



CITY OF ANN ARBOR, MICHIGAN
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2011



Issued by:

Financial and Administrative Services
Accounting Services Unit
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CITY OF ANN ARBOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2011

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CITY OF ANN ARBOR, MICHIGAN
301 East Huron, P.O. Box 8647, Ann Arbor, Michigan 48107

December 9, 2011

**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, 2011, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2011.

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, 2011. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

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

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

Certain services are provided through a legally separate component unit. The City includes one blended component unit and three discretely presented component units in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* these financial statements present the City (the primary government) and its component units. The Ann Arbor Building Authority is presented as a blended component unit, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds to finance major capital construction by the City. The Downtown Development Authority, Ann Arbor Housing Commission and SmartZone Local Development Finance Authority (SmartZone LDFA) are all presented as discretely presented component units of the City. Additional information on all of these legally separate entities can be found in the notes to the financial states (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 5th 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 6th in their list of "25 Best Cities for an Active Retirement". Other recognition includes awards for All-America City Award Finalist by the National Civic League and Best Places for Military Retirement: Second Careers by the USAA and Military.com. 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 Thomas-Reuters and Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan that employs 41,537 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 and serves as the County Seat. The U.S. Census Bureau identified 113,932 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$52,711. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

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

The City is in a challenging economic environment, as indicated by the assessed value of the taxable property (2010) decreasing by 6.5% over the 2009 valuation. The general economic weakness in Michigan, and laws which affect the funding for local governments, continue to constrain revenues such that they don't change along with the increasing cost of doing business.

In addition to declining revenues, the City will see increased costs for retiree benefits (pension & healthcare) due primarily to the financial market declines of last year. While the fund returned 23% in FY 2011, the retirement system is still expected to require higher contributions from the City for the next couple of years due to the financial market declines in 2008 and 2009.

As the City adapts to the new economic environment, the City has made some reductions to the employer costs for benefits through reduced compensation costs for many employee groups. Conversations with the rest of the bargaining units to achieve similar cost reductions are in process.

Long-term Financial Planning

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. Facing legal and political limits on the amount of property taxes that can be levied in Ann Arbor, in 2002, the City Council provided the newly hired administrator with instructions to improve upon the cost reduction steps that began with the 2001-2002 budget cycle. From a high of 1,024 full-time equivalent (FTE) positions approved in the fiscal year 2000 budget, the current year fiscal plan includes only 706 FTE positions for fiscal year 2012 reducing to 688 for fiscal year 2013. In 2011, the City Administrator retired and a new administrator was hired.

During this challenging economic environment, the City will strive to maintain an assigned and unassigned General Fund fund balance with a minimum of 8% to 12%. If it is necessary to use of these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to develop strategies to contain increased active and retiree health care costs. Other strategies will continue to be developed to maintain VEBA and pension funding. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure.

Relevant Financial Policies

The City has adopted and adheres to several financial management policies governing Debt, Investments, Fund Balance and Capital Improvements. These policies govern the management of resources including use of one time funds, sale and defeasance of bonds, and investment strategy.

Major Initiatives

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 Re-aeration Tank and the Old Solids Storage Building, as well as some minor electrical modifications. The second phase of the Facilities Renovations Project, includes complete replacement of the older West Plant, improvements to newer East Plant and replacement of the plant electrical grid and stand-by generators.

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

This project replaces the worn and inefficient residual solids processing equipment and renovates the existing structure 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, 2010. This was the twenty-fifth 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.

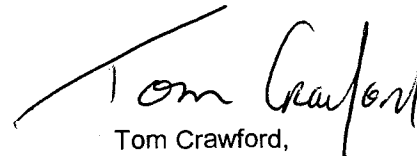
In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, 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,



Steven D. Powers,
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, 2010

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



Linda C. Sandson

President

Jeffrey R. Emmer

Executive Director

CITY OF ANN ARBOR, MICHIGAN

John Hieftje, Mayor

Council Members

Sandi Smith
Tony Derezinski
Stephen Kunselman
Margie Teall
Mike Anglin

Sabra Briere
Jane Lumm
Christopher Taylor
Marcia Higgins
Carsten Hohnke

CITY ADMINISTRATOR

Steve Powers

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, 2011, 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 56% 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.

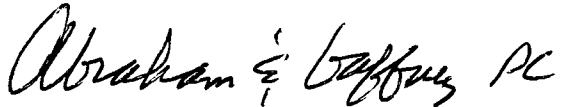
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan, as of June 30, 2011, 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 9, 2011, 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, are 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.

As discussed in Note 20, during the year the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. As a result of implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

A handwritten signature in black ink that reads "Abraham & Gaffney PC". The signature is written in a cursive, flowing style.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 9, 2011

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, 2011. 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 \$993,782,983 at the close of the most recent fiscal year.
 - \$837,631,179 is invested in Capital Assets, net of related debt;
 - \$84,146,335 is restricted for specific purposes, such as capital projects;
 - \$72,005,469 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 \$15,649,176 in governmental activities and \$56,356,293 in business-type activities.
 - The City's total net assets increased by \$29,981,953 during the year, primarily due to increases in capital assets.
 - The City's total debt decreased by \$8,652,485, (new issues less retirements), during the current fiscal year.
- Fund financial statements are comprised of 41 governmental funds and 8 proprietary funds. Governmental funds include the General Fund, Street Repair Millage 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 \$102,939,362. The decrease of \$34,570,529 in fund balance is primarily due to spending of bond funds for the construction of the Fifth Avenue underground parking structure as well as the Municipal Center.
 - Of the fund balance amount, \$10,525,445 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$4,276,041 is assigned and \$3,664,060 is committed and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$84,473,816 is restricted by external restrictions (such as state gas and weight tax, grants or millage funds) or nonspendable (as in the corpus of a trust).
 - The City's major funds, the General Fund (\$13,582,444), the Street Repair Millage Fund (\$29,207,631) and the DDA Build America Parking Bond Fund (\$15,410,960) account for 57% of fund balance. The remaining amount is represented across the other 38 non-major funds.
 - The General fund recognized an increase to fund balance of \$127,667. At the end of the current fiscal year, unassigned general fund balance was 13% of the total general fund expenditures.
 - The DDA Build America Parking Bond Fund to fund the construction of the City's new Fifth Avenue underground parking structure and for infrastructure improvements in the surrounding area is scheduled to be completed in early 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

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

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 primarily utilizes fees and charges to cover the cost of services provided in these business-type activities with the exception of the solid waste activity that is supplemented by property taxes.
- Component units - Included in the component units for the City are the Downtown Development Authority, the Smart Zone Local Development Finance Authority and the Ann Arbor Housing Commission. Although the component units are separate legal entities, the City is financially responsible for them. The Housing Commission provides low-income housing to City residents. The City provides limited, special purpose financial support to the Commission and is contingently liable for its debt.

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

FUND FINANCIAL STATEMENTS

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

Governmental funds

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

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

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

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

Proprietary funds

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

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 37-84 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 86-92 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 93-122 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 \$993,782,983 at June 30, 2011 compared to \$963,801,030 at June 30, 2010.

**City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010 as restated	June 30, 2011	June 30, 2010 as restated	June 30, 2011	June 30, 2010 as restated
Current and other assets	\$142,765,706	\$176,288,084	\$87,286,564	\$101,664,589	\$230,052,270	\$277,952,673
Capital assets	782,764,331	740,747,963	287,507,237	265,682,563	1,070,271,568	1,006,430,526
Total assets	925,530,037	917,036,047	374,793,801	367,347,152	1,300,323,838	1,284,383,199
Long-term liabilities	154,757,062	156,928,818	124,699,898	124,196,676	279,456,960	281,125,494
Other liabilities	15,452,094	18,407,634	11,631,801	21,049,041	27,083,895	39,456,675
Total liabilities	170,209,156	175,336,452	136,331,699	145,245,717	306,540,855	320,582,169
Net assets:						
Invested in capital assets, net of related debt	672,899,397	579,020,698	164,731,782	145,084,736	837,631,179	724,105,434
Restricted	66,772,308	118,723,718	17,374,027	17,245,077	84,146,335	135,968,795
Unrestricted	15,649,176	43,955,179	56,356,293	59,771,622	72,005,469	103,726,801
Total net assets	\$755,320,881	\$741,699,595	\$238,462,102	\$222,101,435	\$993,782,983	\$963,801,030

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, 2011 (\$84,146,335) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$72,005,469 may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund. The decrease in Restricted Net Assets from \$135,968,795 in 2010 to \$84,146,335 in 2011 is due to spending bond proceeds for the construction of the 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 decreased from 2010 to 2011 due to repayment of existing bond issues. Other liabilities have decreased from 2010 to 2011 due to decreases in Judgments Payable for an IRS liability and an unfunded OPEB liability as these liabilities are repaid. 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, 2011 and 2010

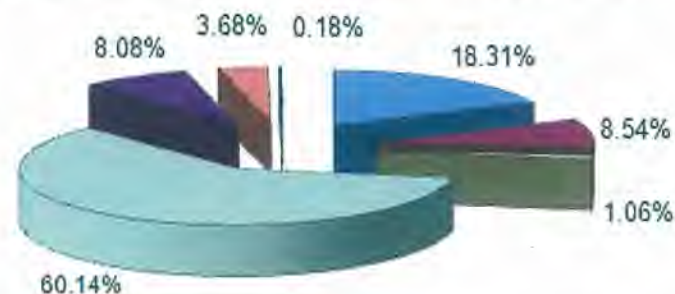
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$25,432,590	\$21,429,255	\$58,642,928	\$51,703,345	\$84,075,518	\$73,132,600
Operating contributions and grants	9,635,060	9,998,747			9,635,060	9,998,747
Capital contributions and grants	3,621,001	1,239,229	951,818	2,204,638	4,572,819	3,443,867
General revenue:						
Property taxes	67,446,614	70,384,641	11,171,676	11,677,513	78,618,290	82,062,154
State shared revenues and grants	9,582,165	9,456,109			9,582,165	9,456,109
Investment income	2,523,944	4,308,095	515,730	1,545,547	3,039,674	5,853,642
Other	835,982	215,199			835,982	215,199
Total revenue	119,077,356	117,031,275	71,282,152	67,131,043	190,359,508	184,162,318
Expenses:						
Governmental activities:						
General government	14,794,159	17,333,282			14,794,159	17,333,282
Public safety	42,049,504	43,010,456			42,049,504	43,010,456
Public works	20,468,502	17,933,743			20,468,502	17,933,743
Community and economic development	3,781,557	3,996,830			3,781,557	3,996,830
Culture and recreation	9,935,578	7,945,806			9,935,578	7,945,806
Other - Public Transportation	9,362,712	9,682,798			9,362,712	9,682,798
Debt service	5,260,736	3,297,914			5,260,736	3,297,914
Unallocated depreciation	44,331	141,823			44,331	141,823
Business-type activities:						
Water			17,338,241	16,861,582	17,338,241	16,861,582
Sewer			14,443,929	14,242,272	14,443,929	14,242,272
Parking			2,678,011	2,879,139	2,678,011	2,879,139
Market			156,059	155,993	156,059	155,993
Golf courses			1,649,866	1,646,340	1,649,866	1,646,340
Airport			744,629	670,736	744,629	670,736
Stormwater			3,945,211	3,031,318	3,945,211	3,031,318
Solid waste			13,724,530	11,770,761	13,724,530	11,770,761
Total expenses	105,697,079	103,342,652	54,680,476	51,258,141	160,377,555	154,600,793
Increase in net assets before transfers	13,380,277	13,688,623	16,601,676	15,872,902	29,981,953	29,561,525
Transfers	241,009	4,140,628	(241,009)	(4,140,628)		
Increase in net assets	13,621,286	17,829,251	16,360,667	11,732,274	29,981,953	29,561,525
Net assets: beginning of year, as restated	741,699,595	723,870,344	222,101,435	210,369,161	963,801,030	934,239,505
Net assets: end of year	\$755,320,881	\$741,699,595	\$238,462,102	\$222,101,435	\$993,782,983	\$963,801,030

The City's net assets increased by \$29,981,953 during the current fiscal year and \$29,561,525 in the prior fiscal year.

Governmental activities increased the City's net assets by \$13,380,277, accounting for a 44% increase of the City's total growth in the net assets. During fiscal year 2010, governmental activities increased by \$17,829,251, which was a 60% increase of the total growth for fiscal year 2010. Key elements are as follows:

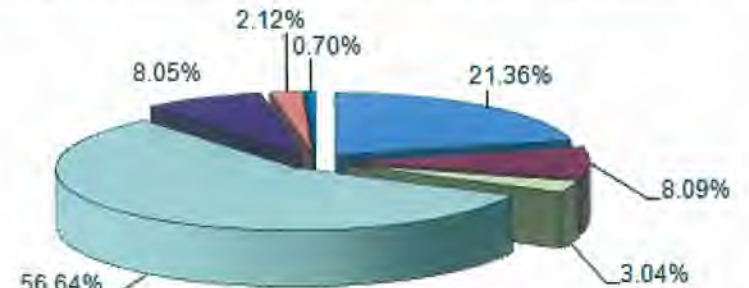
- Property taxes declined 4% in fiscal year 2011 compared to a slight increase in fiscal year 2010 due to decreasing property values.
- Investment income decreased approximately 41.4% in fiscal year 2011 and 45.4% in fiscal year 2010. This is attributable to lower interest rates and lower investable balances.
- Charges for services increased 18.6% in fiscal year 2011 compared to nearly flat growth in fiscal year 2010. This is attributable to increase Fines and Forfeits for parking revenue as well as reclassification of a reimbursement for debt service from the Downtown Development Authority.
- Capital contributions and grants increased by 192% due to an increase from the Federal Farm and Ranch Land Protection Grant for purchase of property in the City's Greenbelt. In fiscal year 2010, there was an 82% increase in this area.

2010 Governmental Activities - Revenues by Source



- Charges for services
- Operating contributions and grants
- Capital contributions and grants
- Property taxes
- State shared revenues and grants
- Investment income
- Other

2011 Governmental Activities - Revenues by Source

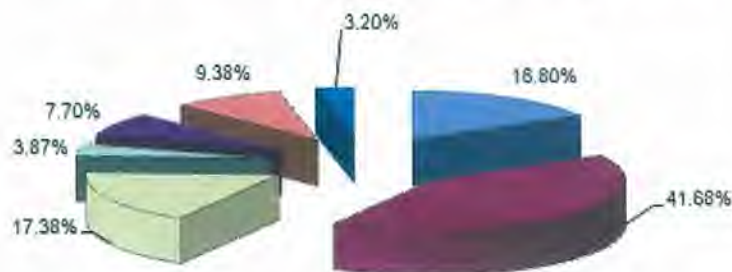


- Charges for services
- Operating contributions and grants
- Capital contributions and grants
- Property taxes
- State shared revenues and grants
- Investment income
- Other

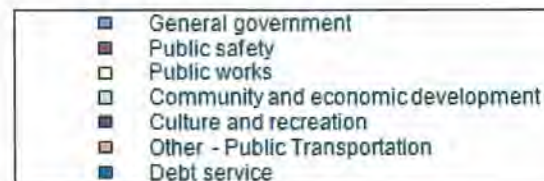
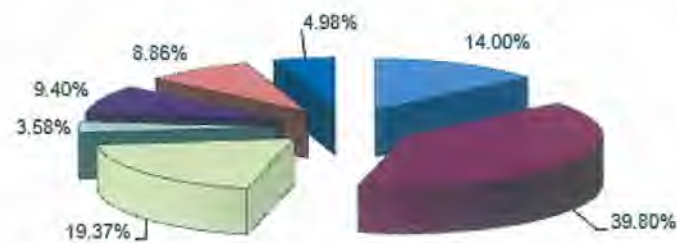
Expenses for governmental activities increased \$2,354,427 from 2010 to 2011. Key elements are as follows:

- Expenses for Public Safety decreased by approximately \$960,952 due to decreased wages and benefits due to a reduction of personnel in the Police and Fire departments.
- Expenses for General Government decreased primarily due to a reclassification of park operation and forestry and non-park mowing and forestry from General Government to Public Works and to Parks and Recreation. Parks and Recreation increased by \$1.9 million which is all attributable to the reclassification from General Government. Public Works increased \$2.5 million due to the following: reclassification of non-parks mowing and forestry from General Government. The remaining increase in Public Works was due to increased Major and Local Street Fund expenses due to weather-related winter conditions causing more maintenance.
- Expenses for Debt Service increased by \$1.96 million due to increased debt service due to a reclassification of payment of Downtown Development Authority debt in fiscal year 2011.

2010 Governmental Activities - Expenses by Function

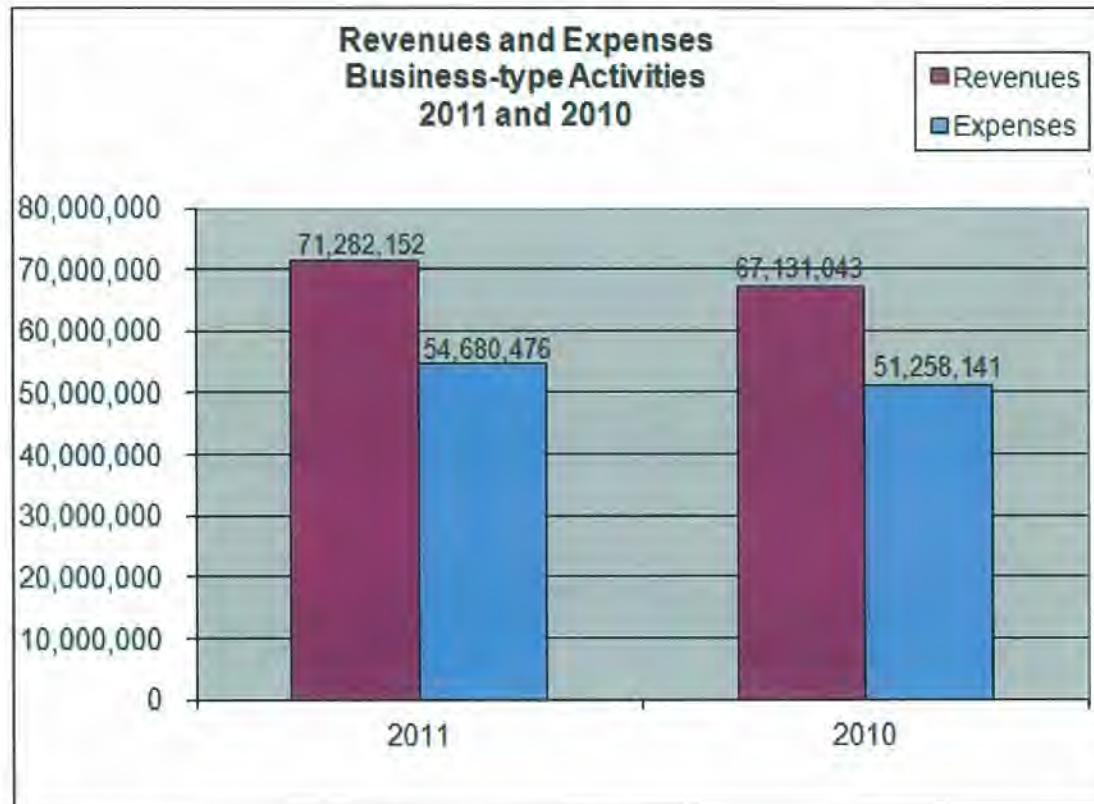


2011 Governmental Activities - Expenses by Function



Business-type activities. Business-type activities increased the City's net assets by \$16,360,667 for fiscal year 2011 and by \$11,732,274 for fiscal year 2010, accounting for 56% and 40% of the total growth in the government's net assets for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased \$4,151,109, or 6.2%, in fiscal year 2011 primarily due to increases in Charges for Services for Solid Waste and Stormwater. For Solid Waste, revenue increased from franchise fees related to commercial recycling as well as the increased revenue related to increased market for recycling. For Stormwater, revenue increased due to reimbursements from the County.
- Expenses increased \$3,422,335, or 6.6%, in fiscal year 2011 primarily due to increases in Materials & Supplies in Solid Waste and Professional Fees in Stormwater due to more storm water project activities. In fiscal year 2010, expenses decreased by \$3,531,380, or 6.4%, 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.



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 \$102,939,362 at June 30, 2011 versus \$137,509,891 at June 30, 2010, a decrease of \$34,570,529 in fiscal year 2011 compared to an increase of \$16,068,890 in fiscal year 2010. Of that amount, \$10,525,445 at June 30, 2011 is unassigned and unrestricted under the newly implemented GASB #54 fund balance classifications which indicates this money is available for spending at the government's discretion. At June 30, 2010, \$118,207,803 constituted unreserved fund balance across all governmental funds.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$10,525,445 at June 30, 2011. At June 30, 2010, the unreserved fund balance was \$12,288,378. Total fund balance was \$13,582,444 and \$12,487,616 at June 30, 2011 and 2010, respectively. As a measure of the general fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted (committed, assigned and unassigned) fund balance represents 15.5 percent at June 30, 2011 of total General Fund expenditures. Unreserved fund balance was 16.5 percent at June 30, 2010 of total General Fund expenditures. The fund balance of the City's General Fund increased slightly by \$127,667 during the current fiscal year in comparison to a increase of \$1,132,834 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.

The Street Repair Millage fund balance increased by \$734,235 attributable to timing of construction projects throughout the summer. The DDA Build America Parking Bond fund balance decreased \$20,147,644 as the construction of the new underground parking structure continues and the bond proceeds are spent.

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 \$56,356,293. All funds had an increase in net assets for the year totaling \$16,360,667. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 2.3% increase in fiscal year 2011 compared to an 1.2% increase in fiscal year 2010. The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$127,667.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2011 was \$1,070,271,568 compared to \$1,006,430,526 at June 30, 2010 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 6.34% compared to 8.43% in fiscal year 2010. Major capital asset events during the fiscal year 2011 included an increase in improvements (\$15,608,202), an increase in construction work in progress (\$36,652,325) and an increase in buildings (\$12,479,417). 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	
	2011	2010	2011	2010	2011	2010
Land	\$58,110,657	\$49,166,178	\$8,596,604	\$8,590,781	\$66,707,261	\$57,756,959
Construction in progress	86,079,059	55,656,602	84,290,706	78,060,838	170,369,765	133,717,440
Buildings	57,717,166	55,334,215	146,863,378	136,766,912	204,580,544	192,101,127
Improvements other than buildings	10,448,223	7,959,442	169,816,177	156,696,756	180,264,400	164,656,198
Machinery and equipment	15,225,861	14,684,451	38,039,587	37,929,459	53,265,448	52,613,910
Vehicles	13,264,498	12,518,622	6,612,382	8,284,241	19,876,880	20,802,863
Intangible assets	1,173,590				1,173,590	
Infrastructure	711,991,697	703,147,396			711,991,697	703,147,396
Less: accumulated depreciation	(171,246,420)	(157,718,943)	(166,711,597)	(160,646,424)	(337,958,017)	(318,365,367)
Total capital assets net of depreciation	\$782,764,331	\$740,747,963	\$287,507,237	\$265,682,563	\$1,070,271,568	\$1,006,430,526

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$230,956,269. Of that amount, \$158,633,343 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$8,652,485 or 3.39% during the fiscal year. 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	
	2011	2010	2011	2010	2011	2010
Capital Projects Bonds	\$99,719,204	\$102,339,814			\$99,719,204	\$102,339,814
General Obligation Portion of Special Assessment Bonds	308,025	387,724			308,025	387,724
General Obligation Portion of Special Revenue Bonds	21,166,201	21,745,918			21,166,201	21,745,918
Special Assessment Bonds	307,839	427,317			307,839	427,317
Ann Arbor Building Authority Bonds			\$17,515,000	\$19,410,000	17,515,000	19,410,000
Other Bonds			3,800,000	3,955,000	3,800,000	3,955,000
Revenue Bonds			88,140,000	94,215,000	88,140,000	94,215,000
Other Long-term Debt	3,500,000	3,500,000	12,317,071	9,445,052	15,817,071	12,945,052
Total outstanding debt	\$125,001,269	\$128,400,773	\$121,772,071	\$127,025,052	\$246,773,340	\$255,425,825

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 \$549,528,970, 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 2012:

- Property tax revenues are budgeted to decrease 0.8% percent in fiscal year 2012.
- Average salary costs were budgeted to increase 0.92% overall in fiscal year 2012.
- Healthcare costs were projected to increase 11.7% in fiscal year 2012.
- Pension costs are projected to increase 6% in fiscal year 2012.

Contacting the City's Financial Management

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

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority
ASSETS						
Current Assets:						
Cash	\$1,429,592	\$8,052,764	\$9,482,356	\$4,239,688		\$6,990,359
Equity in pooled cash and investments (Note 2)	127,824,148	64,799,919	192,624,067		\$722,855	117,317
Investments, at fair value (Note 2)	4,846,494	178,864	5,025,358			3,304,872
Receivables:						
Taxes	218,406	66,681	285,087			
Accounts	3,085,113	9,701,026	12,786,139	32,198		317,481
Special assessments	58,776	64,912	123,688			
Accrued interest and dividends	28,290	381	28,671			
Improvement charges	2,541	70,331	72,872			
Loans	43,192		43,192		521,000	
Less: Allowance for uncollectibles	(1,090,159)	(66,089)	(1,156,248)			
Internal balances	361,889	(361,889)				
Due from other governments	2,510,699	448,603	2,959,302	64,718		6,249,821
Prepaid items	1,516,146	3,153,192	4,669,338			
Advances to other funds (Note 19)	62,930	(62,930)				
Inventory, at cost	751,731	590,900	1,342,631	17,371		
Noncurrent Assets:						
Receivables:						
Special assessments	167,021	393,339	560,360			
Improvement charges	8,443	435,429	443,872			
Advances to other funds (Note 19)	940,454	(940,454)				
Deferred charges		761,585	761,585	116,526		
Capital assets (Note 5):						
Land	58,110,657	8,596,604	66,707,261	844,637		
Buildings	57,717,166	146,863,378	204,580,544	20,588,903		
Improvements other than buildings	10,448,223	169,816,177	180,264,400	34,139		
Machinery and equipment	15,225,861	38,039,587	53,265,448	1,035,580		
Vehicles	13,264,498	6,612,382	19,876,880			
Intangible assets	1,173,590		1,173,590			
Infrastructure	711,991,697		711,991,697			
Less: Accumulated depreciation	(171,246,420)	(166,711,597)	(337,958,017)	(15,823,717)		
Construction in progress	86,079,059	84,290,706	170,369,765			
Total Assets	925,530,037	374,793,801	1,300,323,838	11,150,043	1,243,855	16,979,850

(Continued)

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority
LIABILITIES						
Current Liabilities:						
Accounts payable	\$5,623,614	\$8,476,842	\$14,100,456	\$110,691	\$131,591	\$7,429,669
Accrued liabilities	1,928,499	947,582	2,876,081	101,660		
Accrued interest payable	1,258,039	1,973,046	3,231,085			8,667
Due to primary government (Note 5)						
Due to other governments	6,160,635		6,160,635	160,621		1,088,285
Deposits	481,307	130,105	611,412	83,776		
Unearned revenue		104,226	104,226	75,723	521,000	
Non-current liabilities:						
Due within one year:						
Estimated claims payable (Note 10)	4,178,482		4,178,482			
Accrued compensated absences	563,785	355,579	919,364	36,362		
Bonds payable (Note 9)	3,150,000	8,285,000	11,435,000			650,000
Special assessment debt with governmental commitment (Note 9)	170,000		170,000			
Other debt payable (note 9)		751,442	751,442			
Due in more than one year:						
Accrued compensated absences (Note 9)	13,296,029	2,430,754	15,726,783	12,253		
Judgement payable (Note 17)	2,875,000	75,188	2,950,188			
Unfunded OPEB liability (Note 12)	8,842,494	66,306	8,908,800			
Bonds payable (Note 9)	117,735,406	101,170,000	218,905,406			
Special assessment debt with governmental commitment (Note 9)	445,866		445,866			
Other debt payable (Note 9)	3,500,000	11,565,629	15,065,629			
Total Liabilities	170,209,156	136,331,699	306,540,855	581,086	652,591	9,176,621
NET ASSETS						
Invested in Capital Assets, net of related debt (Note 21)	672,899,397	164,731,782	837,631,179	6,679,542		
Restricted for:						
Debt Service	258,154	5,625,500	5,883,654			
Equipment replacement		11,569,663	11,569,663			
Endowment (non-expendable)	1,984,000		1,984,000			
Highway and streets (Note 17)	41,193,079		41,193,079			
Culture and recreation (Note 17)	17,663,681		17,663,681			
Other purposes (Note 17)	5,673,394		5,673,394	2,064,970		117,317
Landfill		178,864	178,864			
Unrestricted	15,649,176	56,356,293	72,005,469	1,824,445	591,264	7,685,912
Total Net Assets	\$755,320,881	\$238,462,102	\$993,782,983	\$10,568,957	\$591,264	\$7,803,229

(Concluded)

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

CITY OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	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	\$ 14,794,159	\$ 11,729,555	\$ 938,947	\$ 769,699	\$ (1,355,958)	\$	\$ (1,355,958)	\$	\$	\$
Public safety	42,049,504	8,732,273	318,430		(32,998,801)		(32,998,801)			
Public works	20,468,502	2,253,632	7,406,503		(10,808,367)		(10,808,367)			
Community and economic development	3,781,557		795,415	54,293	(2,931,849)		(2,931,849)			
Culture and Recreation	9,935,578	2,623,518	175,765	2,797,009	(4,339,286)		(4,339,286)			
Other - Public Transportation	9,362,712	93,612			(9,269,100)		(9,269,100)			
Interest on long-term debt	5,260,736				(5,260,736)		(5,260,736)			
Unallocated depreciation	44,331				(44,331)		(44,331)			
Total governmental activities	105,697,079	25,432,590	9,635,060	3,621,001	(67,008,428)		(67,008,428)			
Business-type activities:										
Water	17,338,241	21,160,437		951,818		4,774,014	4,774,014			
Sewer	14,443,929	21,741,717				7,297,788	7,297,788			
Parking	2,678,011	2,923,214				245,203	245,203			
Market	156,059	148,687				(7,372)	(7,372)			
Golf courses	1,649,866	1,171,776				(478,090)	(478,090)			
Airport	744,629	847,728				103,099	103,099			
Stormwater	3,945,211	7,512,538				3,567,327	3,567,327			
Solid Waste	13,724,530	3,136,831				(10,587,699)	(10,587,699)			
Total business-type activities	54,680,476	58,642,928		951,818		4,914,270	4,914,270			
Total primary government	\$ 160,377,555	\$ 84,075,518	\$ 9,635,060	\$ 4,572,819	(67,008,428)	4,914,270	(62,094,158)			
Component units:										
Housing Commission	\$ 15,265,794	\$ 761,615	\$ 15,004,904	\$ 292,720				793,445		
Smart Zone Local Development Finance Authority	1,386,083								(1,386,083)	
Downtown Development Authority	20,796,665	15,334,774								(5,461,891)
Total component units	\$ 37,448,542	\$ 16,096,389	\$ 15,004,904	\$ 292,720				793,445	(1,386,083)	(5,461,891)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					58,050,469	11,171,676	69,222,145		1,475,504	3,419,042
Property taxes, levied for designated purpose					7,131,115		7,131,115			
Property taxes, levied for debt service					2,265,030		2,265,030			
State-shared revenues and grants (unrestricted)					9,582,165		9,582,165			
Investment income					2,523,944	515,730	3,039,674	23,077	23,894	39,804
Other					835,982		835,982			13,145
Total general revenues					80,388,705	11,687,406	92,076,111	23,077	1,499,398	3,471,991
Transfers					241,009	(241,009)				
Total general revenues and transfers					80,629,714	11,446,397	92,076,111	23,077	1,499,398	3,471,991
Change in net assets					13,621,286	16,360,667	29,981,953	816,522	113,315	(1,989,900)
Net assets - Beginning					741,699,595	222,101,435	963,801,030	9,752,435	477,949	9,793,129
Net assets - Ending					\$ 755,320,881	\$ 238,462,102	\$ 993,782,983	\$ 10,568,957	\$ 591,264	\$ 7,803,229

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

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Street Repair Millage	DDA Build America Parking Bond-2009	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$857,981			\$566,086	\$1,424,067
Equity in pooled cash and investments (Note 2)	13,531,742	\$30,822,725	\$18,024,558	42,166,429	104,545,454
Investments, at fair value (Note 2)			2,703,536	2,142,958	4,846,494
Receivables:					
Taxes	155,323	31,013		32,070	218,406
Accounts	1,501,331	107,876		1,358,850	2,968,057
Special assessments	14,774			211,023	225,797
Accrued interest and dividends			16,897	11,393	28,290
Improvement charges		9,927		1,057	10,984
Loans				43,192	43,192
Less: Allowance for uncollectibles	(453,476)	(137,324)		(453,676)	(1,044,476)
Due from other funds (Note 3)	609,744			71,445	681,189
Due from other governments	1,036,795			1,473,077	2,509,872
Advances to other funds (Note 18)	1,003,384				1,003,384
Inventories, at cost	29,125				29,125
Total Assets	\$18,286,723	\$30,834,217	\$20,744,991	\$47,623,904	\$117,489,835

(Continued)

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Street Repair Millage	DDA Build America Parking Bond-2009	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$1,263,492	\$1,590,666		\$1,750,754	\$4,604,912
Accrued liabilities	1,483,979	27,555		250,621	1,762,155
Due to other funds (Note 3)	66			329,669	329,735
Due to other governments	805,695		\$5,334,031		6,139,726
Deposits	461,307			20,000	481,307
Deferred revenue	307,457	8,365		435,690	751,512
Accrued compensated absences (Note 9)	382,283			98,843	481,126
Total Liabilities	4,704,279	1,626,586	5,334,031	2,885,577	14,550,473
Fund balances:					
Nonspendable	1,032,509			1,984,000	3,016,509
Restricted for:					
Debt Service				1,516,193	1,516,193
Culture and Recreation				17,663,681	17,663,681
Road Maintenance and Repairs				11,985,448	11,985,448
Road Construction		29,207,631			29,207,631
Law Enforcement				1,295,994	1,295,994
Capital Projects			15,410,960		15,410,960
Other purposes				4,377,400	4,377,400
Committed for:					
Culture and Recreation				98,797	98,797
Other purposes				3,565,263	3,565,263
Assigned to:					
Culture and Recreation	473,330				473,330
Human Services	85,600				85,600
Capital Projects				2,251,551	2,251,551
Property Tax Refunds	860,780				860,780
Other purposes	604,780				604,780
Unassigned	10,525,445				10,525,445
Total Fund Balances	13,582,444	29,207,631	15,410,960	44,738,327	102,939,362
Total Liabilities and Fund Balances	\$18,286,723	\$30,834,217	\$20,744,991	\$47,623,904	\$117,489,835

(Concluded)

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

CITY OF ANN ARBOR
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Fund balances of governmental funds	\$ 102,939,362
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.	937,639,772
Accumulated depreciation of capital assets.	(161,648,836)
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	(125,001,272)
Compensated absences	(12,315,390)
Judgements payable	(2,873,188)
Unfunded OPEB liability	(8,842,494)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,258,039)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	751,512
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.	25,929,454
Net assets of governmental activities	<u>\$ 755,320,881</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, 2011

27

	General	Street Repair Millage	DDA Build America Parking Bond-2009	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$49,019,013	\$9,031,456		\$9,396,145	\$67,446,614
Special assessments/improvement charges	3,869	4,678		95,243	103,790
Licenses, permits and registrations	1,438,744			4,687,095	6,125,839
Federal grants				4,950,416	4,950,416
State shared revenues and grants	9,937,630	5,773	\$769,699	7,443,675	18,156,777
Charges for services	9,135,334	21,317		3,485,510	12,642,161
Fines and forfeits	4,537,164			326,075	4,863,239
Interest and penalties	511,923	104		4,132	516,159
Investment income	841,999	217,970	467,493	324,465	1,851,927
Rentals	421,742				421,742
Contributions and donations	200	75,000		205,771	280,971
Sale of property and equipment	45,361				45,361
Intra-governmental sales	15,406			345,839	361,245
Miscellaneous	835,982			345,521	1,181,503
Total Revenues	76,744,367	9,356,298	1,237,192	31,609,887	118,947,744
Expenditures:					
Current:					
General government	11,336,069		15,429	2,707,220	14,058,718
Public safety	41,287,343			2,391,230	43,678,573
Public works	4,976,501	3,814,141		8,826,425	17,617,067
Community and economic development	2,061,841			1,802,116	3,863,957
Culture and recreation	5,285,441			4,368,099	9,653,540
Other	9,362,712		743,895		10,106,607
Capital outlay	1,484,903	4,547,883	20,625,512	20,316,221	46,974,519
Debt service:					
Principal retirement				3,410,000	3,410,000
Interest and fiscal charges				5,302,317	5,302,317
Total Expenditures	75,794,810	8,362,024	21,384,836	49,123,628	154,665,298
Excess of Revenues over (under) Expenditures	949,557	994,274	(20,147,644)	(17,513,741)	(35,717,554)

(Continued)

CITY OF ANN ARBOR
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Street Repair Millage</u>	<u>DDA Build America Parking Bond-2009</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):					
Transfers in (Note 7)	\$1,061,709	\$120,000		\$5,989,030	\$7,170,739
Transfers out (Note 7)	<u>(1,883,599)</u>	<u>(380,039)</u>		<u>(3,760,076)</u>	<u>(6,023,714)</u>
Total Other Financing Sources (Uses)	<u>(821,890)</u>	<u>(260,039)</u>		<u>2,228,954</u>	<u>1,147,025</u>
Net change in fund balances	127,667	734,235	(20,147,644)	(15,284,787)	(34,570,529)
Fund Balances - Beginning, as restated (Note 19)	<u>13,454,777</u>	<u>28,473,396</u>	<u>35,558,604</u>	<u>60,023,114</u>	<u>137,509,891</u>
Fund Balances - Ending	<u><u>\$13,582,444</u></u>	<u><u>\$29,207,631</u></u>	<u><u>\$15,410,960</u></u>	<u><u>\$44,738,327</u></u>	<u><u>\$102,939,362</u></u>

(Concluded)

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

CITY OF ANN ARBOR
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$ (34,570,529)
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.	55,901,341
Depreciation in the current period.	(14,496,173)
Governmental funds report revenue from sale of assets. However, an adjustment is needed to reflect loss on sale of capital assets	(570,358)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,410,000
Accrued Interest for Debt. This is the net change in accrued interest for the current period.	52,077
Amortization of bond discount is an expense on statement of activities	(10,496)
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.	1,583,853
The changes in accrual for an IRS judgement 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.	3,336,284
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.	(2,117,574)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements.	(704,169)
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.	1,807,030
Change in net assets of governmental activities	<u>\$ 13,621,286</u>

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

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Business-Type Activities
Enterprise Funds

Governmental
Activities

ASSETS

Current Assets:

	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Cash	\$3,971,827	\$4,078,357			\$2,550	\$30			\$8,052,764	\$5,525
Equity in pooled cash and investments (Note 2)	16,096,769	31,022,864	\$1,797,985	\$592,698	35,322	265,549	\$5,531,754	\$9,456,978	64,799,919	23,278,694
Investments (Note 2)								178,864	178,864	
Receivables:										
Accounts	4,410,798	3,075,522		5,598	2,749	130,140	1,689,165	387,054	9,701,026	117,056
Special Assessments	23,333	40,116					1,463		64,912	
Improvement charges	20,425	42,756					7,150		70,331	
Taxes receivables	32,682							33,999	66,681	
Interest receivable								381	381	
Less: Allowance for uncollectibles	(13,572)	(7,197)		(2,390)			(8,407)	(34,523)	(66,089)	(45,683)
Due from other funds (Note 3)	883	1,804					47		2,734	10,435
Due from other governments	448,603								448,603	827
Prepaid items		3,120,183					33,009		3,153,192	1,516,146
Inventory, at cost	491,417	62,718			36,765				590,900	722,606
Total Current Assets	25,483,165	41,437,123	1,797,985	595,906	77,386	395,719	7,254,181	10,022,753	87,064,218	25,605,606

Noncurrent assets:

Receivables:										
Special Assessments	144,888	245,556					2,895		393,339	
Improvement charges	151,289	276,490					7,650		435,429	
Deferred charges	187,084	412,252	155,274		6,975				761,585	
Capital assets (Note 5):										
Land	417,723	345,577	4,522,293	84,120	693,739	708,927	22,495	1,801,730	8,596,604	90,005
Buildings	35,239,202	31,245,588	64,851,383	351,906	493,506	3,035,011		11,646,782	146,863,378	319,597
Improvements other than buildings	76,385,034	77,882,955	523,891		2,305,074	143,404	12,233,745	342,074	169,816,177	62,407
Machinery and equipment	14,572,318	18,908,400	156,070		1,127,747	244,258	107,144	2,923,650	38,039,587	4,273,818
Vehicles	679,994	1,386,568			20,694	50,267	464,669	4,010,190	6,612,382	10,068,827
Intangible assets										1,173,590
Less: Accumulated depreciation	(49,195,996)	(79,507,484)	(23,862,103)	(189,353)	(1,992,962)	(2,141,925)	(1,788,580)	(8,033,194)	(166,711,597)	(9,597,584)
Construction in progress	10,739,914	66,822,933					3,176,462	3,551,397	84,290,706	382,735
Total Noncurrent Assets	89,321,450	118,018,835	46,346,808	246,673	2,654,773	2,039,942	14,226,480	16,242,629	289,097,590	6,773,395
Total Assets	114,804,615	159,455,958	48,144,793	842,579	2,732,159	2,435,661	21,480,661	26,265,382	376,161,808	32,379,001

(Continued)

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Business-Type Activities
Enterprise Funds

Governmental
Activities

	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
LIABILITIES										
Current Liabilities:										
Accounts payable	\$2,757,453	\$4,344,782		\$24,261	\$32,155	\$9,279	\$496,777	\$812,135	\$8,476,842	\$1,018,702
Estimated claims payable										4,178,482
Accrued liabilities	608,524	153,923		2,567	34,480	17,943	59,360	70,785	947,582	166,344
Accrued interest payable	689,388	1,016,294	\$258,549		5,395	3,420			1,973,046	
Advance from other funds (Note 19)						62,930			62,930	
Due to other funds (Note 3)		8,531			354,955	1,137			364,623	
Due to other governments										20,909
Deposits	129,505					600			130,105	
Unearned revenue				104,226					104,226	
Revenue bonds payable - current portion (Note 9)	4,025,000	2,135,000							6,160,000	
Ann Arbor Building Authority bonds payable - current portion (Note 9)			1,850,000		110,000				1,960,000	
Other bonds payable - current portion (Note 9)			165,000						165,000	
Other debt-current portion (Note 9)	205,000	315,000					231,442		751,442	
Accrued compensated absences (Note 9)	150,981	87,248				76,957	28,678	11,715	355,579	82,659
Total Current Liabilities	8,565,851	8,060,778	2,273,549	131,054	536,985	172,266	816,257	894,635	21,451,375	5,467,096
Noncurrent Liabilities:										
Advance from other funds (Note 19)						940,454			940,454	
Judgement payable (Note 17)					14,270	60,918			75,188	1,812
Unfunded OPEB liability (Note 12)						66,306			66,306	
Revenue bonds - non-current portion (Note 9)	35,680,000	46,300,000							81,980,000	
Ann Arbor Building Authority bonds payable - non-current portion (Note 9)			15,200,000		355,000				15,555,000	
Other bonds payable - non-current portion (Note 9)			3,635,000						3,635,000	
Other long-term debt - non-current portion (Note 9)	1,871,034	5,683,933					4,010,662		11,565,629	
Accrued compensated absences - non-current portion (Note 9)	1,437,199	474,338		4,664	71,391	14,332	170,674	258,156	2,430,754	980,639
Total Noncurrent Liabilities	38,988,233	52,458,271	18,835,000	4,664	440,661	1,082,010	4,181,336	258,156	116,248,331	982,451
Total Liabilities	47,554,084	60,519,049	21,108,549	135,718	977,646	1,254,276	4,997,593	1,152,791	137,699,706	6,449,547
NET ASSETS										
Invested in Capital Assets, net of related debt	47,057,155	62,650,604	25,341,534	246,673	2,182,798	1,036,558	9,973,831	16,242,629	164,731,782	6,773,395
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	225,070	11,569,663	
Restricted for landfill								178,864	178,864	
Unrestricted (deficit) (Note 21)	14,058,400	25,687,701	1,694,710	460,188	(428,285)	144,827	6,272,724	8,466,028	56,356,293	19,156,059
TOTAL NET ASSETS	\$67,250,531	\$98,936,909	\$27,036,244	\$706,861	\$1,754,513	\$1,181,385	\$16,483,068	\$25,112,591	\$238,462,102	\$25,929,454

(Concluded)

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

CITY OF ANN ARBOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds									Governmental Activities
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Operating Revenues: Charges for services	\$21,160,437	\$21,738,747	\$2,923,214	\$148,687	\$1,171,776	\$847,728	\$7,512,538	\$3,070,587	\$58,573,714	\$44,991,592
Total Operating Revenues	21,160,437	21,738,747	2,923,214	148,687	1,171,776	847,728	7,512,538	3,070,587	58,573,714	44,991,592
Operating Expenses:										
Personal services	5,891,174	5,431,927		86,950	860,712	421,642	1,668,098	3,037,538	17,398,041	6,910,732
Municipal service charge	415,020	434,736		19,092	179,316	25,644	98,700	281,724	1,454,232	1,104,132
Information Technology charge	877,956	378,252		7,824	59,664	15,984	128,808	174,432	1,642,920	668,340
Materials and supplies	2,033,637	690,632		7,425	148,150	37,124	100,572	1,760,606	4,778,146	814,119
Utilities	1,394,858	1,140,447		10,527	40,551	68,905	10,417	169,059	2,834,764	435,339
Insurance	393,828	369,132		48	4,760	58,008	1,836	222,948	1,050,560	22,461,620
Contractual services	476,290	1,054,762		9,984	35,598	22,552	495,643	3,875,959	5,970,788	819,444
Maintenance	490,420	326,610		2,441	46,929	35,104	341,659	2,790,953	4,034,116	2,063,970
Professional fees	666,329	187,758					726,246	433,420	2,013,753	359,888
Pension refund repayment										3,639,874
Rent	232,024				16,422				248,446	
Miscellaneous	156,992	109,619		2,819	10,979	787	29,340	182,989	493,525	83,758
Cost of goods sold	30,349	(3,021)			88,910		58,258		174,496	1,762,410
Depreciation and amortization	2,611,651	2,224,259	1,772,939	8,949	139,240	18,420	254,174	794,902	7,824,534	1,491,873
Total Operating Expenses	15,670,528	12,345,113	1,772,939	156,059	1,631,231	704,170	3,913,751	13,724,530	49,918,321	42,615,499
Operating Income (Loss)	5,489,909	9,393,634	1,150,275	(7,372)	(459,455)	143,558	3,598,787	(10,653,943)	8,655,393	2,376,093
Nonoperating Revenues (Expenses):										
Interest income	203,633	71,926	35,277	15,839	(18,412)	10,066	51,695	145,706	515,730	155,858
Net gain (loss) on retirement of capital assets		2,970						66,244	69,214	128,962
Interest expense and fiscal charges	(1,667,713)	(2,098,816)	(905,072)		(18,635)	(40,459)	(31,460)		(4,762,155)	
Property taxes								11,171,676	11,171,676	
Total Nonoperating Revenues (Expenses)	(1,464,080)	(2,023,920)	(869,795)	15,839	(37,047)	(30,393)	20,235	11,383,626	6,994,465	284,820
Income (Loss) Before Contributions and Transfers	4,025,829	7,369,714	280,480	8,467	(496,502)	113,165	3,619,022	729,683	15,649,858	2,660,913
Capital contributions	951,818								951,818	52,133
Transfers in (Note 7)	3,251,964	590,000			522,128		867,790		5,231,882	374,603
Transfers out (Note 7)	(1,377,005)	(2,439,332)			(18,085)	(9,612)	(1,246,685)	(382,172)	(5,472,891)	(1,280,619)
Changes in Net Assets	6,852,606	5,520,382	280,480	8,467	7,541	103,553	3,240,127	347,511	16,360,667	1,807,030
Net Assets - Beginning	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
Net Assets - Ending	\$67,250,531	\$98,936,909	\$27,036,244	\$706,861	\$1,754,513	\$1,181,385	\$16,483,068	\$25,112,591	\$238,462,102	\$25,929,454

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, 2011

	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	\$ 22,524,263	\$ 21,914,156	\$ 2,923,214	\$ 112,653	\$ 1,180,617	\$ 814,268	\$ 7,874,646	\$ 2,798,023	\$ 60,141,840	\$ 44,934,837
Receipts from interfund services provided		56,961			40,689	1,101			98,751	241,157
Payments to suppliers	(5,511,257)	(10,873,003)	(225)	(37,917)	(654,856)	(264,906)	(1,699,924)	(9,453,270)	(28,495,358)	(30,348,045)
Payments on behalf of employees	(7,010,067)	(6,405,924)		(85,053)	(923,442)	(443,843)	(1,937,257)	(3,552,376)	(20,357,962)	(10,917,741)
Payments for interfund services used	(34,472)						(167,787)	(60,281)	(262,540)	(22,790)
Net cash provided by (used in) operating activities	9,968,467	4,692,190	2,922,989	(10,317)	(356,992)	106,620	4,069,678	(10,267,904)	11,124,731	3,887,418
Cash flows from noncapital financing activities:										
Transfers in	3,251,964	590,000			522,128		867,790		5,231,882	374,603
Transfers out	(1,377,005)	(2,439,332)			(18,085)	(9,612)	(1,246,685)	(382,172)	(5,472,891)	(1,280,619)
Property taxes								11,171,676	11,171,676	
Advance from investment pool						(60,433)			(60,433)	
Net cash provided by (used in) noncapital financing activities	1,874,959	(1,849,332)			504,043	(70,045)	(378,895)	10,789,504	10,870,234	(906,016)
Cash flows from capital and related financing activities:										
Proceeds from sales of bonds and notes	1,713,084	1,717,328							3,430,412	
Capital contributions	951,818								951,818	
Acquisition and construction of capital assets	(7,037,182)	(19,763,620)					(1,732,070)	(1,116,334)	(29,649,206)	(2,636,909)
Principal paid on revenue bonds, maturities, capital leases and notes	(4,045,000)	(2,355,000)	(1,940,000)		(110,000)		(233,393)		(8,683,393)	
Interest paid on bonds, notes, and capital leases	(1,718,752)	(2,105,038)	(983,214)		(18,084)	(42,899)	(31,460)		(4,899,447)	
Proceeds from sale of equipment		2,971						66,244	69,215	144,576
Net cash used in capital and related financing activities	(10,136,032)	(22,503,359)	(2,923,214)		(128,084)	(42,899)	(1,996,923)	(1,050,090)	(38,780,601)	(2,492,333)
Cash flows from investing activities:										
Purchase of investment securities		(7,903,211)						(295,542)	(8,198,753)	
Sale of investment securities		23,525,116						294,655	23,819,771	
Interest and dividends on investments	203,633	124,928	35,277	15,839	(18,412)	10,066	51,695	145,618	568,644	155,858
Net cash provided by (used in) investing activities	203,633	15,746,833	35,277	15,839	(18,412)	10,066	51,695	144,731	16,189,662	155,858
Net increase (decrease) in cash and cash equivalents	1,911,027	(3,913,668)	35,052	5,522	555	3,742	1,745,555	(383,759)	(595,974)	644,927
Cash and cash equivalents at beginning of the year	18,157,569	39,014,889	1,762,933	587,176	37,317	261,837	3,786,199	9,840,737	73,448,657	22,639,292
Cash and cash equivalents at end of the year	\$ 20,068,596	\$ 35,101,221	\$ 1,797,985	\$ 592,698	\$ 37,872	\$ 265,579	\$ 5,531,754	\$ 9,456,978	\$ 72,852,683	\$ 23,284,219

(Continued)

CITY OF ANN ARBOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds								Governmental Activities
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:									
Operating income (loss)	\$ 5,489,909	\$ 9,393,634	\$ 1,150,275	\$ (7,372)	\$ (459,455)	\$ 143,558	\$ 3,598,787	\$ (10,653,943)	\$ 8,655,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Depreciation and amortization	2,611,651	2,224,259	1,772,939	8,949	139,240	18,420	254,174	794,902	7,824,534
(Increase) decrease in assets and increase (decrease) in liabilities									
Allowance for uncollectible accounts	(7,226)	6,902		1,834		(1,650)	3,518	(6,254)	(2,876)
Accounts receivable	1,819,655	168,507		(4,278)	8,841	(31,810)	358,590	(266,310)	2,053,195
Inventory	(93,451)	(3,568)			(10,222)				(107,241)
Prepaid items		(3,120,183)					(12,301)		(3,132,484)
Accounts payable	1,741,963	(3,060,325)		21,955	(13,355)	2,616	303,856	438,820	(564,470)
Accrued compensated absences	157,746	(182,215)		1,792	10,981	(31,823)	(40,636)	(120,583)	(204,738)
Estimated claims payable									-
Accrued liabilities	(47,328)	23,232		105	2,516	9,622	23,264	(4,345)	7,066
Judgment payable payable	(366,299)	(85,767)			(26,532)	(19,872)	(91,791)	(24,596)	(614,857)
Unfunded OPEB liability	(863,012)	(729,247)			(49,695)	19,872	(159,996)	(365,314)	(2,147,392)
Due to other governments			(225)						(225)
Due from other governments	(448,603)								
Due to other funds	(133,028)	(15,644)			40,314	1,101	(193,502)	(61,023)	(361,782)
Due from other funds	98,556	72,605			375		25,715	742	197,993
Deposits	7,934			288		(3,414)			4,808
Unearned revenue				(33,590)					(33,590)
Net cash provided by (used in) operating activities	\$ 9,968,467	\$ 4,692,190	\$ 2,922,989	\$ (10,317)	\$ (356,992)	\$ 106,620	\$ 4,069,678	\$ (10,267,904)	\$ 11,124,731

(Concluded)

No noncash investing or capital financing activities for fiscal year 2011.

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

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash	\$21,362	\$4,400,087
Equity in pooled cash and investments (Note 2)	3,749,234	235,162
Investments, at fair value (Note 2)		
Short-term investments	19,176,886	
U.S. government obligations	39,523,639	
Collateralized mortgage obligations	9,825,697	
Guaranteed investment contracts	14,751,299	
Domestic and foreign corporate bonds	79,127,825	
Domestic and foreign stocks	315,207,509	
Partnerships & joint ventures	6,059,615	
Real estate - direct and funds	15,610,436	
Accrued interest and dividends	1,139,907	
Due from other governments	2,968,784	
Capital assets (net of depreciation of \$54,265)	431,786	
Total Assets	<u>507,593,979</u>	<u>\$4,635,249</u>
LIABILITIES		
Accounts payable	2,577,082	\$4,389,606
Accrued liabilities	38,943	
Mortgage payable	339,624	
Due to other governments		209,117
Deposits		36,526
Unearned revenue	<u>2,950,189</u>	
Total Liabilities	<u>5,905,838</u>	<u>\$4,635,249</u>
NET ASSETS		
Invested in capital assets net of related debt	92,162	
Held in Trust for Pension Benefits and Other Purposes	<u>501,595,979</u>	
Total net assets	<u>\$501,688,141</u>	

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

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

36

	Total Employee Benefit Trust Funds
ADDITIONS	
Investment income:	
Net realized and unrealized appreciation (depreciation) in fair value of investments	\$91,182,633
Interest	5,781,364
Dividends	3,196,371
	<hr/>
Total investment income (loss)	100,160,368
Less investment expense	1,367,545
	<hr/>
Net investment income (loss)	98,792,823
	<hr/>
Contributions:	
Employer	17,141,511
Plan member	2,790,424
	<hr/>
Total contributions	19,931,935
	<hr/>
Total additions	118,724,758
	<hr/>
DEDUCTIONS	
Benefits	27,597,831
Refund of contributions	803,407
Administrative expense	612,950
	<hr/>
Total deductions	29,014,188
	<hr/>
Change in net assets	89,710,570
	<hr/>
Net assets - Beginning	411,977,571
	<hr/>
Net assets - Ending	\$501,688,141
	<hr/>

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, 2011

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 113,932 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 \$6.7 million for debt service payments and other transfers for maintenance. The DDA issues separate audited financial statements.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. FINANCIAL REPORTING ENTITY (continued)

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 respectively by the cities of Ann Arbor and Ypsilanti in June 2002 to encourage high tech business investment within the boundaries of the SmartZone, comprising portions of City of Ann Arbor and the City of Ypsilanti, and the funding of the SmartZone through a Local Development Financing Authority. The LDFA provides financing through a tax capture mechanism within a specific district. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA. The governing body consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and three members are appointed by the Ypsilanti City Council. The LDFA operates under bylaws initially approved by Ann Arbor and Ypsilanti City Councils. The City 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, 2011, assets and a fund balance of \$25,382.

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.
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: Treasurer's Current Tax, Treasurer's Delinquent Tax, Contractors' 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 (General government, Public safety, Public works, 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 (General government, Public safety, Public works, 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 (General government, Public safety, Public works, 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 (employee benefit trusts 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 GASB #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, Capital Projects Fund, and Special Revenue Funds. These budgets are prepared on the modified accrual basis and are adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the departmental level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within the General Fund departments. Budgetary control for the Debt Service Funds, Capital Projects 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 and Prepaids. Inventories of materials and supplies are stated at cost using the first-in, first-out method. The cost is accounted for as an expenditure in governmental funds and an expense in the proprietary funds at the time inventories are used. Prepaid items represent payments made to vendors for goods and services applicable to future fiscal years. Inventories and prepaids are offset by nonspendable fund balance in governmental funds.

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

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

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

<u>Type</u>	<u>Years</u>
Structures and improvements	40-50
Improvements other than buildings	20-99
Machinery, equipment and vehicles	3-15
Intangible assets	5
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 assigned fund balance for the general fund and as restricted or assigned fund balance for all other funds respective to the nature of the fund. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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.

Restricted assets for proprietary funds. 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, 2011:

	Cash	Equity in pooled cash and investments	Investments
Governmental activities	\$1,429,592	\$127,824,148	\$4,846,494
Business-type activities	8,052,764	64,799,919	178,864
Component units:			
Ann Arbor Housing Commission	4,239,688		
Smart Zone LDFA		722,855	
Downtown Development Authority	6,990,359	117,317	3,304,872
Fiduciary funds	4,421,449	3,984,396	499,282,906
Totals	<u>\$25,133,852</u>	<u>\$197,448,635</u>	<u>\$507,613,136</u>
Total Equity in Pooled Cash and Investments		<u>\$705,061,771</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

U. S. Treasury Bonds & Notes	\$63,974,362
U. S. Government Agencies	158,614,209
Corporate Bonds and Notes	77,670,540
Stocks - Common	253,758,496
Partnerships and Joint Ventures	6,059,615
Guaranteed Investment Contracts	14,751,299
Real Estate Participation Interest	15,610,436
Collateralized Mortgage Obligations	11,282,982
International Equity	61,449,013
Mutual Funds - unclassified as to risk	41,890,819
Total Investments	<u>\$705,061,771</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 \$35,272,268 and the bank balance was \$36,473,560. Of the bank balance, \$379,489 was covered by federal depository insurance. The remaining \$36,094,071 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. At year end, the City has \$11,350 included as imprest cash.

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, 2011, 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. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROS). In addition to the restrictions placed on the City by Public Act 20 of 1943, the City's investment policy further requires that banks in which the City invests public funds must have maintained an average Highline Banking Data Services Rating of 30 or better for the four most recent reporting quarters. Securities purchased by the City always conform to the rating requirements set forth in Public Act 20. As of June 30, 2011, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2011, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U. S. Treasury Bonds & Notes		9.07%
U. S. Government Agencies	various	22.50%
Corporate Bonds & Notes		11.02%
Stocks - Common		35.99%
Partnerships and Joint Ventures		0.86%
Guaranteed Investment Contracts		2.09%
Real Estate Participation Interest		2.21%
Collateralized Mortgage Obligations		1.60%
International Equity		8.72%
Cash and Cash Equivalents		5.94%

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, 2011, maturities of the City's debt securities were as follows:

	Fair Value	City Investments
		Weighted Average Maturity
U. S. Government Agencies	\$127,597,824	0.06 - 5.81 years
U. S. Treasury Bonds & Notes	52,162,238	0.42 - 5.17 years
Mutual Funds - unclassified as to risk	22,713,933	
Total Investments	<u>\$202,473,995</u>	

Of the above balances, \$68,063,566 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, 2011:

U. S. Government Agencies	\$29,259,234
U. S. Treasury Bonds & Notes	10,264,405
Corporate Bonds and Notes	77,670,540
Stocks - Common	253,758,496
Partnerships and Joint Ventures	6,059,615
Guaranteed Investment Contracts	14,751,299
Real Estate	15,610,436
Collateralized Mortgage Obligations	11,282,982
International Equity	61,449,013
Mutual Funds - unclassified as to risk	19,176,886
Total Investments	<u>\$499,282,906</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, 2011 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:

AAA	\$943,213
AA	2,176,021
A	16,345,206
BBB	20,123,306
BB	4,509,849
B	2,576,032
Not rated	<u>30,655,428</u>
	\$77,329,055

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, 2011, maturities of the System's debt securities were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
U.S. treasuries	\$12,668,212	3.46
U.S. agencies	18,047,180	18.42-22.3
Corporate bonds	47,370,150	6.67-14.16
Domestic corporate securities	9,825,697	30.89
Total debt securities	<u>\$87,911,239</u>	
Portfolio weighted average maturity		12.11-15.68

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 \$156,284 and the bank balance was \$376,931, 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, 2011:

U. S. Government Agencies	\$1,757,151
U. S. Treasury Bonds & Notes	<u>1,547,719</u>
Total Investments	<u>\$3,304,870</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 \$1,757,151 has a maturity of three to eight years. None of the other investments are subject to investment rate risk. For the U.S. Treasury Bonds and Notes, the total amount of \$1,547,719, has a maturity of eleven 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, 2011, 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

	Due From Other Funds	Due To Other Funds
General Fund	<u>\$609,744</u>	<u>\$66</u>
Non-Major Funds:		
Special Revenue Funds	71,445	326,767
Debt Service Funds		<u>2,902</u>
Total non-major funds	<u>71,445</u>	<u>329,669</u>
Enterprise Funds:		
Water Supply System	883	
Sewage Disposal System	1,804	8,531
Golf Courses		354,955
Airport		1,137
Stormwater Sewer System	<u>47</u>	
Total enterprise funds	<u>2,734</u>	<u>364,623</u>
Internal Service Funds	<u>10,435</u>	
Total	<u><u>\$694,358</u></u>	<u><u>\$694,358</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.

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, 2010, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills raising \$27.9 million. Other tax rates and amounts raised are as follows: Employee Benefits (2.0560) raising \$9.3 million, Refuse Collection (2.4670) raising \$11.1 million, Ann Arbor Transportation Authority (2.0560) raising \$9.3 million, Street Repair (1.9944) raising \$9 million, Parks Maintenance & Repair (1.0969) raising \$4.9 million,

NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY TAXES (Concluded)

Open Space and Parkland Preservation Millage (0.4779) raising \$2.2 million, and Debt Service (0.5000) raising \$2.3 million. Real and personal property located in the City as of December 31, 2009 were assessed and equalized at \$5,495,289,700, 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 2010 taxable value on March 15, 2011, was \$4,675,573,556. 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, 2011 was as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 49,166,178	\$ 8,944,479		\$ 58,110,657
Construction in progress	55,656,602	36,672,822	(\$6,250,365)	86,079,059
Depreciable Assets:				
Buildings	55,334,215	2,587,994	(205,043)	57,717,166
Improvements other than buildings	7,959,442	2,804,718	(315,937)	10,448,223
Machinery and equipment	14,684,451	600,321	(58,911)	15,225,861
Vehicles	12,518,622	1,660,906	(915,030)	13,264,498
Intangible assets		1,173,590		1,173,590
Infrastructure	703,147,396	10,600,961	(1,756,660)	711,991,697
Total at historical cost	898,466,906	65,045,791	(9,501,946)	954,010,751
Less accumulated depreciation for:				
Buildings	(12,938,728)	(1,357,623)		(14,296,351)
Improvements other than buildings	(5,192,136)	(162,362)		(5,354,498)
Machinery and equipment	(11,411,629)	(912,930)	46,260	(12,278,299)
Vehicles	(9,427,813)	(1,147,541)	899,415	(9,675,939)
Intangible assets				
Infrastructure	(118,748,637)	(12,407,590)	1,514,891	(129,641,336)
Total accumulated depreciation	(157,718,943)	(15,988,046)	2,460,566	(171,246,423)
Governmental activities capital assets, net	\$ 740,747,963	\$ 49,057,745	\$ (7,041,380)	\$ 782,764,328

NOTES TO FINANCIAL STATEMENTS (Continued)

5. CHANGES IN CAPITAL ASSETS (Concluded)

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Business-type Activities				
Non-Depreciable Assets:				
Land	\$ 8,590,781	\$ 5,823		\$ 8,596,604
Construction in progress	78,060,838	29,445,753	(\$23,215,885)	84,290,706
Depreciable Assets:				
Buildings	136,766,912	10,096,466		146,863,378
Improvements other than buildings	156,696,756	13,119,421		169,816,177
Machinery and equipment	37,929,459	110,128		38,039,587
Vehicles	8,284,241	87,500	(1,759,359)	6,612,382
Total at historical cost	426,328,987	52,865,091	(24,975,244)	454,218,834
Less accumulated depreciation for:				
Buildings	(57,043,450)	(3,419,482)		(60,462,932)
Improvements other than buildings	(65,035,210)	(2,756,419)		(67,791,629)
Machinery and equipment	(31,183,573)	(1,257,479)		(32,441,052)
Vehicles	(7,384,191)	(391,154)	1,759,359	(6,015,986)
Total accumulated depreciation	(160,646,424)	(7,824,534)	1,759,359	(166,711,599)
Business-type activities capital assets, net	\$ 265,682,563	\$ 45,040,557	\$ (23,215,885)	\$ 287,507,235

Depreciation expense was charged to governmental functions as follows:

General government	\$ 551,696
Public safety	531,939
Public works	14,208,413
Culture and Recreation	695,998
	<u>\$ 15,988,046</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 2011 was \$666,444. The following is a table of future minimum noncancellable lease payments by the City:

2012	\$ 137,690
2013	124,928
2014	124,928
2015	110,478
Total	<u>\$ 498,024</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 2023. Revenues and the related expenses for these leases are recorded in the Enterprise Funds. The total rent revenue for fiscal year 2011 was \$633,296. The total revenue includes \$417,467 for cell towers, \$14,140 for office space, and \$201,689 for airport hangers. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2012	\$377,962
2013	329,301
2014	299,019
2015	252,415
2016	241,193
2017-2021	909,602
2022-2023	108,164
Total	<u>\$ 2,517,656</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, 2011:

<u>Asset Type</u>	<u>Enterprise Fund</u>
Drains	\$2,216,453
Less: accumulated depreciation	<u>(177,465)</u>
Net book value	<u>\$2,038,988</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, 2011:

<u>Year Ended June 30</u>	<u>Enterprise Fund</u>
2012	\$158,349
2013	159,912
2014	160,488
2015	157,029
2016	157,463
2017-2021	509,143
2022-2026	507,352
2027-2030	<u>268</u>
Total minimum lease payments	1,810,004
Less: amount representing interest	<u>(213,897)</u>
Present value of future minimum lease payments	<u>\$1,596,107</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. TRANSFERS

A reconciliation of the interfund transfers is as follows:

	Transfers In	Transfers Out
General Fund	<u>\$1,061,709</u>	<u>\$1,883,599</u>
Other Major Funds:		
Street Repair Millage	<u>120,000</u>	<u>380,039</u>
Total other major funds	<u>120,000</u>	<u>380,039</u>
Non-Major Funds:		
Special Revenue Funds	1,269,072	3,760,076
Debt Service Funds	4,108,730	
Capital Projects Funds	<u>611,228</u>	
Total non-major funds	<u>5,989,030</u>	<u>3,760,076</u>
Enterprise Funds:		
Water Supply System	3,251,964	1,377,005
Sewage Disposal System	590,000	2,439,332
Golf Courses	522,128	18,085
Airport		9,612
Stormwater System	867,790	1,246,685
Solid Waste		<u>382,172</u>
Total enterprise funds	<u>5,231,882</u>	<u>5,472,891</u>
Internal Service Funds	<u>374,603</u>	<u>1,280,619</u>
Total Transfers	<u>\$12,777,224</u>	<u>\$12,777,224</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, 2011:

	Governmental Activities						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	Total Principal		
Bonds and other debt payable at July 1, 2010	\$102,339,814	\$387,723	\$21,745,918	\$427,318	\$3,500,000	\$128,400,773	\$14,861,798	\$143,262,571
Debt issued and other increases:								
Debt issued/accrued							3,296,470	3,296,470
Amortization of bond discounts	4,390	302	5,283	521		10,496		10,496
Debt retired and other decreases:								
Decrease in accrued compensated absences							(4,298,454)	(4,298,454)
Bond discounts/premiums								
Debt retired	(2,625,000)	(80,000)	(585,000)	(120,000)		(3,410,000)		(3,410,000)
Bonds and other debt payable at June 30, 2011	\$99,719,204	\$308,025	\$21,166,201	\$307,839	\$3,500,000	\$125,001,269	\$13,859,814	\$138,861,083
Balance due within one year	\$2,525,000	\$80,000	\$625,000	\$90,000		\$3,320,000	\$563,785	\$3,883,785

(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, 2011:

	Business-Type Activities					Total	Component
	Ann Arbor Building Authority Bonds	Revenue Bonds	Other Long-Term Debt	Other Bonds	Accrued Compensated Absences	Proprietary Fund Type Debt	Unit Downtown Development Authority Bonds
Bonds and other debt payable at July 1, 2010	\$19,410,000	\$94,215,000	\$9,445,052	\$3,955,000	\$2,991,271	\$130,016,323	\$1,260,000
Debt issued and other increases:							
Debt issued/accrued			3,430,409		819,706	4,250,115	
Debt retired and other decreases:							
Decrease in accrued compensated absences					(1,024,644)	(1,024,644)	
Debt retired	(1,895,000)	(6,075,000)	(558,390)	(155,000)		(8,683,390)	(610,000)
Bonds and other debt payable at June 30, 2011	\$17,515,000	\$88,140,000	\$12,317,071	\$3,800,000	\$2,786,333	\$124,558,404	\$650,000
Balance due within one year	\$1,960,000	\$6,160,000	\$751,442	\$165,000	\$355,579	\$9,392,021	\$650,000

(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 (\$39,705,000) in bond principal at June 30, 2011 and the Sewage Disposal System (\$48,435,000). Revenue bonds are collateralized by the revenues of the related funds.

Other Long-Term Debt Governmental funds other long-term debt is a note for \$3,500,000 issued for the purchase of the old YMCA building. Proprietary funds include various long-term obligations (notes and contracts) paid from general operations and other sources. During fiscal year 2011, the City spent and requested an additional \$1,713,084 from the Michigan Municipal Bond Authority (MMBA) from the Drinking Water Revolving Fund for water infrastructure improvement projects. At June 30, 2011, the outstanding balance was \$2,076,034. During fiscal year 2011, the City received an additional \$1,717,328 from the MMBA from the Strategic Water Quality Initiatives Fund for sewer infrastructure improvement projects. At June 30, 2011, the outstanding balance was \$5,998,933. During fiscal year 2011, the City did not receive additional funds from the MMBA from the Clean Water Revolving Fund prior draws were used for stormwater infrastructure improvements. At June 30, 2011, the outstanding balance was \$2,646,000. Other long-term debt includes county drain debt, \$1,596,107 for the City's portion of two drain projects managed by the County Drain Commission. Schedules for other long-term debt are provided on pages 71-72.

Other Bonds will be serviced from the revenues of the Downtown Development Authority for the Parking System (\$3,800,000). 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 \$824,511.

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, 2011 are as follows:

1999 Ann Arbor Building Authority Bonds	\$5,300,000	Water Supply System Revenue Bonds Series V	1,250,000
2000 Ann Arbor Building Authority Bonds	6,190,000		

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.

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, 2011:

Governmental Activities Debt													
FY Ending	General Obligation Portion						Special Assessment Bonds		Other Debt		Total Governmental Activities Debt		
	Capital Projects Bonds		Special Assessment Bonds		Special Revenue Bonds						Principal	Interest	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
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
	\$99,920,000	\$62,598,156	\$310,000	\$40,200	\$21,335,000	\$11,707,098	\$310,000	\$37,300	\$3,500,000	\$340,564	\$125,375,000	\$74,723,318	\$200,098,318
Interest	2.500 -		4.200 -		3.500 -		4.200 -				2.500 -		
Ranges	3.500%		5.200%		4.500%		5.200%		3.39%		6.500%		

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

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, 2011:

Enterprise Funds											Component Units			
FY	Ann Arbor Building Authority Bonds		Water & Sewer Revenue Bonds		Other Debt		Other Bonds		Total Enterprise Debt			Downtown Development Authority		
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
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			
	\$17,515,000	\$3,613,527	\$88,140,000	\$34,269,996	\$1,596,107	\$213,897	\$3,800,000	\$1,475,893	\$111,051,107	\$39,573,313	\$150,624,420	\$650,000	\$26,000	\$676,000
Interest		2.500 -		3.000 -		1.625 -		4.000 -		1.625 -				
Ranges		5.000%		4.750%		4.200%		4.250%		5.000%			4.000%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

CAPITAL PROJECTS BONDS											
1993 Environmental Bonds Series C \$8,950,000 Dated 4/1/93 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 7/22/08 Due 5-1 & 11-1		2009-A Build America Bonds \$49,420,000 Dated 08/19/09 Due 5-1 & 11-1		Total			
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
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
	\$1,250,000	\$62,500	\$21,590,000	\$11,987,890	\$27,660,000	\$22,240,256	\$49,420,000	\$28,307,510	\$99,920,000	\$62,598,156	\$162,518,156
Interest				4.000 -		4.000 -		2.500 -		2.500 -	
Range		5.000%		5.000%		5.000%		6.500%		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
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>\$180,000</u>	<u>\$18,600</u>	<u>\$130,000</u>	<u>\$21,600</u>	<u>\$310,000</u>	<u>\$40,200</u>	<u>\$350,200</u>
Interest Range		5.100 - 5.200%		4.200 - 4.700%		4.200 - 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
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>\$2,845,000</u>	<u>\$838,765</u>	<u>\$18,490,000</u>	<u>\$10,868,333</u>	<u>\$21,335,000</u>	<u>\$11,707,098</u>	<u>\$33,042,098</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL ASSESSMENT BONDS

FY	\$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	Requirements
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>\$ 165,000</u>	<u>\$ 17,050</u>	<u>\$ 145,000</u>	<u>\$ 20,250</u>	<u>\$ 310,000</u>	<u>\$ 37,300</u>	<u>\$ 347,300</u>
Interest Range	5.100 - 5.200%		4.200 - 4.700%		4.200 - 5.200%		

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		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
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>\$2,400,000</u>	<u>\$718,769</u>	<u>\$465,000</u>	<u>\$28,448</u>	<u>\$11,550,000</u>	<u>\$2,593,683</u>	<u>\$3,100,000</u>	<u>\$272,627</u>	<u>\$17,515,000</u>	<u>\$3,613,527</u>	<u>\$21,128,527</u>
Interest Range		4.250 - 5.000%		3.250 - 3.700%		4.000 - 5.000%		2.500 - 3.500%		2.500 - 5.000%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

WATER SYSTEM REVENUE BONDS

	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		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
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>\$1,205,000</u>	<u>\$80,554</u>	<u>\$3,775,000</u>	<u>\$564,238</u>	<u>\$2,985,000</u>	<u>\$123,287</u>	<u>\$8,375,000</u>	<u>\$2,392,146</u>	<u>\$1,215,000</u>	<u>\$52,750</u>	<u>\$22,150,000</u>	<u>\$9,603,486</u>	<u>\$39,705,000</u>	<u>\$13,016,461</u>	<u>\$52,721,461</u>
Interest				4.150 -		3.700 -		3.250 -				3.000 -		3.000 -	
Ranges		4.200%		4.750%		3.875%		4.250%		4.000%		4.750%		4.750%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SEWAGE DISPOSAL SYSTEM REVENUE BONDS

FY	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	Requirements
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>\$150,000</u>		<u>\$1,035,000</u>	<u>\$47,130</u>	<u>\$23,500,000</u>	<u>\$7,273,046</u>	<u>\$23,750,000</u>	<u>\$13,933,359</u>	<u>\$48,435,000</u>	<u>\$21,253,535</u>	<u>\$69,688,535</u>
Interest Ranges				4.350 - 4.500%		3.000 - 4.250%		3.000 - 4.750%		3.000 - 4.750%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

Fiscal Year Ending	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		OTHER DEBT		
					Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
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
2028							
2029							
Total	<u>\$255,774</u>	<u>\$29,321</u>	<u>\$1,340,333</u>	<u>\$184,576</u>	<u>\$1,596,107</u>	<u>\$213,897</u>	<u>\$1,810,004</u>
Interest Ranges		3.850 - 4.200%		1.625%		1.625 - 4.200%	

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 (CWRP) but until the projects are completed a final repayment schedule cannot be determined.

Loan Segment	Date	Interest Rate	Draws at 06/30/11	Payments at 06/30/11	Outstanding Debt at 06/30/11
2004 DWRF, Project #7146-01	03/25/04	2.125%		\$20,000	\$362,950
2004 SWQIF, Project #3002-01	08/10/04	1.625%		40,000	599,672
2005 SWQIF, Project #3002-02	02/03/05	1.625%		40,000	644,382
2006 SWQIF, Project #3002-03	04/13/06	1.625%		40,000	689,903
2007 SWQIF, Project #3002-04	05/14/07	1.625%		45,000	794,976
2008 SWQIF, Project #3002-05	04/10/08	2.500%		35,000	795,000
2009 SWQIF, Project #3010-01	07/23/09	2.500%	\$397,325	55,000	1,205,000
2010 CWRP, Pioneer High School	09/01/09	2.500%		15,000	2,646,000
2010 DWRF, Project #7319-01	01/22/10	2.500%	1,713,084		1,713,084
2010 SWQIF, Project #3010-02	12/02/10	2.500%	1,320,000	50,000	1,270,000
			<u>\$3,430,409</u>	<u>\$340,000</u>	<u>\$10,720,967</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER BONDS

2007 Parking Facility Bonds \$4,250,000 Dated 5/1/07 Due 3-1 & 9-1					
FY			Total		Requirements
	Principal	Interest	Principal	Interest	
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>\$3,800,000</u>	<u>\$1,475,893</u>	<u>\$3,800,000</u>	<u>\$1,475,893</u>	<u>\$5,275,893</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

\$4,925,000 Dated 5/1/02 Due 3-1 & 9-1					
FY	Total		Total		
	Principal	Interest	Principal	Interest	Requirements
2012	\$650,000	\$26,000	\$650,000	\$26,000	\$676,000
	<u>\$650,000</u>	<u>\$26,000</u>	<u>\$650,000</u>	<u>\$26,000</u>	<u>\$676,000</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 \$1,748,414 at June 30, 2011 and is included in Estimated Claims Payable. The total Estimated Claims Payable of \$4,178,482 is reflected in the Insurance fund at June 30, 2011. 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 2009, 2010, and 2011 are summarized below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
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
2011	3,152,410	16,125,804	(15,099,732)	4,178,482

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 2011, the City contributed \$14,021,096 to the plan, including \$9,181,437 for current premiums (approximately 56 percent of total health care premiums) and an additional \$4,839,659 to prefund benefits. Plan members receiving benefits contributed \$19,114, or approximately .12 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 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
FY 2011	1	44	0		0	

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	
FY 2011	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)	\$14,395
Interest on net OPEB obligation	588
Adjustment to annual required contribution	(450)
Annual OPEB cost (expense)	14,533
Contributions made	14,021
Increase in net OPEB obligation	512
Net OPEB obligation - beginning of year	9,347
Adjustment for prior period contribution	(950)
Net OPEB obligation - end of year	<u>\$8,909</u>

The prior year adjustment is for contributions not recognized in the prior year.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2011 were as follows:

Year Ended June 30	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2011	\$14,533	96%	\$8,909
2010	14,284	65%	9,347
2009	13,908	69%	4,318

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% or 6% of annual compensation dependent on the employee group. The City is required to contribute at an actuarially determined rate; the rate for the most current actuarial report, was 18.85% 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)	\$8,658
Interest on net pension obligation	0
Adjustment to annual required contribution	0
Annual pension cost (expense)	8,658
Contributions made	8,658
Increase in net pension obligation	0
Net pension obligation - beginning of year	0
Net pension obligation - end of year	\$0

NOTES TO FINANCIAL STATEMENTS (Continued)

13. RETIREMENT COMMITMENTS (concluded):

Three-Year Trend Information
(Dollar amounts in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$8,658	100%	\$0
2010	7,560	100%	0
2009	6,895	100%	0

Actuarial Methods & Assumptions. The annual required contribution for the current year was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of 0.3% to 6.0% per year. Both (a) and (b) included an inflation component of 3.5%. 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 28-year closed period rolling down to 25 years. The employer contributions consisted of \$7.0 million for normal cost and \$1.6 million for amortization of the unfunded actuarial accrued liability. Employer contributions represented 18.8% of projected covered payroll.

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 88.03 percent funded. The actuarial accrued liability for benefits was \$481.3 million, and the actuarial value of assets was \$423.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$57.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$45.9 million, and the ratio of the UAAL to the covered payroll was 125.42 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements on page 90, 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, 2011 was \$2,266,611, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

NOTES TO FINANCIAL STATEMENTS (Continued)

15. SIGNIFICANT COMMITMENTS

As of June 30, 2011, the City had \$15,422,531 in construction commitments for various projects including resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

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 \$14.15 million, and the remaining liability over the next two years is \$2.95 million.

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	\$ 7,440,430
Local Streets	3,185,879
Street Repair Millage	29,207,631
Metro Expansion	1,359,139
Total restricted for highways and streets	<u>\$ 41,193,079</u>
Culture and Recreation:	
Parks Repair & Restoration Millage	67,027
Parks Rehab & Development Millage	535,064
Parks Maint & Capital Imp Millage	4,427,634
Open Space & Parkland Preservation	10,096,392
Parks Memorials & Contributions	327,184
Open Space Endowment	445,536
Art In Public Places	1,406,827
Elizabeth R. Dean Trust Fund	282,611
Senior Center Endowment	75,406
Total restricted for culture and recreation	<u>\$ 17,663,681</u>
Other purposes:	
Community Television Network	4,250,122
Drug Enforcement	270,109
Federal Equitable Sharing Forfeiture	174,721
Police and Fire Relief	727,273
Michigan Justice Training	96,494
Local Forfeiture	27,397
Major Grants	127,278
Total restricted for other purposes	<u>\$ 5,673,394</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
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>\$ 339,625</u>	<u>\$ 102,389</u>	<u>\$ 1,003,384</u>	<u>\$ 288,258</u>	<u>\$ 1,343,009</u>	<u>\$ 390,647</u>	<u>\$ 1,733,656</u>
Interest Rate	4.45%		4.09%				

NOTES TO FINANCIAL STATEMENTS (Continued)

19. RESTATEMENT OF FUND BALANCE

The following is an explanation of the adjustments to the beginning balance as of July 1, 2010, for governmental funds fund balance.

	<u>General Fund</u>	<u>Economic Development</u>
Fund Balance at July 1, 2010	\$ 12,487,616	\$ 967,161
Restatement for Fund Closure due to GASB #54	<u>967,161</u>	<u>(967,161)</u>
Restated Fund Balance at July 1, 2010	<u>\$ 13,454,777</u>	<u>\$ -</u>

20. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement # 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 have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Ann Arbor's highest level of decision-making authority is City Council. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is a resolution of Council.

NOTES TO FINANCIAL STATEMENTS (Concluded)

20. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS (concluded)

For assigned fund balance, the City Administrator, or his designee, is authorized to assign amounts to a specific purpose.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

21. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

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

	Governmental Activities	Business Type Activities
Land	\$58,110,657	\$8,596,604
Buildings	57,717,166	146,863,378
Improvements other than buildings	10,448,223	169,816,177
Machinery and equipment	15,225,861	38,039,587
Vehicles	13,264,498	6,612,382
Intangible assets	1,173,590	
Infrastructure	711,991,697	
Less: Accumulated depreciation	(171,246,420)	(166,711,597)
Construction in progress	86,079,059	84,290,706
Net assets	782,764,331	287,507,237
Less:		
Bonds Payable - ST	3,150,000	8,285,000
Special Assessment Debt - ST	170,000	
Other Debt - ST		751,442
Advance to Airport Fund for construction loan - ST		62,930
Bonds Payable - LT	117,735,406	101,170,000
Special Assessment Debt - LT	445,866	
Other Debt - LT	3,500,000	11,565,629
Advance to Airport Fund for construction loan - LT		940,454
Add:		
Adjustment for unspent Build America Bonds included in Bonds Payable above	15,136,388	
Invested in Capital Assets, net of related debt	<u>\$672,899,447</u>	<u>\$164,731,782</u>

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.

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 \$6,395,752 were made in fiscal 2011. 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 an assignment of fund balance in the General Fund at year-end. In all other governmental funds, encumbrances are included in restricted, committed or assigned fund balance. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

In fiscal year 2011, no agencies in the General fund ended with expenditures in excess of their budgeted appropriations. The Court Facilities fund adopted a balanced budget using fund balance. However, the fund balance projections for FY11 budget did not yield the projected fund balance resulting in a budget deficit. This has been corrected for FY12.

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	\$48,935,095	\$48,935,095	\$49,019,013	\$83,918
Special Assessments/Improvement Charges			3,869	3,869
Licenses, permits and registrations	1,195,950	1,195,950	1,438,744	242,794
State shared revenues and grants	9,836,880	9,836,880	9,937,630	100,750
Charges for services	9,034,638	9,056,638	9,135,334	78,696
Fines and forfeits	4,756,999	4,756,999	4,537,164	(219,835)
Interest and penalties	454,119	454,119	511,923	57,804
Investment income	786,097	786,097	841,999	55,902
Rentals	366,131	366,131	421,742	55,611
Contributions and donations	1,000	1,000	200	(800)
Sale of property and equipment	500	500	45,361	44,861
Intragovernmental sales	40,000	40,000	15,406	(24,594)
Miscellaneous	1,750,314	3,575,886	835,982	(2,739,904)
Total Revenues	77,157,723	79,005,295	76,744,367	(2,260,928)
Expenditures:				
Current:				
General government:				
Mayor and Council	354,818	355,096	348,469	6,627
Administration	533,996	565,176	540,325	24,851
Human resources	1,296,487	1,297,687	1,285,549	12,138
Attorney	1,801,979	1,804,816	1,758,335	46,481
Clerk/Elections	987,299	1,044,243	957,796	86,447
Finance	3,626,979	3,662,408	3,575,973	86,435
Environmental Coordinaton Services	114,106	114,106	112,836	1,270
District court	3,776,080	4,096,169	3,925,064	171,105
Planning	548,899	604,899	601,681	3,218
Miscellaneous	2,203,396	1,751,021	1,489,758	261,263
Municipal service charge	(3,259,689)	(3,259,689)	(3,259,717)	28

(Continued)

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Expenditures (Concluded):				
Current:				
Public safety:				
Police department	\$26,066,215	\$26,068,054	\$25,715,057	\$352,997
Fire department	13,786,326	13,847,326	13,833,111	14,215
Building department	2,105,827	2,217,867	1,739,175	478,692
Public works:				
Public services	4,538,406	4,982,718	4,976,501	6,217
Community and economic development:				
Community development	2,092,831	2,136,896	2,014,708	122,188
Other	49,000	49,000	47,133	1,867
Culture and recreation:				
Parks and recreation	6,005,708	5,831,941	5,219,784	612,157
Historic district commission	70,929	70,929	65,657	5,272
Other - Public Transportation	9,305,019	9,362,713	9,362,712	1
Capital Outlay	384,500	1,539,518	1,484,903	54,615
Total Expenditures	76,389,111	78,142,894	75,794,810	2,348,084
Excess of Revenues over Expenditures	768,612	862,401	949,557	87,156
Other Financing Sources (Uses):				
Transfers in (Note 7)	1,032,554	1,032,554	1,061,709	29,155
Transfers out (Note 7)	(1,801,163)	(1,894,952)	(1,883,599)	11,353
Total Other Financing Sources (Uses)	(768,609)	(862,398)	(821,890)	40,508
Net change in fund balance	3	3	127,667	127,664
Fund Balance - Beginning, as restated (Note 19)	13,454,777	13,454,777	13,454,777	
Fund Balance - Ending	\$13,454,780	\$13,454,780	\$13,582,444	\$127,664

(Concluded)

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
STREET REPAIR MILLAGE
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	\$9,026,231	\$9,026,231	\$9,031,456	\$5,225
Special assessments/Improvement charges			4,678	4,678
State shared revenues and grants			5,773	5,773
Charges for services		4,549	21,317	16,768
Interest and penalties			104	104
Investment income	700,452	700,452	217,970	(482,482)
Contributions and donations		237,200	75,000	(162,200)
Miscellaneous	4,071,598	4,703,146		(4,703,146)
Total Revenues	13,798,281	14,671,578	9,356,298	(5,315,280)
Expenditures:				
Current:				
Public works	13,601,833	4,312,847	3,814,141	498,706
Capital outlay		4,673,832	4,547,883	125,949
Total Expenditures	13,601,833	8,986,679	8,362,024	624,655
Excess of Revenues over Expenditures	196,448	5,684,899	994,274	(4,690,625)
Other Financing Sources (Uses):				
Transfers in (Note 7)		120,000	120,000	
Transfers out (Note 7)	(196,448)	(380,035)	(380,039)	(4)
Total Other Financing Sources (Uses)	(196,448)	(260,035)	(260,039)	(4)
Net change in fund balance		5,424,864	734,235	(4,690,629)
Fund Balances - Beginning	28,473,396	28,473,396	28,473,396	
Fund Balances - Ending	\$28,473,396	\$33,898,260	\$29,207,631	(\$4,690,629)

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]
6/30/2011	\$423,734	\$481,330	\$57,596	88.0%	\$45,921	125.4%
6/30/2010	421,387	466,883	45,496	90.3%	48,688	93.4%
6/30/2009	426,283	455,219	28,936	93.6%	51,076	56.7%
6/30/2008	428,689	430,438	1,749	99.6%	51,287	3.4%
6/30/2007	413,712	413,490	(222)	100.1%	50,678	-0.4%
6/30/2006	398,258	407,302	9,044	97.8%	49,627	18.2%

(continued)

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

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%

(Concluded)

CITY OF ANN ARBOR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS

EMPLOYEES' RETIREMENT SYSTEM

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2011	\$8,658,372	100%
2010	7,559,781	100%
2009	6,894,506	100%
2008	7,517,024	100%
2007	5,038,578	100%
2006	2,871,450	100%

RETIREE HEALTH CARE BENEFITS PLAN AND TRUST

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Current Premiums Paid by City</u>	<u>Pre-funding Contributions to VEBA Trust</u>	<u>Percentage Contribution</u>
2011	\$14,395,148	\$9,181,437	\$4,839,659	97.4%
2010	14,284,470	9,349,438	927,417	71.9%
2009	13,908,444	7,890,737	1,699,505	69.0%
2008 (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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

NONMAJOR PERMANENT FUND

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

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Special Revenue												
	Energy Projects	Parks Repair & Restoration Millage	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Fund	Parks Rehab & Development Millage	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement
ASSETS													
Cash										\$469,902			
Equity in pooled cash and investments	\$556,068	\$69,616	\$52,540	\$3,822,524	\$16,616	\$634,380	\$7,241,546	\$3,142,655		9,061,938	\$98,372	\$1,830,076	\$270,109
Investments, at fair value													
Receivables:													
Taxes		2,178				2,144				6,887			
Accounts				476,905	350		227,695	118			425	34,650	
Special assessments													
Accrued interest and dividends													
Improvement charges													
Loans													
Less: Allowance for uncollectibles		(2,173)				(2,139)	(27,064)	(118)		(6,512)		(22,908)	
Due from other funds													
Due from other governments							430,411	125,176		603,925			
Total Assets	\$556,068	\$69,621	\$52,540	\$4,299,429	\$16,966	\$634,385	\$7,872,588	\$3,267,831		\$10,136,140	\$98,797	\$1,841,818	\$270,109
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$1,014			\$11,290		\$98,282	\$254,843	\$62,771		\$38,960		\$7,260	\$
Accrued liabilities		\$2,594		28,017		1,039	72,659	19,181		788		40,152	
Due to other funds							701						
Deposits				10,000			10,000						
Deferred revenue			\$52,540		\$16,966								
Accrued compensated absences							93,955					4,888	
Total Liabilities	1,014	2,594	52,540	49,307	16,966	99,321	432,158	81,952		39,748		52,300	
Fund Balances:													
Nonspendable													
Restricted for:													
Debt Service													
Culture and Recreation		67,027				535,064				10,096,392			
Road Maintenance and Repairs							7,440,430	3,185,879					
Law Enforcement													270,109
Other purposes				4,250,122									
Committed for:											98,797		
Culture and Recreation													
Other purposes	555,054											1,789,518	
Assigned to:													
Capital Projects													
Total Fund Balances	555,054	67,027		4,250,122		535,064	7,440,430	3,185,879		10,096,392	98,797	1,789,518	270,109
Total Liabilities and Fund Balances	\$556,068	\$69,621	\$52,540	\$4,299,429	\$16,966	\$634,385	\$7,872,588	\$3,267,831		\$10,136,140	\$98,797	\$1,841,818	\$270,109

(Continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Special Revenue											
	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Affordable Housing	Parks Maint & Capital Imp Millage
ASSETS												
Cash												
Equity in pooled cash and investments	\$184,717	\$330,305	\$1,378,816	\$5,283	\$445,536	\$665,117	\$71,734	\$1,446,334	\$581,149	\$99,087	\$371,911	\$4,731,847
Investments, at fair value						62,156						
Receivables:												
Taxes												12,617
Accounts												736
Special assessments									79,434			
Accrued interest and dividends												
Improvement charges												
Loans												
Less: Allowance for uncollectibles												(11,768)
Due from other funds												
Due from other governments												
Total Assets	\$184,717	\$330,305	\$1,378,816	\$5,283	\$445,536	\$727,273	\$71,734	\$1,446,334	\$660,583	\$99,087	\$371,911	\$4,733,432
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$9,996	\$2,949	\$11,435	\$	\$	\$		\$39,507	\$59,252	\$2,593	\$14,595	\$242,567
Accrued liabilities		172	8,242						9,050			63,231
Due to other funds												
Deposits												
Deferred revenue									75,362			
Accrued compensated absences												
Total Liabilities	9,996	3,121	19,677					39,507	143,664	2,593	14,595	305,798
Fund Balances:												
Nonspendable												
Restricted for:												
Debt Service												
Culture and Recreation		327,184			445,536			1,406,827				4,427,634
Road Maintenance and Repairs			1,359,139									
Law Enforcement	174,721					727,273				96,494		
Other purposes												
Committed for:												
Culture and Recreation				5,283			71,734		516,919		357,316	
Other purposes												
Assigned to:												
Capital Projects												
Total Fund Balances	174,721	327,184	1,359,139	5,283	445,536	727,273	71,734	1,406,827	516,919	96,494	357,316	4,427,634
Total Liabilities and Fund Balances	\$184,717	\$330,305	\$1,378,816	\$5,283	\$445,536	\$727,273	\$71,734	\$1,446,334	\$660,583	\$99,087	\$371,911	\$4,733,432

(Continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Special Revenue						Debt Service		Capital Projects				Permanent	
	Local Forfeiture	Community Dev Block Grant	Senior Center Endowment	Home Program	Sidewalk Improvement	Major Grants	General Debt Service	Special Assessment Bonds	Maintenance Facility	Special Assessment Projects	Municipal Center	General Capital Improvements	Elizabeth R. Dean Trust	Total
ASSETS														
Cash							\$90,997	\$5,187						\$566,086
Equity in pooled cash and investments	\$27,397		\$75,406		\$274,386	\$75,786	382,604	1,023,439	\$2,056,232	\$137,604	\$807,069	\$23,194	\$175,036	42,166,429
Investments, at fair value													2,080,802	2,142,958
Receivables:														
Taxes							8,244							32,070
Accounts					7,245	240,497			90,717			279,512		1,358,850
Special assessments								131,589						211,023
Accrued interest and dividends													11,393	11,393
Improvement charges								1,057						1,057
Loans		\$43,192												43,192
Less: Allowance for uncollectibles					(2,907)		(7,858)		(90,717)			(279,512)		(453,676)
Due from other funds				71,445										71,445
Due from other governments		130,390		183,175										1,473,077
Total Assets	\$27,397	\$173,582	\$75,406	\$254,620	\$278,724	\$316,283	\$473,987	\$1,161,272	\$2,056,232	\$137,604	\$807,069	\$23,194	\$2,267,231	\$47,623,904
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	\$	\$27,506	\$		\$9,285	\$67,339	\$16,352	\$367	\$1,718	\$	\$763,794	\$6,459	\$620	1,750,754
Accrued liabilities						4,919					577			250,621
Due to other funds		71,446		\$254,620				2,902						329,669
Deposits														20,000
Deferred revenue		74,630				116,747		99,445						435,690
Accrued compensated absences														98,843
Total Liabilities		173,582		254,620	9,285	189,005	16,352	102,714	1,718		764,371	6,459	620	2,885,577
Fund Balances:														
Nonspendable													1,984,000	1,984,000
Restricted for:														
Debt Service							457,635	1,058,558						1,516,193
Culture and Recreation			75,406										282,611	17,663,681
Road Maintenance and Repairs														11,985,448
Law Enforcement	27,397													1,295,994
Other purposes						127,278								4,377,400
Committed for:														
Culture and Recreation														98,797
Other purposes					269,439									3,565,263
Assigned to:														
Capital Projects									2,054,514	137,604	42,698	16,735		2,251,551
Total Fund Balances	27,397	75,406	269,439	127,278	457,635	1,058,558	2,054,514	137,604	42,698	16,735	2,266,611	44,738,327		
Total Liabilities and Fund Balances	\$27,397	\$173,582	\$75,406	\$254,620	\$278,724	\$316,283	\$473,987	\$1,161,272	\$2,056,232	\$137,604	\$807,069	\$23,194	\$2,267,231	\$47,623,904

(Concluded)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds												
	Energy Projects	Parks Repair & Restoration Millage	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Grant	Parks Rehab & Development Millage	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement
Revenues:													
Taxes		\$52				\$51				\$2,163,390			
Special assessments/improvement charges												\$2,776,218	
Licenses, permits and registration				\$1,910,877									
Federal grants			\$143,397		\$25,505					2,797,009			
State shared revenues and grants							\$5,506,367	\$1,495,321					
Charges for services	\$12,000						869,818	173,670					
Fines and forfeits									\$184,648				\$140,427
Interest and penalties													
Investment income	17,649	\$3,107		25,371		3,097	24,432	12,343	872	27,973	\$2,703	19,427	4,464
Contributions and donations													
Intra-governmental sales							345,839						
Miscellaneous		41		1,843		41	240,393	295		17,576	6,900	40,648	
Total Revenues	29,649	3,200	143,397	1,938,091	25,505	3,189	6,986,849	1,681,629	185,520	5,005,948	9,603	2,836,293	144,891
Expenditures:													
Current:													
General government	180,643			1,441,728								55,646	
Public safety			143,397		25,505							1,969,610	2,770
Public works							6,029,666	1,697,915					
Community and economic development													
Culture and recreation		77,008				129,401				282,951	2,532		
Capital outlay				45,842		436,305	211,920			8,916,916			24,576
Debt Service:													
Principal retirement													
Interest and fiscal charges													
Total Expenditures	180,643	77,008	143,397	1,487,570	25,505	565,706	6,241,586	1,697,915		9,199,867	2,532	2,025,256	27,346
Excess of Revenues over (under) Expenditures	(150,994)	(73,808)		450,521		(562,517)	745,263	(16,286)	185,520	(4,193,919)	7,071	811,037	117,545
Other Financing Sources (Uses):													
Transfers in	22,152						164,795					99,996	
Transfers out						(877,791)	(940,347)	(146,277)	(193,340)	(1,499,820)		(39,996)	
Total Other Financing Sources (Uses)	22,152					(877,791)	(775,552)	(146,277)	(193,340)	(1,499,820)		60,000	
Net change in fund balances	(128,842)	(73,808)		450,521		(1,440,308)	(30,289)	(162,563)	(7,820)	(5,693,739)	7,071	871,037	117,545
Fund Balances - Beginning	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
Fund Balances - Ending	\$555,054	\$67,027		\$4,250,122		\$535,064	\$7,440,430	\$3,185,879		\$10,096,392	\$98,797	\$1,789,518	\$270,109

(Continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds											
	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Affordable Housing	Parks Maintenance & Capital Impr Millage
Revenues:												
Taxes												\$4,967,622
Special assessments/improvement charges									\$8,372			
Licenses, permits and registration												
Federal grants												
State shared revenues and grants			\$318,959							\$24,775		
Charges for services							\$1,160		1,332			222
Fines and forfeits												
Interest and penalties												
Investment income	7,153	\$7,224	4,168	\$44	\$8,699	\$18,783	2,006	\$7,211	22,486	2,702	\$17,653	87,935
Contributions and donations		146,567		4,911							54,293	
Intra-governmental sales												
Miscellaneous		6,184									8,287	3,928
Total Revenues	7,153	159,975	323,127	4,955	8,699	18,783	3,166	7,211	32,190	27,477	80,233	5,059,707
Expenditures:												
Current:												
General government							599		16,017			
Public safety	98,033									39,993		
Public works			255,467						382,982			
Community and economic development				5,066				331,614			375,027	
Culture and recreation		13,566						12,644				3,778,409
Capital outlay									53,528			289,079
Debt Service:												
Principal retirement												
Interest and fiscal charges												
Total Expenditures	98,033	13,566	255,467	5,066			599	344,258	452,527	39,993	375,027	4,067,488
Excess of Revenues over (under) Expenditures	(90,880)	146,409	67,660	(111)	8,699	18,783	2,567	(337,047)	(420,337)	(12,516)	(294,794)	992,219
Other Financing Sources (Uses):												
Transfers in					287,670			451,230	171,528			
Transfers out		(11,117)							(5,040)		(1,420)	(7,428)
Total Other Financing Sources (Uses)		(11,117)			287,670			451,230	166,488		(1,420)	(7,428)
Net change in fund balances	(90,880)	135,292	67,660	(111)	296,369	18,783	2,567	114,183	(253,849)	(12,516)	(296,214)	984,791
Fund Balances - Beginning	265,601	191,892	1,291,479	5,394	149,167	708,490	69,167	1,292,644	770,768	109,010	653,530	3,442,843
Fund Balances - Ending	\$174,721	\$327,184	\$1,359,139	\$5,283	\$445,536	\$727,273	\$71,734	\$1,406,827	\$516,919	\$96,494	\$357,316	\$4,427,634

(Continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue						Debt Service		Capital Projects				Permanent	
	Local Forfeiture	Community Development	Senior Center Endowment	Home Program	Sidewalk Improvement	Major Grants	General Debt Service	Special Assessment Bonds - Debt Service	Maintenance Facility	Special Assessments	Municipal Center	General Capital Improvements	Elizabeth R. Dean Trust	Total
Revenues:														
Taxes							\$2,265,030							\$9,396,145
Special assessments/improvement charges								\$86,871						95,243
Licenses, permits and registration														4,687,095
Federal grants		\$735,143		\$335,881		\$913,481								4,950,416
State shared revenues and grants						98,253								7,443,675
Charges for services					\$34,425		2,364,222	28,661						3,485,510
Fines and forfeits	\$1,000													326,075
Interest and penalties								4,132						4,132
Investment income	689		\$2,667		8,625		8,593	37,948	\$9,031	\$3,877	(\$109,152)	\$826	\$33,859	324,465
Contributions and donations														205,771
Intra-governmental sales														345,839
Miscellaneous		19,385												345,521
Total Revenues	1,689	754,528	2,667	335,881	43,050	1,011,734	4,637,845	157,612	9,031	3,877	(109,152)	826	33,859	31,609,887
Expenditures:														
Current:														
General government						962,212	129					50,246		2,707,220
Public safety	18,330					93,592								2,391,230
Public works					114,816	6,777			53,312			285,490		8,826,425
Community and economic development		754,528		335,881										1,802,116
Culture and recreation													71,588	4,368,099
Capital outlay											10,338,055			20,316,221
Debt Service:														
Principal retirement							3,290,000	120,000						3,410,000
Interest and fiscal charges							5,281,644	20,673						5,302,317
Total Expenditures	18,330	754,528		335,881	114,816	1,062,581	8,571,773	140,673	53,312		10,338,055	335,736	71,588	49,123,628
Excess of Revenues over (under) Expenditures	(16,641)		2,667		(71,766)	(50,847)	(3,933,928)	16,939	(44,281)	3,877	(10,447,207)	(334,910)	(37,729)	(17,513,741)
Other Financing Sources (Uses):														
Transfers in						71,701	4,108,730				500,000	111,228		5,989,030
Transfers out			(37,500)											(3,760,076)
Total Other Financing Sources (Uses)			(37,500)			71,701	4,108,730				500,000	111,228		2,228,954
Net change in fund balances	(16,641)		(34,833)		(71,766)	20,854	174,802	16,939	(44,281)	3,877	(9,947,207)	(223,682)	(37,729)	(15,284,787)
Fund Balances - Beginning	44,038		110,239		341,205	106,424	282,833	1,041,619	2,098,795	133,727	9,989,905	240,417	2,304,340	60,023,114
Fund Balances - Ending	\$27,397		\$75,406		\$269,439	\$127,278	\$457,635	\$1,058,558	\$2,054,514	\$137,604	\$42,698	\$16,735	\$2,266,611	\$44,738,327

(Concluded)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$	\$	\$	\$	\$52	\$52	\$	\$	\$
Special assessment/improvement charges									
Licenses, Permits and Registrations									
Federal grants							206,224	143,397	(62,827)
State shared revenues and grants									
Charges for services	12,000	12,000							
Fines and forfeits									
Interest and penalties									
Investment income	19,095	17,649	(1,446)	7,208	3,107	(4,101)			
Contributions and donations									
Intra-governmental sales									
Miscellaneous					41	41			
Total Revenues	31,095	29,649	(1,446)	7,208	3,200	(4,008)	206,224	143,397	(62,827)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services	90,614	180,643	(90,029)						
District Court									
Miscellaneous									
Public Safety:									
Police Department							143,397	143,397	
Fire Department									
Building Department									
Public Works:									
Public Services									
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation				120,763	77,008	43,755			
Capital Outlay:									
Capital outlay	120,000		120,000						
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	210,614	180,643	29,971	120,763	77,008	43,755	143,397	143,397	
Excess of Revenues over (under) Expenditures	(179,519)	(150,994)	28,525	(113,555)	(73,808)	39,747	62,827		(62,827)
Other Financing Sources (Uses):									
Transfers in	22,149	22,152	3						
Transfers out	(360,000)		360,000						
Total Other Financing Sources (Uses)	(337,851)	22,152	360,003						
Net change in fund balances	(517,370)	(128,842)	388,528	(113,555)	(73,808)	39,747	62,827		(62,827)
Fund Balances - Beginning	683,896	683,896		140,835	140,835				
Fund Balances - Ending	\$166,526	\$555,054	\$388,528	\$27,280	\$67,027	\$39,747	\$62,827	\$	(\$62,827)

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$	\$	\$	\$	\$	\$	\$	\$51	\$51
Special assessment/improvement charges									
Licenses, Permits and Registrations	1,567,051	1,910,877	343,826						
Federal grants				136,185	25,505	(110,680)			
State shared revenues and grants									
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income	40,000	25,371	(14,629)	500		(500)	64,086	3,097	(60,989)
Contributions and donations									
Intra-governmental sales									
Miscellaneous		1,843	1,843				1,373	41	(1,332)
Total Revenues	1,607,051	1,938,091	331,040	136,685	25,505	(111,180)	65,459	3,189	(62,270)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous	1,457,051	1,441,728	15,323						
Public Safety:									
Police Department				25,983	25,505	478			
Fire Department									
Building Department									
Public Works:									
Public Services									
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation							182,134	129,401	52,733
Capital Outlay:									
Capital outlay	150,000	45,842	104,158				390,566	436,305	(45,739)
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	1,607,051	1,487,570	119,481	25,983	25,505	478	572,700	565,706	6,994
Excess of Revenues over (under) Expenditures		450,521	450,521	110,702		(110,702)	(345,297)	(562,517)	(217,220)
Other Financing Sources (Uses):									
Transfers in									
Transfers out							(877,791)	(877,791)	
Total Other Financing Sources (Uses)							(877,791)	(877,791)	
Net change in fund balances		450,521	450,521	110,702		(110,702)	(1,223,088)	(1,440,308)	(217,220)
Fund Balances - Beginning	3,799,601	3,799,601					1,975,372	1,975,372	
Fund Balances - Ending	\$3,799,601	\$4,250,122	\$450,521	\$110,702	\$	(\$110,702)	\$752,284	\$535,064	(\$217,220)

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	5,361,985	5,506,367	144,382	1,499,491	1,495,321	(4,170)			
Charges for services	948,950	869,818	(79,132)	180,250	173,670	(6,580)			
Fines and forfeits							210,000	184,648	(25,352)
Interest and penalties									
Investment income	152,478	24,432	(128,046)	72,000	12,343	(59,657)		872	872
Contributions and donations									
Intra-governmental sales	358,164	345,839	(12,325)						
Miscellaneous	56,500	240,393	183,893		295	295			
Total Revenues	6,878,077	6,986,849	108,772	1,751,741	1,681,629	(70,112)	210,000	185,520	(24,480)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court							67,960		67,960
Miscellaneous									
Public Safety:									
Police Department									
Fire Department									
Building Department									
Public Works:									
Public Services	6,368,249	6,029,666	338,583	1,901,640	1,697,915	203,725			
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation									
Capital Outlay:									
Capital outlay	221,921	211,920	10,001						
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	6,590,170	6,241,586	348,584	1,901,640	1,697,915	203,725	67,960		67,960
Excess of Revenues over (under) Expenditures	287,907	745,263	457,356	(149,899)	(16,286)	133,613	142,040	185,520	43,480
Other Financing Sources (Uses):									
Transfers in	163,380	164,795	1,415						
Transfers out	(943,019)	(940,347)	2,672	(146,275)	(146,277)	(2)	(225,000)	(193,340)	31,660
Total Other Financing Sources (Uses)	(779,639)	(775,552)	4,087	(146,275)	(146,277)	(2)	(225,000)	(193,340)	31,660
Net change in fund balances	(491,732)	(30,289)	461,443	(296,174)	(162,563)	133,611	(82,960)	(7,820)	75,140
Fund Balances - Beginning	7,470,719	7,470,719		3,348,442	3,348,442		82,960	7,820	(75,140)
Fund Balances - Ending	\$6,978,987	\$7,440,430	\$461,443	\$3,052,268	\$3,185,879	\$133,611	\$	\$	\$

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$2,144,862	\$2,163,390	\$18,528	\$	\$	\$	\$	\$	\$
Special assessment/improvement charges									
Licenses, Permits and Registrations							1,902,600	2,776,218	873,618
Federal grants	2,819,410	2,797,009	(22,401)						
State shared revenues and grants									
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income	554,278	27,973	(526,305)	2,254	2,703	449	24,635	19,427	(5,208)
Contributions and donations									
Intra-governmental sales									
Miscellaneous		17,576	17,576	4,200	6,900	2,700		40,648	40,648
Total Revenues	5,518,550	5,005,948	(512,602)	6,454	9,603	3,149	1,927,235	2,836,293	909,058
Expenditures:									
Current:									
General government:									
Planning							59,360	55,646	3,714
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department									
Fire Department									
Building Department							2,069,780	1,969,610	100,170
Public Works:									
Public Services									
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation	166,812	282,951	(116,139)	2,533	2,532	1			
Capital Outlay:									
Capital outlay	9,157,609	8,916,916	240,693	19,967		19,967			
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	9,324,421	9,199,867	124,554	22,500	2,532	19,968	2,129,140	2,025,256	103,884
Excess of Revenues over (under) Expenditures	(3,805,871)	(4,193,919)	(6,244,791)	(16,046)	7,071	23,117	(201,905)	811,037	1,012,942
Other Financing Sources (Uses):									
Transfers in							100,000	99,996	(4)
Transfers out	(1,500,045)	(1,499,820)	225				(40,000)	(39,996)	4
Total Other Financing Sources (Uses)	(1,500,045)	(1,499,820)	225				60,000	60,000	
Net change in fund balances	(5,305,916)	(5,693,739)	(387,823)	(16,046)	7,071	23,117	(141,905)	871,037	1,012,942
Fund Balances - Beginning	15,790,131	15,790,131		91,726	91,726		918,481	918,481	
Fund Balances - Ending	\$10,484,215	\$10,096,392	(\$387,823)	\$	\$98,797	\$23,117	\$776,576	\$1,789,518	\$1,012,942

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	140,427	132,927						
Interest and penalties									
Investment income	1,200	4,464	3,264	6,000	7,153	1,153	4,400	7,224	2,824
Contributions and donations							162,000	146,567	(15,433)
Intra-governmental sales									
Miscellaneous								6,184	6,184
Total Revenues	8,700	144,891	136,191	6,000	7,153	1,153	166,400	159,975	(6,425)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department	35,219	2,770	32,449	100,000	98,034	1,966			
Fire Department									
Building Department									
Public Works:									
Public Services									
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation							19,364	13,566	5,798
Capital Outlay:									
Capital outlay	24,781	24,576	205				600		600
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	60,000	27,346	32,654	100,000	98,034	1,966	19,964	13,566	6,398
Excess of Revenues over (under) Expenditures	(51,300)	117,545	168,845	(94,000)	(90,881)	3,119	146,436	146,409	(27)
Other Financing Sources (Uses):									
Transfers in									
Transfers out							(27,500)	(11,117)	16,383
Total Other Financing Sources (Uses)							(27,500)	(11,117)	16,383
Net change in fund balances	(51,300)	117,545	168,845	(94,000)	(90,881)	3,119	118,936	135,292	16,356
Fund Balances - Beginning	152,564	152,564		265,601	265,601		191,892	191,892	
Fund Balances - Ending	\$101,264	\$270,109	\$168,845	\$171,601	\$174,720	\$3,119	\$310,828	\$327,184	\$16,356

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	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	318,959	(16,041)						
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income	20,000	4,168	(15,832)		44	44	2,932	8,699	5,767
Contributions and donations				8,000	4,911	(3,089)			
Intra-governmental sales									
Miscellaneous									
Total Revenues	355,000	323,127	(31,873)	8,000	4,955	(3,045)	2,932	8,699	5,767
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department									
Fire Department									
Building Department									
Public Works:									
Public Services	635,000	255,467	379,533						
Community and economic development:									
Community Development				8,000	5,066	2,934			
Other									
Culture and recreation:									
Parks & Recreation									
Capital Outlay:									
Capital outlay									
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	635,000	255,467	379,533	8,000	5,066	2,934			
Excess of Revenues over (under) Expenditures	(280,000)	67,660	347,660		(111)	(111)	2,932	8,699	5,767
Other Financing Sources (Uses):									
Transfers in							287,670	287,670	
Transfers out									
Total Other Financing Sources (Uses)							287,670	287,670	
Net change in fund balances	(280,000)	67,660	347,660		(111)	(111)	2,932	296,369	293,437
Fund Balances - Beginning	1,291,479	1,291,479		5,394	5,394		149,167	149,167	
Fund Balances - Ending	\$1,011,479	\$1,359,139	\$347,660	\$5,394	\$5,283	(\$111)	\$152,099	\$445,536	\$293,437

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	Police & Fire Relief			Cemetery Perpetual Care			Art in Public Places		
	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	1,160	(40)			
Fines and forfeits									
Interest and penalties									
Investment income	25,000	18,783	(6,217)		2,006	2,006	7,211	7,211	
Contributions and donations									
Intra-governmental sales									
Miscellaneous									
Total Revenues	25,000	18,783	(6,217)	1,200	3,166	1,966	7,211	7,211	
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous				5,000	599	4,401			
Public Safety:									
Police Department									
Fire Department									
Building Department									
Public Works:									
Public Services									
Community and economic development:									
Community Development									
Other							320,838	331,614	(10,776)
Culture and recreation:									
Parks & Recreation							41,761	12,644	29,117
Capital Outlay:									
Capital outlay									
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures				5,000	599	4,401	362,599	344,258	18,341
Excess of Revenues over (under) Expenditures	25,000	18,783	(6,217)	(3,800)	2,567	6,367	(362,599)	(337,047)	25,552
Other Financing Sources (Uses):									
Transfers in							451,213	451,230	17
Transfers out									
Total Other Financing Sources (Uses)							451,213	451,230	17
Net change in fund balances	25,000	18,783	(6,217)	(3,800)	2,567	6,367	88,614	114,183	25,569
Fund Balances - Beginning	708,490	708,490		69,167	69,167		1,292,644	1,292,644	
Fund Balances - Ending	\$733,490	\$727,273	(\$6,217)	\$65,367	\$71,734	\$6,367	\$1,381,258	\$1,406,827	\$25,569

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	Alternative Transportation			Michigan Justice Training			Affordable Housing		
	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	59,234	8,372	(50,862)						
Licenses, Permits and Registrations									
Federal grants									
State shared revenues and grants				30,000	24,775	(5,225)			
Charges for services		1,332	1,332						
Fines and forfeits									
Interest and penalties									
Investment income	21,170	22,486	1,316	3,000	2,702	(298)	19,506	17,653	(1,853)
Contributions and donations							15,000	54,293	39,293
Intra-governmental sales									
Miscellaneous							8,300	8,287	(13)
Total Revenues	80,404	32,190	(48,214)	33,000	27,477	(5,523)	42,806	80,233	37,427
Expenditures:									
Current:									
General government:									
Planning	16,685	16,017	668						
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department				50,000	39,993	10,007			
Fire Department									
Building Department									
Public Works:									
Public Services	382,984	382,982	2						
Community and economic development:									
Community Development							502,500	375,027	127,473
Other									
Culture and recreation:									
Parks & Recreation									
Capital Outlay:									
Capital outlay	53,529	53,528	1						
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	453,198	452,527	671	50,000	39,993	10,007	502,500	375,027	127,473
Excess of Revenues over (under) Expenditures	(372,794)	(420,337)	(47,543)	(17,000)	(12,516)	4,484	(459,694)	(294,794)	164,900
Other Financing Sources (Uses):									
Transfers in	447,771	171,528	(276,243)						
Transfers out	(5,040)	(5,040)					(1,420)	(1,420)	
Total Other Financing Sources (Uses)	442,731	166,488	(276,243)				(1,420)	(1,420)	
Net change in fund balances	69,937	(253,849)	(323,786)	(17,000)	(12,516)	4,484	(459,694)	(296,214)	163,480
Fund Balances - Beginning	770,768	770,768		109,010	109,010		653,530	653,530	
Fund Balances - Ending	\$840,705	\$516,919	(\$323,786)	\$92,010	\$96,494	\$4,484	\$193,836	\$357,316	\$163,480

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	Parks Maint & Capital Imp Millage			Local Forfeiture			Community Development 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	\$4,956,068	\$4,967,622	\$11,554	\$	\$	\$	\$	\$	\$
Special assessment/improvement charges									
Licenses, Permits and Registrations									
Federal grants							1,283,272	735,143	(548,129)
State shared revenues and grants									
Charges for services		222	222						
Fines and forfeits					1,000	1,000			
Interest and penalties									
Investment income	87,389	87,935	546	1,200	689	(511)			
Contributions and donations									
Intra-governmental sales									
Miscellaneous		3,928	3,928				19,384	19,385	1
Total Revenues	5,043,457	5,059,707	16,250	1,200	1,689	489	1,302,656	754,528	(548,128)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department				20,000	18,330	1,670			
Fire Department									
Building Department									
Public Works:									
Public Services									
Community and economic development:									
Community Development							1,302,656	754,528	548,128
Other									
Culture and recreation:									
Parks & Recreation	4,443,691	3,778,409	665,282						
Capital Outlay:									
Capital outlay	306,889	289,079	17,810						
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	4,750,580	4,067,488	683,092	20,000	18,330	1,670	1,302,656	754,528	548,128
Excess of Revenues over (under) Expenditures	292,877	992,219	699,342	(18,800)	(16,641)	2,159			
Other Financing Sources (Uses):									
Transfers in									
Transfers out	(7,428)	(7,428)							
Total Other Financing Sources (Uses)	(7,428)	(7,428)							
Net change in fund balances	285,449	984,791	699,342	(18,800)	(16,641)	2,159			
Fund Balances - Beginning	3,442,843	3,442,843		44,038	44,038				
Fund Balances - Ending	\$3,728,292	\$4,427,634	\$699,342	\$25,238	\$27,397	\$2,159	\$	\$	\$

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	Senior Center Endowment			HOME Program			Sidewalk Improvements		
	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				338,173	335,881	(2,292)			
State shared revenues and grants									
Charges for services							254,533	34,425	(220,108)
Fines and forfeits									
Interest and penalties								8,625	8,625
Investment income	7,745	2,667	(5,078)						
Contributions and donations									
Intra-governmental sales									
Miscellaneous									
Total Revenues	7,745	2,667	(5,078)	338,173	335,881	(2,292)	254,533	43,050	(211,483)
Expenditures:									
Current:									
General government:									
Planning									
Clerk/elections									
Environmental Coordination Services									
District Court									
Miscellaneous									
Public Safety:									
Police Department									
Fire Department									
Building Department									
Public Works:							114,814	114,816	(2)
Public Services									
Community and economic development:									
Community Development				338,173	335,881	2,292			
Other									
Culture and recreation:									
Parks & Recreation									
Capital Outlay:									
Capital outlay									
Debt Service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures				338,173	335,881	2,292	114,814	114,816	(2)
Excess of Revenues over (under) Expenditures	7,745	2,667	(5,078)				139,719	(71,766)	(211,485)
Other Financing Sources (Uses):									
Transfers in									
Transfers out	(37,500)	(37,500)							
Total Other Financing Sources (Uses)	(37,500)	(37,500)							
Net change in fund balances	(29,755)	(34,833)	(5,078)				139,719	(71,766)	(211,485)
Fund Balances - Beginning	110,239	110,239					341,205	341,205	
Fund Balances - Ending	\$80,484	\$75,406	(\$5,078)	\$	\$	\$	\$480,924	\$269,439	(\$211,485)

(Continued)

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2011

	Major Grants			General Debt Service			Debt Service		
	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	\$	\$	\$	\$2,144,816	\$2,265,030	\$120,214	\$	\$	\$
Special assessment/Improvement charges								86,871	86,871
Licenses, Permits and Registrations									
Federal grants	1,334,641	913,481	(421,160)						
State shared revenues and grants		98,253	98,253						
Charges for services				3,987,895	2,364,222	(1,623,673)		28,661	28,661
Fines and forfeits									
Interest and penalties							20,000	4,132	(15,868)
Investment income				1,800	8,593	6,793	21,000	37,948	16,948
Contributions and donations									
Intra-governmental sales									
Miscellaneous									
Total Revenues	1,334,641	1,011,734	(322,907)	6,134,511	4,637,845	(1,496,666)	41,000	157,612	116,612
Expenditures:									
Current:									
General government:				18,000	129	17,871			
Planning									
Clerk/elections	3,872		3,872						
Environmental Coordination Services	743,198	642,717	100,481						
District Court	319,493	319,495	(2)						
Miscellaneous									
Public Safety:									
Police Department	5,649	5,649							
Fire Department	90,648	87,943	2,705						
Building Department									
Public Works:									
Public Services	6,776	6,777	(1)						
Community and economic development:									
Community Development									
Other									
Culture and recreation:									
Parks & Recreation	2,269		2,269						
Capital Outlay:									
Capital outlay									
Debt Service:									
Principal retirement				3,900,000	3,290,000	610,000	120,000	120,000	
Interest and fiscal charges				6,417,901	5,281,644	1,136,257	20,685	20,673	12
Total Expenditures	1,171,905	1,062,581	109,324	10,335,901	8,571,773	1,764,128	140,685	140,673	12
Excess of Revenues over (under) Expenditures	162,736	(50,847)	(213,583)	(4,201,390)	(3,933,928)	267,462	(99,685)	16,939	116,624
Other Financing Sources (Uses):									
Transfers in	90,370	71,701	(18,669)	4,259,081	4,108,730	(150,351)			
Transfers out									
Total Other Financing Sources (Uses)	90,370	71,701	(18,669)	4,259,081	4,108,730	(150,351)			
Net change in fund balances	253,106	20,854	(232,252)	57,691	174,802	117,111	(99,685)	16,939	116,624
Fund Balances - Beginning	106,424	106,424		282,833	282,833		1,041,619	1,041,619	
Fund Balances - Ending	\$359,530	\$127,278	(\$232,252)	\$340,524	\$457,635	\$117,111	\$941,934	\$1,058,558	\$116,624

(Concluded)

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011

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ASSETS	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
Current Assets:							
Cash		\$150		\$200	\$5,175		\$5,525
Equity in pooled cash and investments	\$1,464,580	9,030,583	\$4,838,079	2,953,122	4,848,919	\$143,411	23,278,694
Accounts receivable	1,207		9,082	98,842	7,904	21	117,056
Less: allowance for uncollectibles	(700)		(125)	(36,340)	(8,512)	(6)	(45,683)
Due from other funds		10,369			66		10,435
Due from other governmental units					827		827
Prepaid items					1,516,146		1,516,146
Inventory, at cost	400,191	322,415					722,606
Total Current Assets	1,865,278	9,363,517	4,847,036	3,015,824	6,370,525	143,426	25,605,606
Noncurrent Assets:							
Capital assets:							
Land		90,005					90,005
Buildings	90,663	228,934					319,597
Improvements other than buildings		62,407					62,407
Machinery and equipment	58,340	2,423,357	1,767,122	24,999			4,273,818
Vehicles		10,068,827					10,068,827
Intangible assets			1,173,590				1,173,590
Less: Accumulated depreciation	(121,773)	(8,670,517)	(800,502)	(4,792)			(9,597,584)
Construction in progress			382,735				382,735
Total Capital Assets (net of accumulated depreciation)	27,230	4,203,013	2,522,945	20,207			6,773,395
Total Noncurrent Assets	27,230	4,203,013	2,522,945	20,207			6,773,395
TOTAL ASSETS	1,892,508	13,566,530	7,369,981	3,036,031	6,370,525	143,426	32,379,001
LIABILITIES							
Current Liabilities:							
Accounts payable	14,149	182,869	73,501	13,025	715,725	19,433	1,018,702
Estimated claims payable					4,178,482		4,178,482
Accrued liabilities	5,418	40,717	66,013	42,446	10,771	979	166,344
Due to other governments					20,909		20,909
Accrued compensated absences - short term (Note 9)				82,659			82,659
Total Current Liabilities	19,567	223,586	139,514	138,130	4,925,887	20,412	5,467,096
Noncurrent Liabilities:							
Judgement payable	1,812						1,812
Accrued compensated absences	27,951	408,631	287,736	230,929	25,392		980,639
Total Noncurrent Liabilities	29,763	408,631	287,736	230,929	25,392		982,451
TOTAL LIABILITIES	49,330	632,217	427,250	369,059	4,951,279	20,412	6,449,547
NET ASSETS:							
Invested in Capital Assets	27,230	4,203,013	2,522,945	20,207			6,773,395
Unrestricted	1,815,948	8,731,300	4,419,786	2,646,765	1,419,246	123,014	19,156,059
TOTAL NET ASSETS	\$1,843,178	\$12,934,313	\$6,942,731	\$2,666,972	\$1,419,246	\$123,014	\$25,929,454

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
Operating Revenues:							
Charges for services	\$1,299,989	\$6,776,321	\$6,329,928	\$2,603,063	\$27,466,699	\$515,592	\$44,991,592
Total Operating Revenues	1,299,989	6,776,321	6,329,928	2,603,063	27,466,699	515,592	44,991,592
Operating Expenses:							
Personal services	331,447	1,755,591	2,455,218	1,769,579	562,683	36,214	6,910,732
Municipal service charge	29,832	141,816	486,696	134,532	311,256		1,104,132
Information Technology Charges	30,444	74,916	236,292	313,272	13,416		668,340
Materials and supplies	37,044	37,922	628,453	28,372	33,054	49,274	814,119
Utilities	2,805	46,701	134,033	23,987	1,556	226,257	435,339
Insurance	1,884	73,188	2,448	18,312	22,312,100	53,688	22,461,620
Contractual services	50,003	81,771	296,998	3,186	330,544	56,942	819,444
Maintenance	7,656	855,696	1,128,728	28,713	6,368	36,809	2,063,970
Professional fees			103,740	26,811	229,337		359,888
Pension Refund Repayment					3,639,874		3,639,874
Miscellaneous	990	1,748	38,031	37,505	5,484		83,758
Cost of goods sold	687,832	1,074,578					1,762,410
Depreciation and amortization	2,255	1,252,016	235,102	2,500			1,491,873
Total Operating Expenses	1,182,192	5,395,943	5,745,739	2,386,769	27,445,672	459,184	42,615,499
Operating Income	117,797	1,380,378	584,189	216,294	21,027	56,408	2,376,093
Nonoperating Revenues (Expenses):							
Investment income (expense)	39,100	42,785	20,049	22,589	27,271	4,064	155,858
Net gain on retirement of capital assets		128,962					128,962
Total Nonoperating Revenues (Expenses)	39,100	171,747	20,049	22,589	27,271	4,064	284,820
Income (Loss) Before Contributions and Transfers	156,897	1,552,125	604,238	238,883	48,298	60,472	2,660,913
Capital contributions			52,133				52,133
Transfers In				374,603			374,603
Transfers Out	(42,288)	(694,771)	(8,316)	(35,244)	(500,000)		(1,280,619)
Change in Net Assets	114,609	857,354	648,055	578,242	(451,702)	60,472	1,807,030
Net Assets - Beginning	1,728,569	12,076,959	6,294,676	2,088,730	1,870,948	62,542	24,122,424
Net Assets - Ending	\$1,843,178	\$12,934,313	\$6,942,731	\$2,666,972	\$1,419,246	\$123,014	\$25,929,454

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
Cash flow from operating activities:							
Receipts from customers	\$ 1,301,581	\$ 6,779,787	\$ 6,320,971	\$ 2,546,773	\$ 27,470,128	\$ 515,597	\$ 44,934,837
Receipts from interfund services provided	39,349	158,343		11,182	32,283		241,157
Payments to suppliers	(661,893)	(2,610,850)	(3,212,974)	(614,098)	(22,839,349)	(408,881)	(30,348,045)
Payments on behalf of employees	(408,278)	(1,957,385)	(2,577,644)	(1,679,036)	(4,259,316)	(36,082)	(10,917,741)
Payments for interfund services used			(21,898)			(892)	(22,790)
Net cash provided by operating activities	270,759	2,369,895	508,455	264,821	403,746	69,742	3,887,418
Cash flows from noncapital financing activities:							
Transfers in				374,603			374,603
Transfers out	(42,288)	(694,771)	(8,316)	(35,244)	(500,000)		(1,280,619)
Net cash flows provided by (used in) noncapital financing activities	(42,288)	(694,771)	(8,316)	339,359	(500,000)		(906,016)
Cash flows from capital and related financing activities:							
Proceeds from sale of equipment		144,576					144,576
Acquisition of capital assets		(1,642,408)	(994,501)				(2,636,909)
Net cash flows used in capital and related financing activities		(1,497,832)	(994,501)				(2,492,333)
Cash flows from investing activities:							
Interest and dividends on investments	39,100	42,785	20,049	22,589	27,271	4,064	155,858
Net cash flows provided by investing activities	39,100	42,785	20,049	22,589	27,271	4,064	155,858
Net increase (decrease) in cash and cash equivalents	267,571	220,077	(474,313)	626,769	(68,983)	73,806	644,927
Cash and cash equivalents at beginning of the year	1,197,009	8,810,656	5,312,392	2,326,553	4,923,077	69,605	22,639,292
Cash and cash equivalents at end of the year	\$ 1,464,580	\$ 9,030,733	\$ 4,838,079	\$ 2,953,322	\$ 4,854,094	\$ 143,411	\$ 23,284,219

(Continued)

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:							
Operating income	\$ 117,797	\$ 1,380,378	\$ 584,189	\$ 216,294	\$ 21,027	\$ 56,408	\$ 2,376,093
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	2,255	1,252,016	235,102	2,500			1,491,873
(Increase) decrease in assets and increase (decrease) in liabilities:							
Allowance for uncollectible accounts	567		125	31,901	4,256	(1)	36,848
Accounts receivable	1,027	3,466	(9,082)	(88,191)		6	(92,774)
Inventory	214,031	26,424					240,455
Prepaid items					(756,024)		(756,024)
Accounts payable	(27,434)	(248,938)	(157,555)	592	112,809	14,089	(306,437)
Accrued compensated absences	(8,427)	40,775	(31,463)	129,290	(4,221)		125,954
Estimated claims payable					1,026,072		1,026,072
Accrued liabilities	(2,410)	4,029	(37,343)	14,873	1,720	132	(18,999)
Judgement payable	(19,873)	(45,573)					(65,446)
Unfunded OPEB liability	(46,123)	(201,025)	(53,620)	(53,620)	(54,258)		(408,646)
Due to other governments					20,909		20,909
Due from other governments					(827)		(827)
Due to other funds	(3,211)	(68,725)	(21,898)	(2,134)		(892)	(96,860)
Due from other funds	42,560	227,068		13,316	32,283		315,227
Net cash provided by operating activities	\$ 270,759	\$ 2,369,895	\$ 508,455	\$ 264,821	\$ 403,746	\$ 69,742	\$ 3,887,418

(Concluded)

No noncash investing or capital financing activities for fiscal year 2011.

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

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	Employee Benefit Trust Funds		Total
	Employee Retirement System	VEBA Trust Fund	Employee Benefit Trust Funds
ASSETS			
Cash	\$21,362	\$	\$21,362
Equity in pooled cash and investments (Note 2)	173,336	3,575,898	3,749,234
Investments, at fair value (Note 2):			
Short-term investments	14,232,282	4,944,604	19,176,886
U.S. government obligations	22,172,537	17,351,102	39,523,639
Collateralized mortgage obligations	9,825,697		9,825,697
Guaranteed investment contracts	14,751,299		14,751,299
Domestic and foreign corporate bonds	71,415,741	7,712,084	79,127,825
Domestic and foreign stocks	265,907,409	49,300,100	315,207,509
Partnerships & joint ventures	6,059,615		6,059,615
Real estate - direct and funds	12,144,809	3,465,627	15,610,436
Accrued interest and dividends	939,466	200,441	1,139,907
Due from other governments	2,966,755	2,029	2,968,784
Capital assets (net of depreciation of \$54,265)	431,786		431,786
Total Assets	421,042,094	86,551,885	507,593,979
LIABILITIES			
Accounts payable	2,516,812	60,270	2,577,082
Accrued liabilities	38,943		38,943
Accrued compensated absences			
Mortgage payable	339,624		339,624
Due to other funds			
Due to other governments			
Unearned revenue	2,950,189		2,950,189
Total Liabilities	5,845,568	60,270	5,905,838
NET ASSETS			
Invested in capital assets net of related debt	92,162		92,162
Held in Trust for Pension Benefits and Other Purposes	415,104,364	86,491,615	501,595,979
Total net assets	\$415,196,526	\$86,491,615	\$501,688,141

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

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	Agency Funds					Total Agency Funds
	Treasurer's Delinquent Tax	Treasurer's Current Tax	Contractors' Retainage	Fifteenth District Court	Payroll	
ASSETS						
Cash		\$155,856	\$4,135,697	\$108,534		\$4,400,087
Equity in pooled cash & investments	\$137,109	\$97,656			\$397	235,162
Total Assets	\$137,109	\$253,512	\$4,135,697	\$108,534	\$397	\$4,635,249
LIABILITIES						
Due to others		\$253,512	\$4,135,697		\$397	\$4,389,606
Due to other governments	137,109			\$72,008		209,117
Deposits				36,526		36,526
Total Liabilities	\$137,109	\$253,512	\$4,135,697	\$108,534	\$397	\$4,635,249

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

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	Employee Benefit Trust Funds		
	Employee Benefit Retirement System	VEBA Trust Fund	Total Employee Benefit Trust Funds
ADDITIONS			
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments	\$74,019,317	\$17,163,316	\$91,182,633
Interest	4,974,245	807,119	5,781,364
Dividends	2,506,627	689,744	3,196,371
Total investment income (loss)	81,500,189	18,660,179	100,160,368
Less investment expense	1,014,692	352,853	1,367,545
Net investment income (loss)	80,485,497	18,307,326	98,792,823
Contributions:			
Employer	12,301,852	4,839,659	17,141,511
Plan member	2,790,424		2,790,424
Total contributions	15,092,276	4,839,659	19,931,935
Total additions	95,577,773	23,146,985	118,724,758
DEDUCTIONS			
Benefits	27,597,831		27,597,831
Refund of contributions	803,407		803,407
Administrative expense	590,569	22,381	612,950
Total deductions	28,991,807	22,381	29,014,188
Change in net assets	66,585,966	23,124,604	89,710,570
Net assets - Beginning	348,610,560	63,367,011	411,977,571
Net assets - Ending	\$415,196,526	\$86,491,615	\$501,688,141

CITY OF ANN ARBOR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2011

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	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
TREASURER'S DELINQUENT TAX FUND				
ASSETS				
Cash		\$1,200	\$1,200	
Equity in pooled cash and investments	\$112,052	401,501	376,444	\$137,109
Due from other funds		19,947	19,947	
Total Assets	\$112,052	\$422,648	\$397,591	\$137,109
LIABILITIES				
Due to others				
Due to other funds				
Due to other governments	\$112,052	\$1,086,050	\$1,060,993	\$137,109
Total Liabilities	\$112,052	\$1,086,050	\$1,060,993	\$137,109
TREASURER'S CURRENT TAX FUND				
ASSETS				
Cash	\$30,417	\$389,275,197	\$389,149,758	\$155,856
Equity in pooled cash and investments	70,836	163,266,705	163,239,885	97,656
Due from other funds				
Due from other governments				
Total Assets	\$101,253	\$552,541,902	\$552,389,643	\$253,512
LIABILITIES				
Due to others	\$87,168	\$241,030,723	\$240,864,379	\$253,512
Due to other funds		19,948	19,948	
Due to other governments	14,085		14,085	
Total Liabilities	\$101,253	\$241,050,671	\$240,898,412	\$253,512

(Continued)

CITY OF ANN ARBOR
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
CONTRACTORS' RETAINAGE FUND				
ASSETS				
Cash	\$4,688,923	\$720,235	\$1,273,461	\$4,135,697
Equity in pooled cash and investments	78,966	1,312,811	1,391,777	
Total Assets	<u>\$4,767,889</u>	<u>\$2,033,046</u>	<u>\$2,665,238</u>	<u>\$4,135,697</u>
LIABILITIES				
Due to others	<u>\$4,767,889</u>	<u>\$2,337,453</u>	<u>\$2,969,645</u>	<u>\$4,135,697</u>
Total Liabilities	<u>\$4,767,889</u>	<u>\$2,337,453</u>	<u>\$2,969,645</u>	<u>\$4,135,697</u>
FIFTEENTH DISTRICT COURT				
ASSETS				
Cash	<u>\$26,743</u>	<u>\$223,724</u>	<u>\$141,933</u>	<u>\$108,534</u>
LIABILITIES				
Due to other funds				
Due to other governments		72,008		\$72,008
Deposits	<u>26,743</u>	<u>9,783</u>		<u>36,526</u>
Total Liabilities	<u>\$26,743</u>	<u>\$81,791</u>		<u>\$108,534</u>

(Continued)

CITY OF ANN ARBOR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2011

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	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
PAYROLL				
ASSETS				
Cash	\$260	\$25,491,097	\$25,491,357	
Equity in pooled cash and investments		71,850,654	71,850,257	397
Due from other funds		71,067,428	71,067,428	
Total Assets	\$260	\$168,409,179	\$168,409,042	\$397
LIABILITIES				
Due to others	\$260	\$120,436,125	\$120,435,988	\$397
Due to other funds		411,770	411,770	
Total Liabilities	\$260	\$120,847,895	\$120,847,758	\$397
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$4,746,343	\$415,711,453	\$416,057,709	\$4,400,087
Equity in pooled cash and investments	261,854	236,831,671	236,858,363	235,162
Due from others				
Due from other funds		19,947	19,947	
Due from other governments				
Total Assets	\$5,008,197	\$652,563,071	\$652,936,019	\$4,635,249
LIABILITIES				
Due to others	\$4,855,317	\$363,804,301	\$364,270,012	\$4,389,606
Due to other funds		431,718	431,718	
Due to other governments	126,137	1,158,058	1,075,078	209,117
Deposits	26,743	9,783		36,526
Total Liabilities	\$5,008,197	\$365,403,860	\$365,776,808	\$4,635,249

(Concluded)

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, 2011, which collectively comprise the City of Ann Arbor, Michigan's basic financial statements and have issued our report thereon dated December 9, 2011. We did not audit the financial statements of the Ann Arbor Housing Commission (discretely presented component unit) which represents 54 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 whose report thereon has been furnished to us, and our opinion, insofar as they relate to the amounts included for the Ann Arbor Housing Commission, 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 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. In addition, because of inherent limitations in internal control, including possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. 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.

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.

2011-1 USE OF CITY PURCHASING CARDS

Condition: During our analysis of internal controls over the purchasing card process we noted that five of the twenty transactions sampled contained no purchasing card statement listing details of transactions that occurred during the month. The receipts detailing the purchases and the appropriate business purpose pertaining to these statements were also missing. Eight of the twenty sampled lacked approval of the purchase. Credit card payments are made by the City on a monthly basis so the City paid for these transactions without reviewing the statement or any supporting receipts to authorize the purchase and determine that there was a valid 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.

Cause: Purchasing card payments are automatically deducted from the City's bank account on the statement due date. All documentation relating to the charges paid is not being assembled and reviewed prior to the payment being made.

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 purchasing card reviewer, on a timely basis each month, for all purchases made using City purchasing cards.

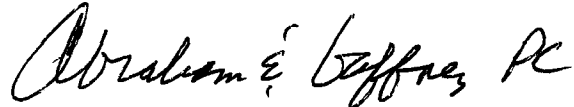
Corrective Action Response: The above comments indicate that all documentation must be received prior to disbursement for payment on the p-cards. Actually the p-card system is not designed to work that way. The p-card program automatically deducts the payment from the city's account at the beginning of the month and by policy the supporting paperwork comes in soon thereafter. Management's review of the transactions listed disclosed that in some instances where documentation was not available in accounting, the records were available in the department. Notwithstanding this, management acknowledges the policy requires documentation to be sent to and retained by the accounting department on a timely basis. Since supporting documentation has been subject to prior comment, the city changed its review in May 2011 so that every statement is reviewed by a single individual who is confirming that all documents and policies are being complied with. A review of this new procedure has indicated that requirements have been being met since May.

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 accompanying schedule of findings. 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 of the City of Ann Arbor, 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.

A handwritten signature in black ink, reading "Abraham & Gaffney PC". The signature is written in a cursive, flowing style.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 9, 2011

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 TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 672,899,397
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	66,772,308
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	15,649,176
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>	<u>\$ 755,320,881</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	\$ 164,731,782
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	17,374,027
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	56,356,293
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>	<u>\$ 238,462,102</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	\$ 837,631,179
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	84,146,335
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	72,005,469
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>	<u>\$ 993,782,983</u>

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

TABLE II

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 14,794,159
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	42,049,504
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	20,468,502
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	3,781,557
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	9,935,578
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	9,362,712
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	5,260,736
Unallocated depreciation	14,840	27,326	41,414	37,375	71,575	55,005	64,861	39,175	141,823	44,331
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>	<u>105,697,079</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	17,338,241
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	14,443,929
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	2,678,011
Market	97,002	121,863	149,660	115,892	124,754	124,636	136,004	145,024	155,993	156,059
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	1,649,866
Airport	639,529	837,252	804,005	860,515	904,514	842,521	728,168	846,383	670,736	744,629
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	3,945,211
Solid Waste				8,086,147	9,876,503	10,322,715	10,881,003	12,131,440	11,770,761	13,724,530
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>	<u>54,680,476</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>	<u>\$ 160,377,555</u>

TABLE II

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 11,729,555
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	8,732,273
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	2,253,632
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	2,623,518
Other - Public Transportation	71,760	76,113	79,541	83,507	86,770	91,589	91,589	98,464	97,513	93,612
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	9,635,060
Capital grants and contributions		893,925	1,806,735	1,213,663	791,100	479,321	336,643	681,800	1,239,229	3,621,001
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>	<u>38,688,651</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	21,160,437
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	21,741,717
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	2,923,214
Market	74,926	80,162	151,244	131,348	125,347	126,979	122,644	115,902	144,591	148,687
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	1,171,776
Airport	703,886	687,558	716,242	830,657	719,842	773,784	793,125	741,339	782,039	847,728
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	7,512,538
Solid Waste				478,493	814,140	729,343	1,543,903	1,049,923	1,517,653	3,136,831
Hydropower	308,471	214,556	261,730							
Capital grants and contributions						668,917	418,430	2,736,217	2,204,638	951,818
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>	<u>59,594,746</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>	<u>\$ 98,283,397</u>

TABLE II

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	\$ (67,008,428)
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	4,914,270
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>	<u>\$ (62,094,158)</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	\$ 58,050,469
Property taxes, levied for designated purpose									7,454,130	7,131,115
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	2,265,030
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	9,582,165
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	2,523,944
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	241,009
Other	452,366	1,104,228	646,593	367,458	194,410	709,786	899,577	375,390	215,199	835,982
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>	<u>80,629,714</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	11,171,676
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	515,730
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)	(241,009)
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>	<u>11,446,397</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>	<u>\$ 92,076,111</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	\$ 13,621,286
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	16,360,667
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>	<u>\$ 29,981,953</u>

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

TABLE III

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 1,128,857	\$ 798,049	\$ 1,346,170	\$ 920,078	\$ 485,868	\$ 270,048	\$ 219,224	\$ 444,744	\$ 199,238	\$
Unreserved	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	
Nonspendable (1)										1,032,509
Assigned (1)										2,024,490
Unassigned (1)										10,525,445
Total General Fund	\$ 7,617,414	\$ 8,557,443	\$ 9,463,514	\$ 10,660,367	\$ 12,448,705	\$ 16,396,461	\$ 19,780,769	\$ 11,355,585	\$ 12,487,616	\$ 13,582,444
All Other Governmental Funds										
Reserved	\$ 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	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	13,724,712	15,260,231	21,486,018	10,799,473	11,709,820		3,622,949	2,401,119	38,031,543	
Information Services projects	321,977									
Debt service funds		1,990,759	1,828,253	1,621,672						
Subsequent year's expenditures	2,527,377	1,963,668								
Undesignated					26,634,034				320,340	
Nonspendable (1)										1,984,000
Restricted (1)										85,121,367
Assigned (1)										2,251,551
Total all other governmental funds	\$ 51,698,330	\$ 60,356,687	\$ 58,028,525	\$ 55,684,378	\$ 106,221,346	\$ 85,247,433	\$ 84,191,631	\$ 110,086,219	\$ 125,022,275	\$ 89,356,918

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

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

TABLE IV

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 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	\$ 67,446,614
Special Assessments/improvement charges	293,355	893,925	714,075	130,872	122,147	119,198	182,302	77,748	54,713	103,790
Licenses, fees & permits	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	6,125,839
Federal grants	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	4,950,416
State shared revenues and grants	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	18,156,777
Charges for services	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	12,642,161
Fines & penalties	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	4,863,239
Interest and penalties	120,128	86,841	95,095	50,227	39,894	36,551	30,472	28,963	515,190	516,159
Investment income	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	1,851,927
Rental	53,363	52,839	109,655	58,482	128,882	185,173	335,642	310,520	404,147	421,742
Contributions and donations	50,176	140,025	398,211	232,206	164,162	171,640	297,087	228,208	260,470	280,971
Sale of property and equipment	15,227	97,668	49,471	18,370	3,470	33,837	15,457	312,501	13,855	45,361
Intra-governmental sales	83,826	47,048	526,340	57,020	157,850	535,049	363,457	188,958	318,696	361,245
Miscellaneous	503,275	1,104,228	646,593	367,458	194,410	709,786	899,577	375,390	316,652	1,181,503
Total Revenues	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	118,947,744
Expenditures										
General government	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	55,299,889
Public Safety	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	43,678,573
Capital outlay	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	46,974,519
Debt service:										
Principal	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	3,410,000
Interest	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	5,302,317
Total expenditures	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	154,665,298
Excess of revenues over (under) expenditures	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)	(35,717,554)
Other Financing Sources (Uses):										
Transfers in	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	7,170,739
Transfers out	(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)	(6,023,714)
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			3,500,000							
Total other financing sources (uses)	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	1,147,025
Net change in fund balances	\$ 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	\$ (34,570,529)
Debt service as a percentage of noncapital expenditures	3.9%	3.4%	4.2%	4.1%	4.3%	6.2%	5.8%	5.7%	6.4%	8.8%

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

Note: For debt service percentage use the capital outlay number from p. 29 instead of the capital outlay listed above.

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
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
2011	4,447,791,127	220,760,700		4,668,551,827	16.8164

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					
	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	Total
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
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	17.6315	1.5500	5.7448	3.6856	45.4283
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	31.0971	1.5500	5.7448	3.6856	58.8939

* Represents millage collected for Ann Arbor Transportation Authority.

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

Source: City of Ann Arbor Financial Services, Assessing Unit

TABLE VII

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

Taxpayer	Type of Business	2011			2002		
		Taxable Value	Rank	Percentage of Total City Assessed Value	Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 38,722,000	1	0.83%	\$ 34,541,936	2	1.01%
Detroit Edison	Utility	33,406,333	2	0.72%	28,750,249	3	0.84%
AMCAP Arborland LLC	Shopping Center	30,999,300	3	0.66%	18,839,028	5	0.55%
HUB Eisenhower Property	Office Building	27,631,600	4	0.59%			
Ann Arbor Campus Housing, LLC	Apartments	27,282,500	5	0.58%			
McMullen Properties LLC	Office Building	20,875,176	6	0.45%			
McKinley Associates	Apartments & Office	18,640,326	7	0.40%	14,651,984	6	0.43%
Windwood Dr Ann Arbor	Apartments	17,250,000	8	0.37%			
Maple Village Shopping	Shopping Center	16,337,300	9	0.35%			
4 Eleven Lofts	Apartments	15,012,700	10	0.32%			
Pfizer	Pharmaceuticals				129,479,500	1	3.78%
Great Lakes Real Estate Investment Trust	Office Building				19,581,081	4	0.57%
Geddes Lakes Cooperative	Co-op Housing				14,213,468	7	0.42%
Michigan Consolidated Gas Co.	Utility				13,302,000	8	0.39%
Comcast	Cable Television				12,879,100	9	0.38%
EQR-Fancap	Apartments				12,462,800	10	0.36%
Total		<u>\$ 246,157,235</u>		<u>5.27%</u>	<u>\$ 298,701,146</u>		<u>8.73%</u>

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 (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amounts	Percentage of Levy
2002	\$ 58,197,089	\$ 57,245,834	98.37%	\$ 832,408	\$ 89,137	\$ 58,167,379	99.95%
2003	61,992,129	60,969,653	98.35%	769,746	153,189	61,892,588	99.84%
2004	64,998,741	63,781,720	98.13%	964,100	134,605	64,880,425	99.82%
2005	68,610,496	67,417,239	98.26%	1,057,616	75,912	68,550,767	99.91%
2006	71,482,832	70,318,467	98.37%	1,015,575	108,203	71,442,245	99.94%
2007	75,429,967	73,974,415	98.07%	1,330,102	118,029	75,422,546	99.99%
2008	80,126,988	78,036,023	97.39%	1,986,130	96,075	80,118,228	99.99%
2009	81,928,011	79,444,679	96.97%	2,377,225	64,885	81,886,789	99.95%
2010	81,663,316	79,228,933	97.02%	2,317,119	55,356	81,601,408	99.92%
2011	78,565,863	76,336,483	97.16%	2,121,932	16,935	78,475,350	99.88%

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

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

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

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			
2002	\$ 17,770	\$ 1,250		\$ 2,730	\$ 876	\$ 33,040	\$ 1,200	\$ 45,855	\$ 896	\$ 3,939	\$ 107,556	0.88%	943
2003	16,180	1,150	4,000	2,335	460	31,505	800	42,210	721	3,269	102,630	0.79%	900
2004	14,515	1,025	3,925	1,930	3,644	29,965	400	75,240	782	2,587	134,013	1.00%	1,175
2005	12,760	895	3,790	1,530	3,548	28,270		71,405	2,260	1,406	125,864	0.92%	1,101
2006	35,575	760	23,900	1,165	3,500	26,555		66,750	2,972	1,061	162,238	1.17%	1,419
2007	33,115	620	23,455	805	3,500	24,710		62,040	5,734	4,962	158,941	1.14%	1,390
2008	30,615	545	22,980	680	3,911	22,900		105,160	6,431	4,610	197,832	1.45%	1,683
2009	55,715	470	22,470	555	3,500	21,190		99,855	6,360	4,105	214,220	1.56%	1,869
2010	102,545	390	21,920	430	3,500	19,410		94,215	9,445	3,955	255,810	1.94%	2,267
2011	99,920	310	21,335	310	3,500	17,515		88,140	12,317	3,800	247,147	1.83%	2,169

Note: For fiscal year 2011 percent of personal income, the divisor used was for 2010 since 2011 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		
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
2011	99,920	310	21,335	121,565	2.60%	1,067.00

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, 2011
(dollars in thousands)
(Unaudited)

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
DIRECT DEBT			
General Obligation Bonds	\$ 100,230		
Ann Arbor Building Authority Bonds	17,515		
Other Long-Term Debt	3,500		
City direct debt	<u>\$ 121,245</u>		
OVERLAPPING DEBT			
Ann Arbor School District	\$ 176,230	61.910%	\$ 109,104
Washtenaw Community College	30,765	33.099%	10,183
Washtenaw County at Large	88,212	32.361%	28,546
Overlapping debt	<u>\$ 295,207</u>		<u>147,833</u>
Total direct & overlapping debt			<u>\$ 269,078</u>

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

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

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

TABLE XII

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value of real and personal property	\$ 5,495,289,700
Debt limit (10% of assessed value)	549,528,970
Debt applicable to limit:	
Net direct debt	121,245,000
Less: Special Assessment bonds (general obligation portion)	<u>(310,000)</u>
Total net debt applicable to limit	<u>120,935,000</u>
Legal debt margin	<u>\$ 428,593,970</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 395,150,765	\$ 437,051,260	\$ 483,540,720	\$ 522,238,970	\$ 563,353,190	\$ 588,230,120	\$ 604,890,062	\$ 607,716,850	\$ 587,631,660	\$ 549,528,970
Total net debt applicable to limit	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	120,935,000
Legal debt margin	<u>\$ 343,524,876</u>	<u>\$ 389,141,408</u>	<u>\$ 435,416,570</u>	<u>\$ 478,294,351</u>	<u>\$ 499,916,994</u>	<u>\$ 531,505,505</u>	<u>\$ 548,165,447</u>	<u>\$ 527,570,232</u>	<u>\$ 462,216,660</u>	<u>\$ 428,593,970</u>
Total net debt applicable to the limit as a percentage of debt limit	13.06%	10.96%	9.95%	8.41%	11.26%	9.64%	9.38%	13.19%	21.34%	22.01%

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

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

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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:							
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	3,870,000	1,890,994	5,760,994	1.4
2011	21,364,070	13,058,877	8,305,193	4,045,000	1,738,552	5,783,552	1.4
Sewage Disposal System:							
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	2,040,000	2,054,391	4,094,391	2.3
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
Stormwater Sewer System (3):							
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. Revenue pledged is covered by Charges for services.
- (2) Excludes depreciation expense.
- (3) 2009 was the final year of debt service for Stormwater bonds.

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

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

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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)
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	13,766,000	39,107	27.3	16.5	17,012	6.3
2009	114,602	13,159,000	38,032	27.3	16.5	16,539	8.3
2010	112,852	13,496,000	39,085	28.1	16.5	16,536	8.1
2011	113,932	N/A	N/A	28.1	16.5	16,440	7.7

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis
http://www.bea.gov/scb/pdf/2010/09%20September/0910_metro.ppt Page 7(135)
<http://research.stlouisfed.org/fred2/series/ANNA426PCPI?rid=139>
 *Note: 2011 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	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Michigan	27,003	1	44.34%	14,996	1	42.96%
Univ. of Mich Hospitals & Health System	19,614	2	32.21%	7,398	2	21.20%
St. Joseph Mercy Health System	5,304	3	8.71%	4,505	3	12.90%
Ann Arbor Public Schools	3,578	4	5.88%	1,851	4	5.30%
Veterans Administration Medical Center	1,600	5	2.63%			
Washtenaw County	1,339	6	2.20%	1,300	6	3.72%
City of Ann Arbor	710	7	1.17%	912	8	2.61%
Borders Group, Inc.	619	8	1.02%	1,800	5	5.16%
Washtenaw Community College	576	9	0.94%			
Domino's Pizza	550	10	0.90%	525	10	1.50%
ProQuest Co.				1,055	7	3.02%
NSK Corp				568	9	1.63%
Total	60,893		100.00%	34,910		100.00%

Source: Business Week (Prime Numbers: Top 100 Employers, January's Edition)
Crain's Business Detroit (Washtenaw County's Largest Employers) January 2002

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Financial Services	67	66	54	49	47	50	51	49	49	48
Community Services	72	73	65	67	56	41	42	35	35	33
Parks & Recreation	32	34	23	18	24	23	21	17	19	20
City Administrator Services	20	20	20	18	16	31	32	29	31	31
Mayor & Council	1	1	1	1	1	1	1	1	1	1
Other	1	1								
Police										
Officers	242	240	236	225	159	159	160	152	152	150
Civilians					67	67	50	30	30	27
Fire										
Firefighters & Officers	114	115	100	102	94	94	94	94	94	89
Public Services										
Project Management	35	35	34	19	17	16	17	15	15	15
Water	32	32	28	24	21	24	26	23	26	26
Wastewater Treatment	45	39	36	35	32	34	35	34	35	35
Field Operations	188	174	155	146	124	128	125	125	135	129
Other	50	50	50	74	103	92	87	93	79	75
15th District Court	40	40	41	41	41	41	41	39	39	37
Retirement System	4	4	4	4	4	4	4	3	4	4
Downtown Development Authority	2	3	3	3	3	3	3	3	3	3
City Attorney	14	14	13	14	14	14	14	14	14	13
Per Budget Book	959	941	863	840	823	822	803	800	761	736

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	2007	2008	2009	2010	2011
Police					
Physical arrests	1,731	1,685	2,000	1,605	2,630
Parking violations	191,563	167,102	157,668	137,271	86,780
Traffic violations	26,459	22,893	23,764	NA	16,729
Fire					
Emergency responses	5,966	5,996	6,045	4,985	5,808
Fire extinguished	316	265	258	226	281
Inspections	1,088	471	21	508	913
Refuse Collection					
Refuse collected (tons per day)	125.00	123.00	92.00	94.00	120.17
Recyclables collected (tons per day)	9.00	10.00	34.00	31.00	30.82
Other Public works					
Street resurfacing (miles)	6.20	4.34	4.92	6.92	4.72
Potholes repaired (tons)	273.00	444.34	423.70	394.60	500.00
Parks and Recreation					
Athletic field permits issued	1,040	814	839	893	1,067
Community center admissions	10,168	10,168	10,500	11,000	11,500
Water					
New connections	27,813	28,193	28,222	28,202	28,266
Water main breaks	104	110	58	85	96
Average daily consumption (millions of gallons)	11.947	12.800	12.675	12.699	13.782
Peak daily consumption (millions of gallons)	22.007	22.510	20.775	17.927	21.415
Wastewater					
Average daily sewage treatment (millions of gallons)	19.085	18.000	18.347	17.745	17.680

Source: Various services areas within City of Ann Arbor

TABLE XVIII

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	4	2	2	2	2	2	2	2	2	2
Patrol units	36	36	37	35	35	34	36	36	35	37
Fire Stations	6	6	5	5	5	5	5	5	5	5
Refuse Collection										
Collection Trucks	18	18	17	16	14	14	18	18	28	27
Other Public works										
Streets (miles)	289.74	289.74	291.46	295.13	295.13	295.13	295.13	295.13	295.13	0
Streetlights	8,685	8,701	8,786	8,858	7,028	7,134	7,134	7,134	7,134	0
Traffic signals	150	150	153	154	154	154	158	158	158	0
Parks and Recreation										
Acreage	2,027	2,027	2,055	2,055	2,056	2,069	2,088	2,088	2,088	2,089
Playgrounds	147	147	153	153	153	78	85	73	73	77
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	22	22	23	23	25	25	25	25	25	24
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	448	440	441	478	481.6	480.5	490.4	484.7	484.7	472.0
Fire hydrants	3,428	3,294	3,345	3,428	3,466	3,510	3,549	3,555	3,555	2,909
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	364	365	395	400.2	401.9	407	404.6	404.6	364.0
Storm sewers (miles)	199.07	271	271	341	359.9	367.8	388.2	412.6	412.6	320.1
Treatment capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	48,000

Source: Various services areas within City of Ann Arbor