | 115 | 100 | 102 | 94 | 94 | 94 | 94 | 94 |
| Civilians | 5 | | | | | | | | | |
| Public Services | | | | | | | | | | |
| Project Management | 35 | 35 | 35 | 34 | 19 | 17 | 16 | 17 | 15 | 15 |
| Water | 70 | 32 | 32 | 28 | 24 | 21 | 24 | 26 | 23 | 26 |
| Wastewater Treatment | 63 | 45 | 39 | 36 | 35 | 32 | 34 | 35 | 34 | 35 |
| Field Operations | 151 | 188 | 174 | 155 | 146 | 124 | 128 | 125 | 125 | 135 |
| Other | 55 | 50 | 50 | 50 | 74 | 103 | 92 | 87 | 93 | 79 |
| 15th District Court | 40 | 40 | 40 | 41 | 41 | 41 | 41 | 41 | 39 | 39 |
| Retirement System | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 |
| Downtown Development Authority | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| City Attorney | 14 | 14 | 14 | 13 | 14 | 14 | 14 | 14 | 14 | 14 |
| Per Budget Book | 1,004 | 959 | 941 | 863 | 840 | 823 | 822 | 803 | 800 | 761 |

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

TABLE XVII

CITY OF ANN ARBOR
OPERATING INDICATORS BY FUNCTION/PROGRAM
CURRENT AND LAST FOUR FISCAL YEARS
(Unaudited)

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---------|---------|---------|---------|---------|
| Police | | | | | |
| Physical arrests | 1,786 | 1,731 | 1,685 | 2,000 | 1,605 |
| Parking violations | 193,498 | 191,563 | 167,102 | 157,668 | 137,271 |
| Traffic violations | 348 | 26,459 | 22,893 | 23,764 | NA |
| Fire | | | | | |
| Emergency responses | 5,629 | 5,966 | 5,996 | 6,045 | 4,985 |
| Fire extinguished | 330 | 316 | 265 | 258 | 226 |
| Inspections | 238 | 1,088 | 471 | 21 | 508 |
| Refuse Collection | | | | | |
| Refuse collected (tons per day) | 117.61 | 125.00 | 123.00 | 92.00 | 94.00 |
| Recyclables collected (tons per day) | 6.42 | 9.00 | 10.00 | 34.00 | 31.00 |
| Other Public works | | | | | |
| Street resurfacing (miles) | 6.25 | 6.20 | 4.34 | 4.92 | 6.92 |
| Potholes repaired (tons) | 449.43 | 273.00 | 444.34 | 423.70 | 394.60 |
| Parks and Recreation | | | | | |
| Athletic field permits issued | 1,142 | 1,040 | 814 | 839 | 893 |
| Community center admissions | 10,764 | 10,168 | 10,168 | 10,500 | 11,000 |
| Water | | | | | |
| New connections | 27,156 | 27,813 | 28,193 | 28,222 | 28,202 |
| Water main breaks | 80 | 104 | 110 | 58 | 85 |
| Average daily consumption (millions of gallons) | 13,960 | 11,947 | 12,800 | 12,675 | 12,699 |
| Peak daily consumption (millions of gallons) | 21,594 | 22,007 | 22,510 | 20,775 | 17,927 |
| Wastewater | | | | | |
| Average daily sewage treatment (millions of gallons) | 19,600 | 19,085 | 18,000 | 18,347 | 17,745 |

Source: Various services areas within City of Ann Arbor
Reporting from FY2006 to current fiscal year, 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 | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Police | | | | | | | | | | |
| Station | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Zone Offices | 4 | 4 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Patrol units | 36 | 36 | 36 | 37 | 35 | 35 | 34 | 36 | 36 | 35 |
| Fire Stations | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Refuse Collection | | | | | | | | | | |
| Collection Trucks | 18 | 18 | 18 | 17 | 16 | 14 | 14 | 18 | 18 | 28 |
| Other Public works | | | | | | | | | | |
| Streets (miles) | 289.74 | 289.74 | 289.74 | 291.46 | 295.13 | 295.13 | 295.13 | 295.13 | 295.13 | 295.13 |
| Streetlights | 8,547 | 8,685 | 8,701 | 8,786 | 8,858 | 7,028 | 7,134 | 7,134 | 7,134 | 7,134 |
| Traffic signals | 149 | 150 | 150 | 153 | 154 | 154 | 154 | 158 | 158 | 158 |
| Parks and Recreation | | | | | | | | | | |
| Acreage | 2,027 | 2,027 | 2,027 | 2,055 | 2,055 | 2,056 | 2,069 | 2,088 | 2,088 | 2,088 |
| Playgrounds | 147 | 147 | 147 | 153 | 153 | 153 | 78 | 85 | 73 | 73 |
| Baseball/softball diamonds | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| Soccer/football fields | 22 | 22 | 22 | 23 | 23 | 25 | 25 | 25 | 25 | 25 |
| Community centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Water mains (miles) | 439.81 | 448 | 440 | 441 | 478 | 481.6 | 480.5 | 490.4 | 484.7 | 484.7 |
| Fire hydrants | 3,800 | 3,428 | 3,294 | 3,345 | 3,428 | 3,466 | 3,510 | 3,549 | 3,555 | 3,555 |
| 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) | 337.24 | 337.24 | 364 | 365 | 395 | 400.2 | 401.9 | 407 | 404.6 | 404.6 |
| Storm sewers (miles) | 199.07 | 199.07 | 271 | 271 | 341 | 359.9 | 367.8 | 388.2 | 412.6 | 412.6 |
| 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