CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2008

Issued by:

Financial and Administrative Services-
Accounting Services Unit
100 N. Fifth Avenue
Ann Arbor, Michigan 48107
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CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2008

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CITY OF ANN ARBOR, MICHIGAN

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

December 10, 2008

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, 2008, 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, 2008.

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

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

Profile of the Government

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

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

The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* these financial statements present the City (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

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

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The City maintains some accounting and payroll records for the DDA, whose primary source of funding is from Tax Increment Financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt.

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

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 respectively by the cities of Ann Arbor and Ypsilanti in June 2002. It was established to encourage high tech business investment within the boundaries of the SmartZone, comprising portions of City of Ann Arbor and the City of Ypsilanti, and the funding of the SmartZone through a Local Development Financing Authority. The boundaries for this LDFA are defined as the combined DDA's of the two cities. The governing body consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and three members are appointed by the Ypsilanti City Council. The LDFA operates under bylaws initially approved by Ann Arbor and Ypsilanti City Councils. The LDFA's primary source of funding is from Tax Increment Financing revenues. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA. The City approves the budget and maintains the accounting records for the SmartZone LDFA.

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

FACTORS AFFECTING FINANCIAL CONDITIONS

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

Local Economy

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. As an indication of economic strength, the assessed value of the taxable property (2007) increased by 5.7% over the 2006 valuation. The City receives a portion of the tax revenue generated to assist in funding its operations.

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

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The U.S. Census Bureau identified 115,092 residents in Ann Arbor, representing 35% of the population base in Washtenaw County. The median household income of our citizens is $41,233. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

The City is endowed with several major corporations located within its boundaries such as Borders and Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan that employs 23,016 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

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

Budget Process

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

Long-term Financial Planning

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. Facing legal and political limits on the amount of property taxes that can be levied in Ann Arbor, in 2002, the City Council provided the newly hired administrator with instructions to improve upon the cost reduction steps that began with the 2001-2002 budget cycle. From a high of 1,024 full-time equivalent (FTE) positions approved in the 1999-2000 budget, the current year fiscal plan includes only 803 FTE positions. Timely execution of current plans will have a new Justice Annex to City Hall in place by 2012.

Cash Management Policies and Practices

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

For fiscal year 2008, the accounting return on investments (realized and accrued income and gains plus accretion and amortization of premiums and discounts) on the pooled investment portfolio was 4.17%. The market rate of return (which reflects market adjustments) was 2.25%.

Risk Management

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

Pension and Other Post-employment Benefits

The City provides a defined benefit pension plan and post-employment healthcare benefit plan for all permanent employees. The pension system is administered by a nine member Trustee Board and an Executive Director. The net assets of the defined benefit pension plan on June 30, 2008 were $410,416,696, and the post-employment healthcare plan was $63,792,443. The actuarial valuation, applicable to the defined benefit pension plan, continues to reflect the plan is adequately funded at 99.6%, as of the June 30, 2008 valuation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twenty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,

Roger W. Fraser

Roger W. Fraser,
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ann Arbor
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

President

Executive Director

CITY OF ANN ARBOR, MICHIGAN

John Hieftje, Mayor

Council Members

Ronald Suarez
Joan Lowenstein
Stephen Kunselman
Margie Teall
Mike Anglin
Sabra Briere
Stephen Rapundalo
Leigh Greden
Marcia Higgins
Christopher S. Easthope

CITY ADMINISTRATOR

Roger W. Fraser

CHIEF FINANCIAL OFFICER

Tom Crawford

ACCOUNTING SERVICES MANAGER

Karen M. Lancaster

CITY TREASURER

Matthew V. Horning

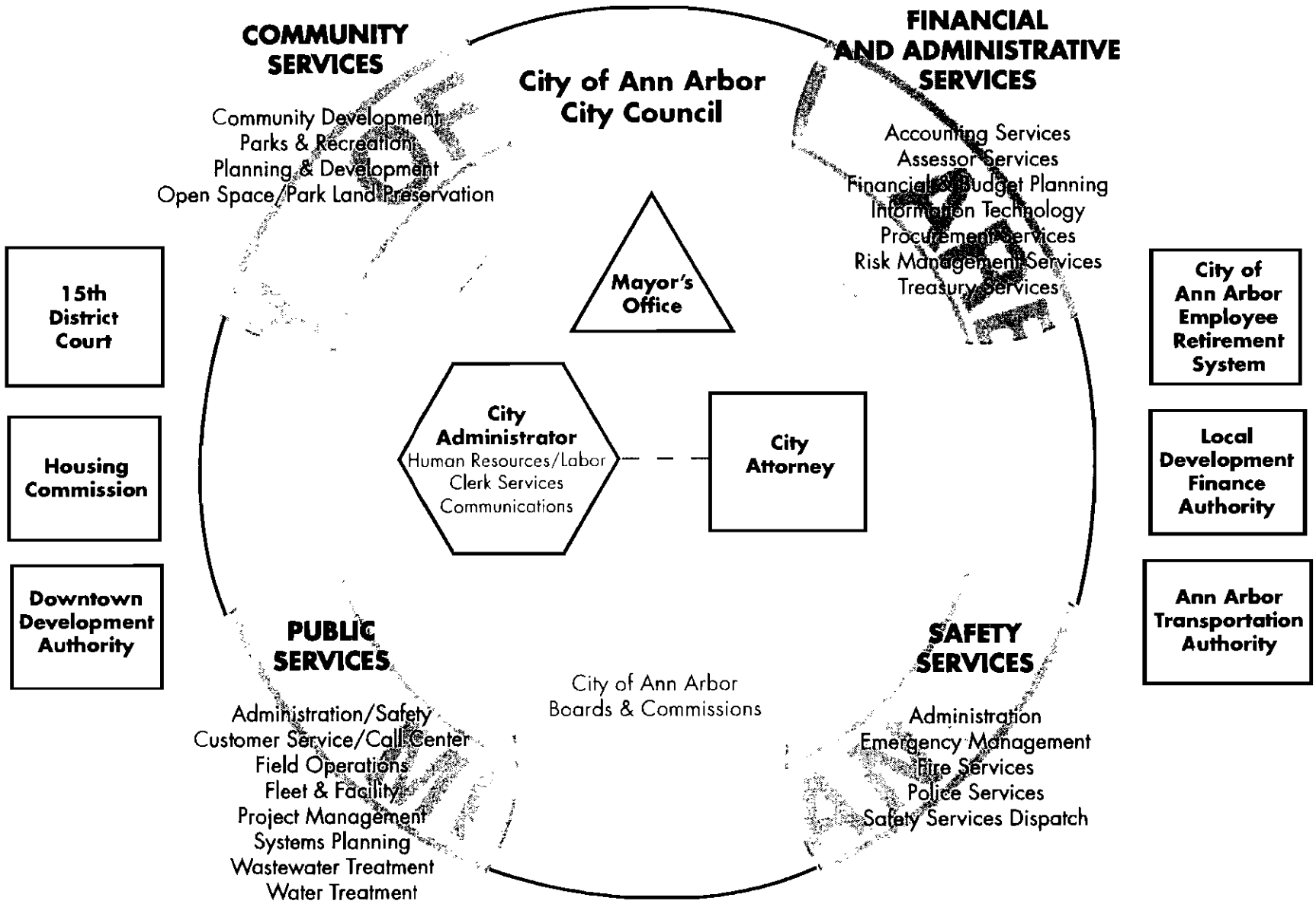
CITY ATTORNEY

Stephen K. Postema

CITY CLERK

Jacqueline Beaudry

CITY OF ANN ARBOR ORGANIZATIONAL CHART



Last updated: 11/2007

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

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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, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of City of Ann Arbor, Michigan, as of and for the year ended June 30, 2008, 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 41% and 44%, respectively, of the total assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of City of Ann Arbor, Michigan, as of June 30, 2008, 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 10, 2008, 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 important for assessing the results of our audit.

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

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

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 10, 2008

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended June 30, 2008 and June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- The City's financial statements are prepared using two different accounting standards resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities and business-type activities. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
    - In total, the assets of the City exceed its liabilities by $929,703,578 at the close of the most recent fiscal year.
        - $703,125,814 is invested in Capital Assets, net of related debt;
        - $94,535,845 is restricted for specific purposes, such as capital projects;
        - $132,041,919 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 $30,524,341 in governmental activities and $101,517,578 in business-type activities.
    - The City's total net assets increased by $30,037,678 during the year, primarily due to increases in capital assets, favorable budget variances, and preservation of assets to reserve for future infrastructure needs.
    - The City's total bonded debt increased by $34,706,282, (new issues less retirements), during the current fiscal year.
- Fund financial statements are comprised of 44 governmental funds and 8 proprietary funds. Governmental funds include the General Fund, Street Repair Millage Fund, Open Space and Parkland Preservation Fund and other special revenue and debt service funds.
    - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $103,972,400. The increase of $2,328,506 in fund balance is primarily due to favorable budget variances.
    - Of the fund balance amount, $87,463,497 is unreserved and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located.
    - The City's major funds, the General Fund ($19,561,545), the Street Repair Millage Fund ($17,042,310) and the Open Space and Parkland Preservation Fund ($17,633,154) account for 62% of this unreserved balance. The remaining amount is represented across the other 41 non-major funds.
    - The General fund recognized an addition to fund balance of $3,384,308. At the end of the current fiscal year, unreserved general fund balance was 25.9% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

- The Statement of Net Assets is the difference between assets and liabilities, which can be used as an indicator of the City's financial health, or position. This statement includes all of the City assets and liabilities.

- The Statement of Activities provides information about the City activities as a whole, as it relates to the City's revenues and expenses. The statement of activities accounts for revenues and expenses when they occur, regardless of when cash is received or paid. This statement indicates whether the City's revenues exceed its expenses, which is another way to monitor the overall health of the City.

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental funds

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

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

The City maintains forty-four 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 Open Space and Parkland Preservation funds. Data from the other forty-one governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds

The City maintains fifteen different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, storm and sanitary sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central stores, fleet services, park services headquarters, information technology, project management, insurance funds and Wheeler Center. Because internal funds benefit predominantly governmental rather then 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 37-82 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 83-92 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 93-123 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial analysis focuses on the net assets and changes in net assets of the City's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by $929,703,578 at June 30, 2008 compared to $899,665,900 at June 30, 2007.

City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Current and other assets	$134,976,496	$132,809,461	$132,529,969	$81,916,748	$267,506,465	$214,726,209
Capital assets	684,426,171	672,365,377	216,184,492	209,334,762	900,610,663	881,700,139
Total assets	819,402,667	805,174,838	348,714,461	291,251,510	1,168,117,128	1,096,426,348
Long-term liabilities outstanding	69,205,901	71,129,487	134,042,359	93,100,378	203,248,260	164,229,865
Other liabilities	17,931,813	17,544,494	17,233,477	14,986,089	35,165,290	32,530,583
Total liabilities	87,137,714	88,673,981	151,275,836	108,086,467	238,413,550	196,760,448
Net assets:						
Invested in capital assets, net of related debt	626,041,914	611,225,989	77,083,900	111,888,472	703,125,814	723,114,461
Restricted	75,698,698	77,770,443	18,837,147	15,291,215	94,535,845	93,061,658
Unrestricted	30,524,341	27,504,425	101,517,578	55,985,356	132,041,919	83,489,781
Total net assets	**$732,264,953**	**$716,500,857**	**$197,438,625**	**$183,165,043**	**$929,703,578**	**$899,665,900**

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, 2008 ($94,535,845) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $132,041,919 may be used to meet the government's ongoing obligations to citizens and creditors. The increase in Restricted Net Assets from $93,061,658 in 2007 to $94,535,845 in 2008 is due to a decrease in Restricted for Capital Projects due to the completion of the construction of the new maintenance facility during fiscal year 2008. This is offset by an increase in Restricted for Debt Service in the business type activities.

Long-term liabilities have increased from 2007 to 2008 due to two new bond sales. The first one for the Water Supply System ($23,375,000) and one for the Sewage Disposal System ($24,550,000). In addition, other liabilities have increased from 2007 to 2008 due to increases in Accounts Payable for a construction project at the Wastewater Treatment Plant and a reclassification of Estimated claims payable to non-current liabilities.

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

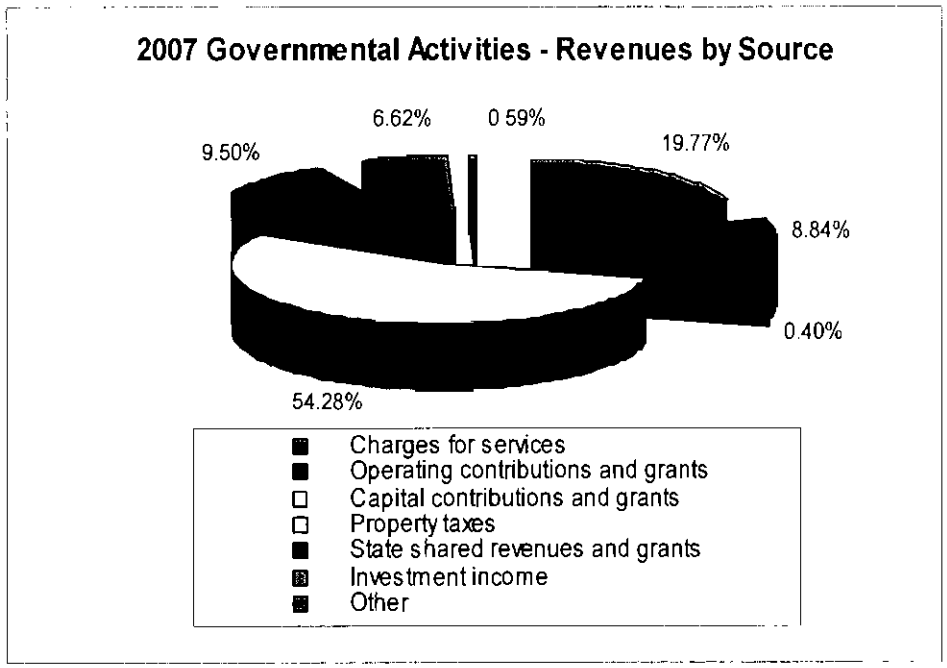
City of Ann Arbor
Changes in Net Assets
Comparative Schedule - Years Ended June 30, 2008 and 2007

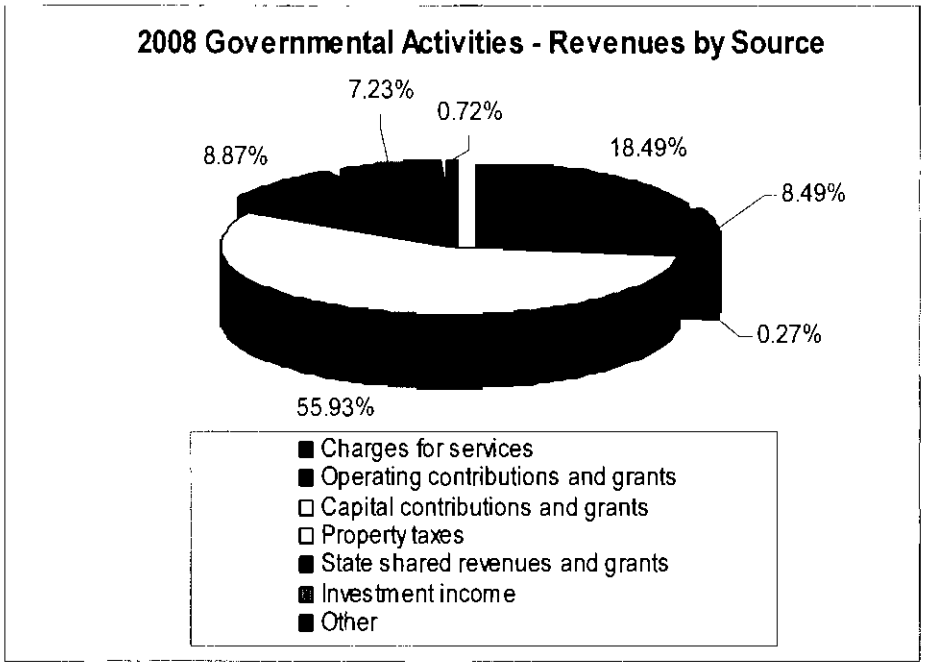
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenue:						
Charges for services	$23,165,858	$23,851,183	$50,534,260	$46,585,969	$73,700,118	$70,437,152
Operating contributions and grants	10,635,661	10,659,938			10,635,661	10,659,938
Capital contributions and grants	336,643	479,321	418,430	668,917	755,073	1,148,238
General revenue:						
Property taxes	70,065,805	65,480,079	11,550,982	10,998,459	81,616,787	76,478,538
State shared revenues and grants	11,116,813	11,464,818			11,116,813	11,464,818
Investment income	9,059,668	7,990,673	4,493,194	3,861,459	13,552,862	11,852,132
Other	899,577	709,786			899,577	709,786
Total revenue	125,280,025	120,635,798	66,996,866	62,114,804	192,276,891	182,750,602
Expenses:						
Governmental activities:						
General government	14,290,184	15,219,894			14,290,184	15,219,894
Public safety	48,004,360	42,368,701			48,004,360	42,368,701
Public works	22,948,985	16,388,169			22,948,985	16,388,169
Community and economic development	5,611,549	5,146,231			5,611,549	5,146,231
Culture and recreation	8,616,049	6,464,261			8,616,049	6,464,261
Other - Public Transportation	9,574,677	9,169,355			9,574,677	9,169,355
Debt service	2,544,828	2,737,333			2,544,828	2,737,333
Unallocated depreciation	64,861	55,005			64,861	55,005
Business-type activities:						
Water			17,876,975	16,943,066	17,876,975	16,943,066
Sewer			13,585,023	15,247,981	13,585,023	15,247,981
Parking			2,963,565	2,902,894	2,963,565	2,902,894
Market			136,004	124,636	136,004	124,636
Golf courses			1,374,434	1,115,341	1,374,434	1,115,341
Airport			728,168	842,521	728,168	842,521
Stormwater			3,038,548	2,622,490	3,038,548	2,622,490
Solid waste			10,881,003	10,322,715	10,881,003	10,322,715
Total expenses	111,655,493	97,548,949	50,583,720	50,121,644	162,239,213	147,670,593
Increase in net assets before transfers	13,624,532	23,086,849	16,413,146	11,993,160	30,037,678	35,080,009
Transfers	2,139,564	(1,276,359)	(2,139,564)	1,276,359		
Increase in net assets	15,764,096	21,810,490	14,273,582	13,269,519	30,037,678	35,080,009
Net assets: beginning of year	716,500,857	694,690,367	183,165,043	169,895,524	899,665,900	864,585,891
Net assets: end of year	**$732,264,953**	**$716,500,857**	**$197,438,625**	**$183,165,043**	**$929,703,578**	**$899,665,900**

The City's net assets increased by $30,037,679 during the current fiscal year and $35,080,009 in the prior fiscal year.

Governmental activities for the City's net assets increased by $15,764,097, accounting for 52% of the total growth in the net assets of the City. During fiscal year 2007, governmental activities increased by $21,810,490 which is 62% of the total growth for fiscal year 2007. Key elements are as follows:

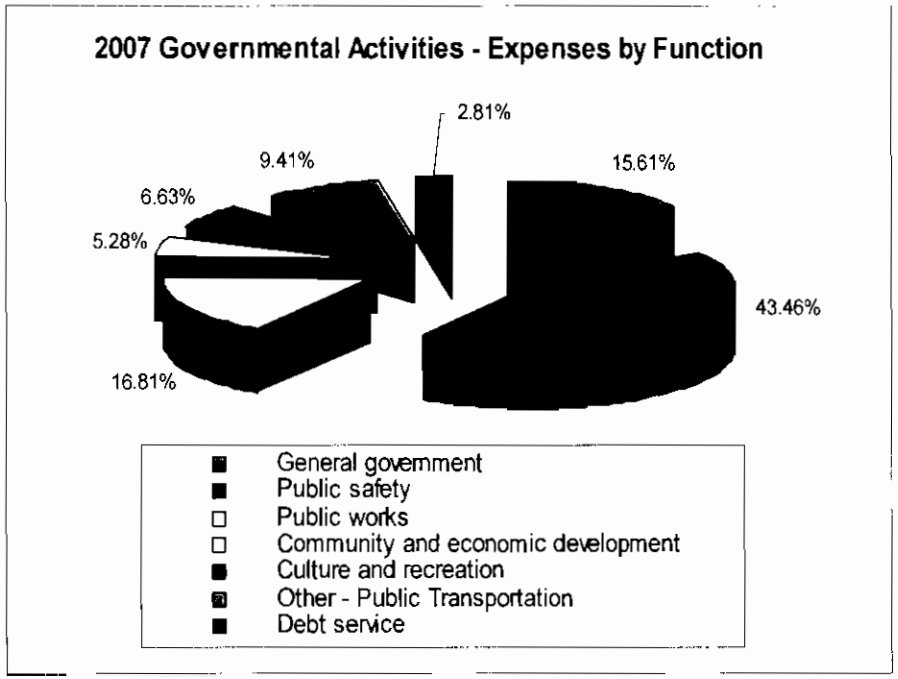
- Property taxes increased by approximately 7.0% in fiscal year 2008 in governmental activities and increased 5.6% in fiscal year 2007. The increase is attributable to increased taxable values and residential growth.
- Investment income increased approximately 13% in fiscal year 2008 due to a more favorable interest rate environment for Federal securities and a larger invested balance. In fiscal year 2007 investment income increased 88% due to a more favorable interest rate environment for Federal securities.
- The increase in Transfers comprised 13% of the increase. Transfers to the Street Repair Millage fund increased due to the nature of funding for the current year projects.

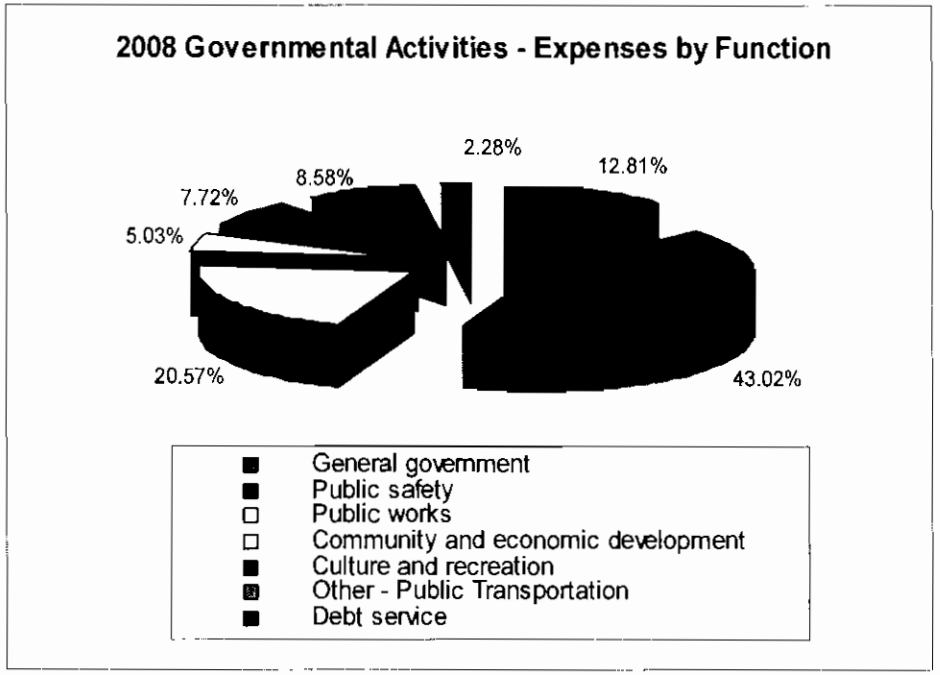




Expenses for governmental activities increased $14,106,543 from 2007 to 2008. Key elements are as follows:

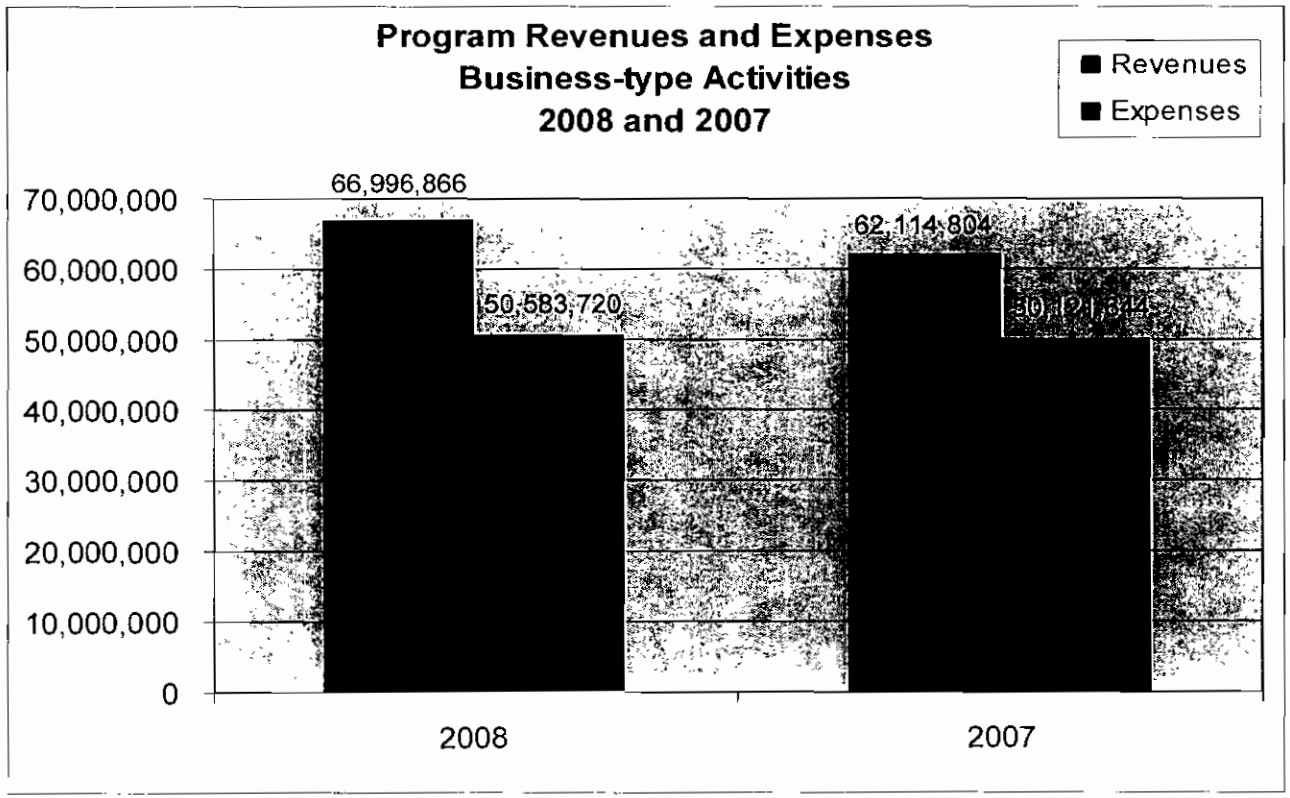
- Expenses for Public Safety increased by approximately $5.6 million due to increased wages and benefits, and accrued compensated absences.
- Expenses for Public Works increased by approximately $6.6 million primarily due to an increase in depreciation expense due to increased infrastructure.
- Expenses for Culture and Recreation increased by approximately $2 million due to increased expenditures due to the new parks millage.





Business-type activities. Business-type activities increased the City's net assets by $14,273,582 for fiscal year 2008 and by $13,269,519 for fiscal year 2007, accounting for 48% and 38% of the total growth in the government's net assets for the current year and prior year, respectively. Key elements of this increase are as follows:

- Charges for services for business-type activities have increased by $3,948,291, or 8.5%, in the current year, primarily due to increased water, sewer and storm billing rates and an increase in solid waste revenues. In fiscal year 2007, charges for services decreased by $207,908, or .4% compared to the prior year.
- Property tax revenue for the solid waste fund increased by $552,523 or 5%, in the current fiscal year.
- Investment income increased $631,735 or 1.6% due to a more favorable interest rate environment and a larger invested balance. In fiscal year 2007, investment income increased $1,683,989 compared to the prior fiscal year due to a more favorable interest rate environment.
- Expenses only increased $462,076, or .92%, in fiscal year 2008 primarily due to preservation of resources in anticipation of future projects. In fiscal year 2007, expenses increased $2,469,873, or 5.2%, primarily due to increased payroll, healthcare and utility costs.



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 $103,972,400 at June 30, 2008 versus $101,643,894 at June 30, 2007, an increase of $2,328,506 in fiscal year 2008 compared to an increase of $17,026,157 in fiscal year 2007. Of that amount, $87,463,497 at June 30, 2008 and $86,590,042 at June 30, 2007 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $19,561,545 at June 30, 2008 versus $16,126,413 at June 30, 2007, while total fund balance was $19,780,769 and $16,396,461 at June 30, 2008 and 2007, respectively. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 26 percent at June 30, 2008 and 22 percent at June 30, 2007 of total general fund expenditures. The fund balance of the City's general fund increased by $3,384,308 during the current fiscal year in comparison to an increase of $3,947,756 during the prior fiscal year. For fiscal year 2008, this is attributable to both cost savings and higher than expected revenues for investment income. For fiscal year 2007, this is attributable to both cost savings and higher than expected revenues for state-shared revenue and investment income.

With respect to other governmental funds, the City added four new special revenue funds at the start of the fiscal year and closed one fund. The new funds are Art in Public Places Fund, 350 S. Fifth Ave. Project Fund, Senior Center Endowment Fund and the Park Maintenance and Capital Improvement Fund. The Art in Public Places Fund is used 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. The 350 S. Fifth Ave. Project Fund is used to account for the funding set aside for the specified project. The Senior Center Endowment Fund is used to account for funds donated to the Senior Center. The Park Maintenance and Capital Improvement Fund is used to account for funds derived from property tax millage earmarked for maintenance and capital improvements of the parks system. This new fund resulted in the closure of the Park Maintenance and Repair Millage Fund.

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 $101,517,578. The water, sewer, market, golf courses, airport, stormwater system and solid waste funds had an increase in net assets for the year of $14,319,137, whereas, the parking system fund had a decrease of $45,555. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 1.7% increase in fiscal year 2008 compared to a 1.1% increase in fiscal year 2007. The General Fund revenues exceeded its expenditures by $3,384,308.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2008 was $900,610,663 compared to $881,700,139 at June 30, 2007 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 2.14% compared to 5.56% in fiscal year 2007. Major capital asset events during the fiscal year 2008 included an increase in land purchases ($10,039,472) and an increase in infrastructure ($8,860,094). There was a significant decrease in the construction work in process and increase in Buildings due to the Maintenance Facility now being put into service and removed from work in process. 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	
	2008	2007	2008	2007	2008	2007
Land	$42,154,033	$32,114,561	$7,374,728	$7,374,728	$49,528,761	$39,489,289
Construction in progress	5,102,875	35,930,150	52,852,666	44,549,684	57,955,541	80,479,834
Buildings	52,896,433	23,192,107	110,835,501	106,659,752	163,731,934	129,851,859
Improvements other than buildings	10,647,259	8,688,866	145,634,165	145,016,039	156,281,424	153,704,905
Machinery and equipment	16,496,541	15,830,450	38,215,872	37,647,916	54,712,413	53,478,366
Vehicles	11,651,865	10,956,830	8,822,252	8,638,347	20,474,117	19,595,177
Infrastructure	683,268,833	674,408,739			683,268,833	674,408,739
Less: accumulated depreciation	(137,791,668)	(128,756,326)	(147,550,692)	(140,551,704)	(285,342,360)	(269,308,030)
Total capital assets net of depreciation	**$684,426,171**	**$672,365,377**	**$216,184,492**	**$209,334,762**	**$900,610,663**	**$881,700,139**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $187,143,474. Of that amount, $92,324,850 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additional information on the City's long-term debt can be found on pages 59-75.

City of Ann Arbor's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital Projects Bonds	$30,458,772	$32,954,947			$30,458,772	$32,954,947
General Obligation Portion of Special Assessment Bonds	542,117	616,813			542,117	616,813
General Obligation Portion of Special Revenue Bonds	22,796,254	27,459,765			22,796,254	27,459,765
Special Assessment Bonds	676,274	800,753			676,274	800,753
Ann Arbor Building Authority Bonds			22,900,000	24,710,000	22,900,000	24,710,000
Other Bonds			4,610,056	4,962,110	4,610,056	4,962,110
Revenue Bonds			105,160,000	62,040,000	105,160,000	62,040,000
Other Long-term Debt	3,910,840	3,500,000	6,430,536	5,734,180	10,341,376	9,234,180
Total outstanding debt	**$58,384,257**	**$65,332,278**	**$139,100,592**	**$97,446,290**	**$197,484,849**	**$162,778,568**

The City's total debt increased by $34,706,282 or 21.32 percent during the fiscal year. The City issued new debt during the year as follows:

New Bonds

- Water Supply System Series 2008-A $23,375,000
- Sewage Disposal System Series 2008-A $24,550,000

The Water Supply System bonds have a Standard & Poor's rating of AA- and a Moody's rating of Aa3. The Sewage Disposal System bonds have a Standard & Poor's rating of AA+ and a Moody's rating of Aa3. These issuances were insured.

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is $473,620,768, 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 2009:

- Property tax revenues are budgeted to increase 2.01 percent in fiscal year 2009.
- Average salary costs were projected to moderately increase, up to 2.5 percent, in fiscal year 2009.
- Healthcare costs were projected to increase 7.2 percent in fiscal year 2009, due to changes in premium costs and claims history.
- Pfizer closed their Global Research and Development site located in the City of Ann Arbor during fiscal year 2007. At this time, the potential financial impact for fiscal year 2009 has been projected to be close to $1 million.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, requests for additional financial information or complete financial statements of the individual Component Units should be addressed to the City of Ann Arbor Financial and Administrative Services-Accounting Services, 100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107-8647.

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2008

	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	$5,371,250	$8,927,032	$14,298,282	$3,570,559		$2,477,588
Cash with fiscal agents		2,003,351	2,003,351			
Equity in pooled cash and investments (Note 2)	109,094,042	70,786,470	179,880,512		$475,242	103,457
Investments, at fair value (Note 2)	11,429,908	40,159,852	51,589,760			12,373,471
Receivables:						
Taxes	369,546	21,492	391,038			5,947
Accounts	1,854,186	10,263,381	12,117,567	19,967		735,373
Special assessments		63,486	63,486			
Accrued interest and dividends	25,929	245,544	271,473			
Improvement charges		85,472	85,472			
Loans	77,649		77,649			
Unbilled district costs	11,626		11,626			
Less: Allowance for uncollectibles	(869,057)	(72,653)	(941,710)	(5,000)		
Internal balances	3,013,429	(3,013,429)				
Due from other governments	2,123,422	224,508	2,347,930	22,572		1,550
Prepaid items	1,213,005	24,874	1,237,879			
Inventory, at cost	793,207	563,351	1,356,558	12,584		
Noncurrent Assets:						
Receivables:						
Special assessments	468,354	704,468	1,172,822			
Improvement charges		569,211	569,211			
Deferred charges		973,559	973,559	112,603		
Capital assets (Note 5):						
Land	42,154,033	7,374,728	49,528,761	844,637		
Buildings	52,896,433	110,835,501	163,731,934	19,288,768		
Improvements other than buildings	10,647,259	145,634,165	156,281,424	31,795		
Machinery, equipment, and vehicles	16,496,541	38,215,872	54,712,413	652,253		
Vehicles	11,651,865	8,822,252	20,474,117			
Infrastructure	683,268,833		683,268,833			
Less: Accumulated depreciation	(137,791,668)	(147,550,892)	(285,342,360)	(13,353,335)		
Construction in progress	5,102,875	52,852,666	57,955,541			
Total Assets	819,402,667	348,714,461	1,168,117,128	11,197,403	475,242	15,697,386

(Continued)

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
June 30, 2008
(Concluded)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Smart Zone Local Development Finance Authority	Downtown Development Authority
LIABILITIES						
Current Liabilities:						
Accounts payable	$6,768,004	$6,169,188	$12,937,192	$42,420	$297,002	$1,432,348
Accrued liabilities	1,593,341	983,391	2,578,732	51,820		
Accrued interest payable	840,920	1,661,566	2,502,486			40,780
Due to other governments	688,822		688,822	133,530		32,774
Deposits	552,865	289,216	842,081	144,673		
Unearned revenue		95,151	95,151	135,695		
Non-current liabilities:						
Due within one year:						
Estimated claims payable (Note 10)	307,021		307,021			
Accrued compensated absences				13,865		
Bonds payable (Note 9)	3,070,000	7,520,056	10,590,056			1,199,944
Special assessment debt with governmental commitment (Note 9)	200,000		200,000			
Other debt payable (note 9)	3,910,840	514,909	4,425,749			
Due in more than one year:						
Estimated claims payable (Note 10)	2,879,196		2,879,196			
Accrued compensated absences (Note 9)	15,123,288	2,976,732	18,100,020			
Bonds payable (Note 9)	50,185,026	125,150,000	175,335,026			1,835,000
Special assessment debt with governmental commitment (Note 9)	1,018,391		1,018,391			
Other debt payable (Note 9)		5,915,627	5,915,627			
Total Liabilities	87,137,714	151,275,836	238,413,550	522,003	297,002	4,540,846
NET ASSETS						
Invested in Capital Assets, net of related debt	628,041,914	77,083,900	703,125,814	7,464,118		
Restricted for:						
Capital Projects	9,820,076	9,440,346	19,260,422			
Debt Service	426,610	9,220,919	9,647,529			
Endowment (non-expendable)	2,221,480		2,221,480			
Highway and streets (Note 17)	34,339,852		34,339,852			
Culture and recreation (Note 17)	23,661,792		23,661,792			
Other purposes (Note 17)	5,228,888		5,228,888	2,470,306		
Landfill		175,882	175,882			
Unrestricted	30,524,341	101,517,578	132,041,919	740,976	178,240	11,156,540
Total Net Assets	$732,264,953	$197,438,625	$929,703,578	$10,675,400	$178,240	$11,156,540

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

CITY OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Ann Arbor Housing Commission	Component Units: Smart Zone Local Development Finance Authority	Component Units: Downtown Development Authority
Primary Government										
Governmental activities										
General government	$ 14,290,184	$ 5,365,601	$	$	$ (8,924,583)	$	$ (8,924,583)	$	$	$
Public safety	48,004,360	13,042,927	269,170		(34,692,263)		(34,692,263)			
Public works	22,948,985	2,104,180	7,587,529		(13,257,276)		(13,257,276)			
Community and economic development	5,811,549		2,778,962		(2,832,567)		(2,832,587)			
Culture and Recreation	8,616,049	2,561,561		336,643	(5,717,845)		(5,717,845)			
Other - Public Transportation	9,574,677	91,589			(9,483,088)		(9,483,088)			
Interest on long-term debt	2,544,828				(2,544,828)		(2,544,826)			
Unallocated depreciation	84,861				(84,861)		(84,861)			
Total governmental activities	111,655,493	23,165,858	10,635,861	336,643	(77,517,331)		(77,517,331)			
Business-type activities:										
Water	17,876,975	20,274,057		97,973		2,495,055	2,495,055			
Sewer	13,585,023	19,493,468		464		5,908,929	5,908,929			
Parking	2,963,565	2,531,021		313,864		(118,680)	(118,680)			
Market	136,004	122,844				(13,360)	(13,360)			
Golf courses	1,374,434	865,113				(509,321)	(509,321)			
Airport	728,168	793,125				64,957	64,957			
Stormwater	3,038,548	4,910,929		8,109		1,878,490	1,878,490			
Solid Waste	10,881,003	1,543,903				(9,337,100)	(9,337,100)			
Total business-type activities	50,583,720	50,534,280		418,430		368,970	368,970			
Total primary government	$ 162,239,213	$ 73,700,118	$ 10,635,861	$ 755,073	(77,517,331)	368,970	(77,148,361)			
Component units:										
Housing Commission	$ 13,928,148	$ 1,033,533	$ 13,657,230	$ 410,486				1,173,103		
Smart Zone Local Development Finance Authority	872,836								(872,836)	
Downtown Development Authority	20,442,845	14,041,743								(6,401,102)
Total component units	$ 35,243,829	$ 15,075,276	$ 13,857,230	$ 410,486				1,173,103	(872,836)	(6,401,102)
General revenues:										
Taxes:										
Property taxes, levied for general purpose					60,510,514	11,550,982	72,061,496		728,730	3,680,612
Property taxes, levied for debt service					9,555,291		9,555,291			
State-shared revenues and grants (unrestricted)					11,116,813		11,116,813			
Investment income					9,059,668	4,493,194	13,552,862	114,062	33,757	919,712
Other					899,577		899,577	1,618		16,733
Total general revenues					91,141,863	16,044,176	107,186,039	115,680	762,487	4,617,057
Transfers					2,139,564	(2,139,584)				
Total general revenues and transfers					93,281,427	13,904,612	107,186,039	115,680	762,487	4,617,057
Change in net assets					15,784,096	14,273,582	30,037,678	1,288,783	(110,349)	(1,784,045)
Net assets at beginning of year					716,500,657	183,165,043	899,665,900	9,386,617	288,589	12,940,585
Net assets at end of year					$ 732,264,953	$ 197,438,625	$ 929,703,578	$ 10,675,400	$ 178,240	$ 11,156,540

The accompanying notes are an integral part of the financial statements

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

ASSETS	General	Street Repair Millage	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$2,682,658	$36,336	$476,302	$1,601,956	$4,797,252
Equity in pooled cash and investments (Note 2)	18,504,478	22,126,142	7,842,064	39,825,337	88,298,021
Investments, at fair value (Note 2)			9,277,712	2,152,196	11,429,908
Receivables:					
Taxes	282,087	35,761	8,799	42,899	369,546
Accounts	852,747	188,130		798,361	1,839,238
Special assessments	30,449	36,782		401,123	468,354
Accrued interest and dividends			206	25,723	25,929
Loans				77,649	77,649
Unbilled district costs				11,626	11,626
Less: Allowance for uncollectibles	(551,847)	(171,112)	(8,758)	(131,780)	(863,497)
Due from other funds (Note 3)	3,127,455	1,909,586	56,622	840,274	5,933,937
Due from other governments	546,024			1,577,398	2,123,422
Inventory, at cost	15,754				15,754
Total Assets	$25,489,805	$24,161,625	$17,652,947	$47,222,762	$114,527,139

CITY OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(Concluded)

	General	Street Repair Millage	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$1,402,904	$928,848	$6,671	$1,277,639	$3,616,062
Accrued liabilities	1,334,259	17,403	102	135,631	1,487,395
Accrued interest payable				92,913	92,913
Due to other funds (Note 3)	1,431,116	463,927	13,020	1,313,688	3,221,751
Due to other governments	688,822				688,822
Deposits	532,865			20,000	552,865
Deferred revenue	319,070	25,967		549,894	894,931
Total Liabilities	5,709,036	1,436,145	19,793	3,389,765	10,554,739
Fund balances:					
Reserved for encumbrances	203,470	5,683,170		7,117,499	13,004,139
Reserved for endowment				2,221,480	2,221,480
Reserved for debt service				1,267,530	1,267,530
Reserved for inventories	15,754				15,754
Unreserved balances:					
Designated for subsequent year's expenditures	2,640,117	100,737		3,965,090	6,705,944
Designated for pay contingency	669,692				669,692
Designated, nonmajor capital projects funds				3,622,949	3,622,949
Undesignated	16,251,736	16,941,573	17,633,154		50,826,463
Undesignated, nonmajor special revenue funds				25,638,449	25,638,449
Total Fund Balances	19,780,769	22,725,480	17,633,154	43,832,997	103,972,400
Total Liabilities and Fund Balances	$25,489,805	$24,161,625	$17,652,947	$47,222,762	$114,527,139

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

CITY OF ANN ARBOR
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund balances of governmental funds	$	103,972,400
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.		809,800,498
Depreciation of capital assets.		(129,442,515)
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		(57,973,417)
Compensated absences		(14,597,394)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(748,007)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.		894,931
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.		20,358,457
Net assets of governmental activities	$	732,264,953

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, 2008

	General	Street Repair Millage	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$51,151,231	$9,359,283	$2,237,489	$7,317,802	$70,065,805
Special assessments/improvement charges				182,302	182,302
Licenses, permits and registrations	1,284,685				1,284,685
Federal grants	3,385		336,643	3,130,802	3,470,830
State shared revenues and grants	11,116,813			7,626,766	18,743,579
Charges for services	7,919,906	145,475		6,162,934	14,228,315
Fines and forfeits	5,555,730			318,699	5,874,429
Interest and penalties				30,472	30,472
Investment income	3,040,655	1,278,877	937,442	2,609,405	7,864,379
Rentals	328,167			7,475	335,642
Contributions and donations		14,421		282,666	297,087
Sale of property and equipment	12,271			3,186	15,457
Intra-governmental sales				363,457	363,457
Miscellaneous	656,471	4,901	2,642	235,563	899,577
Total Revenues	81,069,314	10,800,957	3,514,216	28,271,529	123,656,016
Expenditures:					
Current:					
General government	14,412,438			1,947,873	16,360,311
Public safety	41,675,183			3,327,821	45,003,004
Public works	3,925,832	3,234,817		8,786,028	15,946,677
Community and economic development	2,132,131			3,477,899	5,610,030
Culture and recreation	3,661,760		281,955	4,011,983	7,955,698
Other	9,574,677				9,574,677
Capital outlay		4,983,346	6,519,245	5,158,886	16,661,477
Debt service:					
Principal retirement				3,175,000	3,175,000
Interest and fiscal charges				2,586,455	2,586,455
Total Expenditures	75,382,021	8,218,163	6,801,200	32,471,945	122,873,329
Excess of Revenues over (under) Expenditures	5,687,293	2,582,794	(3,286,984)	(4,200,416)	782,687

CITY OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(Concluded)

	General	Street Repair Millage	Open Space & Parkland Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Transfers in (Note 7)	$356,845	$2,708,646		$5,814,417	$8,879,908
Transfers out (Note 7)	(2,659,830)	(147,577)	($1,189,817)	(3,336,865)	(7,334,089)
Total Other Financing Sources (Uses)	(2,302,985)	2,561,069	(1,189,817)	2,477,552	1,545,819
Net change in fund balances	3,384,308	5,143,863	(4,476,801)	(1,722,864)	2,328,506
Fund Balances - July 1, 2007	16,396,461	17,581,617	22,109,955	45,555,861	101,643,894
Fund Balances - June 30, 2008	$19,780,769	$22,725,480	$17,633,154	$43,832,997	$103,972,400

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, 2008

Net change in fund balances - total governmental funds	$	2,328,506
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.		24,197,824
Depreciation in the current period.		(9,495,549)
Governmental funds report revenue from sale of assets. However, an adjustment is needed to reflect loss on sale of capital assets		(3,226,652)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		3,175,000
Accrued Interest for Debt. This is the net change in accrued interest for the current period.		59,678
Amortization of bond discount is an expense on statement of activities		(9,028)
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.		(1,863,581)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.		(483,410)
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.		1,081,308
Change in net assets of governmental activities	$	15,764,096

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

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business-Type Activities Enterprise Funds									Governmental Activities
ASSETS	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Current Assets:										
Cash	$6,081,339	$2,494,664	$31,175	$3,458	$82,600	$25,826	$191	$207,779	$8,927,032	$573,998
Cash with fiscal agents		2,003,351							2,003,351	
Equity in pooled cash and investments (Note 2)	12,010,928	40,755,031	2,244,032	872,477	68,952	10,020	4,701,882	10,323,148	70,786,470	20,796,021
Investments (Note 2)	10,109,640	30,017,399						32,813	40,159,852	
Receivables:										
Accounts	4,547,881	3,828,998	1,610	11,120	2,720	73,192	1,531,417	266,445	10,263,381	14,946
Special Assessments	16,192	40,892					4,402		63,466	
Improvement charges	22,093	56,699					6,680		85,472	
Taxes receivables								21,492	21,492	
Interest receivable	98,416	147,126							245,544	
Less: Allowance for uncollectibles	(15,225)	(6,133)	(1,610)	(3,560)		(16,787)	(4,410)	(24,948)	(72,653)	(5,560)
Due from other funds (Note 3)	187,148	171,981	125	6,521	2,413	21,636	27,945	361,172	778,941	1,353,733
Due from other governments							224,508		224,508	
Prepaid items							24,874		24,874	1,213,005
Inventory, at cost	466,984	80,762			15,585				563,351	777,453
Total Current Assets	33,527,398	79,590,788	2,275,332	890,016	172,270	113,907	6,517,489	11,167,901	134,075,101	24,723,598
Noncurrent assets:										
Receivables:										
Special Assessments	260,514	422,651					21,303		704,468	
Improvement charges	174,682	358,694					35,835		569,211	
Deferred charges	215,701	469,072	275,258		11,700		1,828		973,559	
Capital assets (Note 5)										
Land	412,830	339,582	4,522,293	84,120	693,739	706,927	15,000	598,237	7,374,728	194,707
Buildings	8,545,828	29,100,631	64,854,598	332,206	506,024	1,871,570		5,624,446	110,835,501	705,708
Improvements other than buildings	81,400,387	53,429,718	523,891	19,700	2,305,074	143,404	7,489,938	342,073	145,634,185	62,407
Machinery and equipment	14,951,941	19,070,867	172,578		726,226	261,306	142,110	2,890,842	38,215,672	3,502,235
Vehicles	799,748	1,348,560			20,694	56,041	430,314	6,186,895	8,622,252	7,952,284
Less Accumulated depreciation	(42,168,814)	(74,401,706)	(18,549,900)	(162,475)	(1,650,301)	(2,149,460)	(1,152,434)	(7,317,582)	(147,550,692)	(8,349,153)
Construction in progress	11,710,592	35,554,873				111,703	230,745	5,244,753	52,852,666	
Total Noncurrent Assets	76,305,387	65,893,142	51,798,718	273,551	2,613,158	1,003,471	7,194,639	13,549,664	216,431,730	4,068,188
Total Assets	109,832,785	145,283,930	54,074,050	963,567	2,785,428	1,117,378	13,712,128	24,737,565	352,506,831	28,791,786

CITY OF ANN ARBOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008
(Concluded)

	Business-Type Activities Enterprise Funds									Governmental Activities
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
LIABILITIES										
Current Liabilities:										
Accounts payable	$2,166,445	$2,408,242		$3,534	$20,331	$85,352	$347,817	$1,137,467	$6,169,186	$3,151,942
Estimated claims payable										307,021
Accrued liabilities	792,750	88,251		2,045	23,239	5,908	20,913	50,285	983,391	105,946
Accrued interest payable	677,472	588,664	$406,495		8,240		695		1,661,566	
Due to other funds (Note 3)	738,836	1,471,403	687,129	2,277	36,743	3,667	650,319	201,976	3,792,370	1,052,490
Deposits	286,603				13	600			289,216	
Unearned revenue				95,151					95,151	
Revenue bonds payable - current portion (Note 9)	3,716,000	1,450,000					145,000		5,305,000	
Ann Arbor Building Authority bonds payable - current portion (Note 9)			1,610,000		100,000				1,710,000	
Other bonds payable - current portion (Note 9)			505,056						505,056	
Other debt-current portion (Note 9)	20,000	195,000			65,473		214,436		514,909	410,840
Total Current Liabilities	8,394,106	6,181,560	3,208,680	103,007	274,039	95,547	1,379,180	1,389,728	21,025,847	5,028,239
Noncurrent Liabilities:										
Revenue bonds - non-current portion (Note 9)	47,580,000	52,275,000							99,855,000	
Ann Arbor Building Authority bonds payable - non-current portion (Note 9)			20,510,000		680,000				21,190,000	
Other bonds payable - non-current portion (Note 9)			4,105,000						4,105,000	
Other long-term debt - non-current portion (Note 9)	362,891	3,519,849					2,032,887		5,915,627	
Accrued compensated absences - non-current portion (Note 9)	1,503,590	729,097		1,417	91,540	102,637	172,644	375,807	2,976,732	525,894
Estimated claims payable										2,879,196
Total Noncurrent Liabilities	49,446,481	56,523,946	24,615,090	1,417	771,540	102,637	2,205,531	375,807	134,042,359	3,405,090
Total Liabilities	57,840,587	82,705,506	27,823,680	104,424	1,045,579	196,184	3,584,711	1,765,535	155,068,206	8,433,329
NET ASSETS										
Invested in Capital Assets, net of related debt	23,981,599	7,002,878	24,793,404	273,551	1,735,985	1,003,471	4,743,350	13,549,664	77,083,900	3,657,348
Restricted for debt service	5,129,000	4,077,419					14,500		9,220,919	
Restricted for equipment replacement	2,203,129	6,468,342					530,523	238,352	9,440,346	
Restricted for landfill								175,882	175,882	
Unrestricted (deficit)	20,676,470	65,029,787	1,456,966	585,592	3,864	(84,277)	4,839,044	9,008,132	101,517,578	16,701,109
TOTAL NET ASSETS	$51,992,198	$82,578,424	$26,250,370	$659,143	$1,739,849	$919,194	$10,127,417	$22,972,030	$197,438,625	$20,358,457

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, 2008

	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	$20,264,990	$19,478,898	$2,647,563	$122,644	$865,113	$793,125	$4,910,929	$1,504,121	$50,587,383	$36,811,957
Miscellaneous revenue										17,055
Total Operating Revenues	20,284,990	19,478,898	2,847,563	122,644	865,113	793,125	4,910,929	1,504,121	50,587,383	36,829,012
Operating Expenses:										
Personal services	6,232,309	5,055,558		61,166	706,274	401,348	839,896	2,908,399	16,204,950	6,387,654
Municipal service charge	535,548	362,688		23,136	113,352	41,292	59,028	192,588	1,327,632	783,504
Information Technology charge	741,108	272,016		11,460	48,840	26,688	100,116	85,968	1,286,196	575,688
Materials and supplies	2,032,944	765,065		4,636	176,397	37,934	120,772	376,498	3,514,246	1,176,883
Utilities	1,527,023	1,123,004		6,884	35,515	59,442	2,255	285,796	3,039,919	440,245
Insurance	216,060	411,852		72	4,218	75,408	2,268	165,904	875,782	21,606,290
Contractual services	583,337	1,397,357		13,483	20,350	11,814	395,094	2,899,771	5,321,206	1,397,751
Maintenance	533,882	334,362		680	47,527	22,904	226,375	2,393,860	3,559,590	1,013,521
Professional fees	257,807	721,881					938,884	281,295	2,199,867	262,661
Rent	231,533								231,533	
Miscellaneous	335,834	127,585	136,657	5,483	8,674	18,674	16,535	115,470	764,912	66,780
Cost of goods sold										2,911,492
Depreciation and amortization	3,308,759	1,830,338	1,613,956	9,004	113,698	32,664	232,743	1,175,454	8,316,616	1,088,129
Total Operating Expenses	16,536,144	12,401,706	1,750,613	138,004	1,274,845	728,168	2,933,966	10,881,003	46,642,449	37,710,598
Operating Income (Loss)	3,728,646	7,077,192	896,950	(13,360)	(409,732)	64,957	1,976,963	(9,376,882)	3,944,934	(881,586)
Nonoperating Revenues (Expenses):										
Interest income	613,997	2,784,912	73,125	40,511	1,383	840	265,790	712,636	4,493,194	1,164,817
Net gain (loss) on retirement of capital assets	9,067	14,570	(116,542)					39,782	(53,123)	99,777
Interest expense and fiscal charges	(1,340,831)	(1,183,317)	(1,212,952)		(99,589)		(104,582)		(3,941,271)	(9,023)
Property taxes								11,550,982	11,550,982	
Total Nonoperating Revenues (Expenses)	(717,767)	1,616,165	(1,256,369)	40,511	(98,206)	840	161,208	12,303,400	12,049,782	1,255,571
Income (Loss) Before Contributions and Transfers	3,011,079	8,693,357	(359,419)	27,151	(507,938)	65,797	2,138,171	2,926,518	15,994,716	373,985
Capital contributions	97,973	484	313,864				6,109		418,430	113,578
Transfers in (Note 7)	1,519,505	55,692			1,647,137			304,247	3,526,581	1,441,023
Transfers out (Note 7)	(657,943)	(2,409,719)				(15,376)	(946,474)	(1,636,633)	(5,666,145)	(847,278)
Changes in Net Assets	3,970,614	6,339,814	(45,555)	27,151	1,139,199	50,421	1,197,806	1,594,132	14,273,582	1,081,308
Net Assets - July 1, 2007	48,021,584	76,238,610	26,295,925	831,992	600,650	868,773	8,929,611	21,377,898	183,165,043	19,277,149
Net Assets - June 30, 2008	$51,992,198	$82,578,424	$26,250,370	$859,143	$1,739,849	$919,194	$10,127,417	$22,972,030	$197,438,625	$20,358,457

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, 2008

	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	$19,959,082	$19,609,635	$2,847,563	$151,106	$864,963	$798,995	$4,080,905	$1,307,079	$49,419,348	$36,832,935
Receipts from interfund services provided	78,658	668,372	406,100				612,879		1,765,809	1,691,975
Payments to suppliers	(7,096,726)	(3,999,610)	(937,466)	(63,286)	(447,054)	(222,446)	(1,815,178)	(6,045,403)	(20,627,171)	(29,485,988)
Payments on behalf of employees	(5,950,510)	(5,125,474)		(64,228)	(658,377)	(399,296)	(1,047,900)	(3,198,127)	(16,443,912)	(6,652,629)
Payments for interfund services used			(125)	(5,253)	(1,072,228)	(19,874)		(374,610)	(1,472,090)	(1,598,971)
Net cash provided by (used in) operating activities	6,990,504	11,152,923	2,116,070	16,339	(1,312,676)	157,379	1,630,506	(8,311,061)	12,641,984	787,322
Cash flows from noncapital financing activities										
Transfers in	1,519,505	55,692			1,647,137			304,247	3,526,581	1,441,023
Transfers out	(657,943)	(2,409,719)				(15,376)	(946,474)	(1,638,633)	(5,666,145)	(847,278)
Interest expense										(3,151)
Property taxes								11,550,982	11,550,982	
Net cash provided by (used in) noncapital financing activities	861,562	(2,354,027)			1,647,137	(15,376)	(946,474)	10,218,596	9,411,418	590,594
Cash flows from capital and related financing activities:										
Proceeds from sales of bonds and notes	23,375,000	25,672,485							49,047,485	
Capital contributions	97,973	464	313,864				6,109		418,430	
Acquisition and construction of capital assets	(7,028,500)	(6,429,145)	(594,339)			(111,703)	(295,730)	(824,184)	(15,283,601)	(1,571,234)
Principal paid on revenue bonds, maturities, capital leases and notes	(3,210,000)	(1,650,000)	(2,062,054)		(116,693)		(354,436)		(7,393,183)	
Interest paid on bonds, notes, and capital leases	(1,163,032)	(1,245,638)	(1,119,847)		(98,789)		(103,476)		(3,750,582)	(5,872)
Proceeds from sale of equipment	9,067	14,570						40,495	84,132	111,288
Net cash provided by (used) in capital and related financing activities	12,060,508	16,382,756	(3,462,176)		(215,482)	(111,703)	(747,533)	(783,689)	23,102,681	(1,465,818)
Cash flows from investing activities										
Purchase of investment securities	(27,204,487)	(66,522,844)						(670)	(93,728,001)	
Sale of investment securities	16,840,817	45,603,862	1,208,744						65,453,443	
Interest and dividends on investments	531,593	2,714,115	76,456	40,511	1,383	840	265,790	712,636	4,343,324	1,164,817
Net cash provided by (used in) investing activities	(6,032,077)	(18,204,647)	1,265,200	40,511	1,363	840	265,790	711,966	(23,931,234)	1,164,817
Net increase (decrease) in cash and cash equivalents	11,680,497	8,956,805	(60,906)	58,850	120,362	31,140	402,289	1,835,812	21,224,849	1,076,915
Cash and cash equivalents at beginning of the year	6,211,770	38,296,241	2,336,113	617,085	31,190	4,706	4,299,784	8,695,115	60,492,004	20,293,104
Cash and cash equivalents at end of the year	$18,092,267	$45,253,046	$2,275,207	$675,935	$151,552	$35,846	$4,702,073	$10,530,927	$81,716,853	$21,370,019

(Continued)

CITY OF ANN ARBOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008
(Concluded)

	Business-Type Activities Enterprise Funds									Governmental Activities
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Net operating income (loss)	$ 3,728,846	$ 7,077,192	$ 896,950	$ (13,360)	$ (409,732)	$ 84,957	$ 1,976,963	$ (9,376,882)	$ 3,944,934	($881,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities.										
Depreciation and amortization	3,308,759	1,830,336	1,613,956	9,004	113,698	32,664	232,743	1,175,454	8,316,616	1,088,129
Allowance for uncollectible accounts	(7,605)	(822)	(7,445)	2,900	(2,163)	(24,116)	(13,346)	(542)	(53,159)	(7,073)
(increase) decrease in assets and increase (decrease) in liabilities										
Accounts receivable	(298,303)	131,558	7,445	(9,900)	2,053	46,860	(816,676)	(196,500)	(1,133,464)	10,996
Due from other funds	(107,561)	(162,949)	(125)	(6,521)	(2,413)	(21,636)	(27,917)	(356,056)	(685,176)	(719,889)
Inventory	(84,486)	(2,096)			(934)				(87,516)	(10,180)
Prepaid items							(20,998)		(20,998)	(669,890)
Accounts payable	(28,725)	1,518,296	(7,027)	2,548	8,753	71,110	67,147	751,747	2,383,849	2,147,933
Notes payable										410,840
Accrued compensated absences	170,381	(36,064)		(3,978)	42,852	5,445	(202,791)	(268,757)	(292,912)	41,583
Estimated claims payable										841,762
Accrued liabilities	111,416	(33,652)		916	5,045	(3,393)	(5,213)	(20,971)	53,950	(306,558)
Due to other funds	186,219	831,321	406,100	1,268	(1,069,815)	1,762	640,596	(18,554)	978,897	(1,158,745)
Due to other governments			(793,784)						(793,784)	
Deposits	11,561					600			12,161	
Unearned revenue				35,462		(16,674)			18,588	
Net cash provided by (used in) operating activities	$ 6,990,504	$ 11,152,923	$ 2,116,070	$ 18,339	$ (1,312,676)	$ 157,379	$ 1,830,506	$ (8,311,061)	$ 12,641,984	$ 787,322

NONCASH CAPITAL FINANCING ACTIVITIES
During this fiscal year, the City's Parking System Fund received noncash capital contributions from the Downtown Development Authority in the amount of $313,864 in the form of additions made towards the construction of Fourth & William parking structure

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

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

	Employees' Benefit Trust Funds	Agency Funds
ASSETS		
Cash	$342,180	$1,527,838
Equity in pooled cash and investments (Note 2)	937,874	66
Investments, at fair value (Note 2)		
Short term investments	7,370,913	
U.S. Government obligations	41,745,855	
Guaranteed investment contracts	13,448,605	
Collateralized Mortgage Obligations		
Domestic corporate bonds	57,797,693	
Domestic stocks	301,990,573	
International stocks		
Municipal bonds	670,129	
Real Estate-Direct & funds	48,882,267	
Accrued interest and dividends	1,195,803	
Due from others		9,722
Due from other governments	2,220,134	
Property, plant & equipment (net of depreciation of $25,622)	2,198	
Total Assets	$476,604,224	$1,537,626
LIABILITIES		
Accounts payable	2,251,015	$1,031,131
Accrued liabilities	131,588	
Accrued compensated absences		
Due to other funds		
Due to other governments	12,482	462,065
Deposits		44,430
Total Liabilities	2,395,085	$1,537,626
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	$474,209,139	

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, 2008

ADDITIONS	Total Employees' Benefit Trust Funds
Investment income:	
Net realized and unrealized appreciation (depreciation) in fair value of investments	($37,139,148)
Interest	7,994,861
Dividends	1,085,814
Total investment income (loss)	(28,058,473)
Less investment expense	(1,549,957)
Net investment income (loss)	(29,608,430)
Contributions:	
Employer	12,139,628
Plan member	2,725,883
Total contributions	14,865,511
Total additions	(14,742,919)
DEDUCTIONS	
Benefits	23,975,916
Refund of contributions	375,562
Administrative expense	633,991
Total deductions	24,985,469
Change in net assets	(39,728,388)
Net assets held in trust for benefits at beginning of year	513,937,527
Net assets held in trust for benefits at end of year	$474,209,139

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, 2008

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 115,092 people within an area of 28.6 square miles. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* (as amended by GASB Statement No. 39), these financial statements present the City (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

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

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The DDA's primary source of funding is Tax Increment Financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid $2 million to the City as part of an agreement between the City and DDA. Also, during the fiscal year the DDA transferred $4.3 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.

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, 2008, assets and a fund balance of $4,502.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds.

Water Supply System - To account for the provision of treated water of the City and some township residents.
Sewage Disposal System - To account for the collection and treatment of the sewage of the City and some township residents.
Parking System - To account for the operations of the City's parking structures, lots and meters.
Market - To account for the costs of operating the City's Farmers' Market.
Golf Courses - To account for the operation of the City's two 18-hole golf courses.
Airport - To account for the operation of the City's airport including the rental of hangars and tie-down space.
Stormwater Sewer System - To account for the collection and disposal of the City's stormwater.
Solid Waste- To account for the collection and disposal of the City's solid waste and recycling.

Other Fund Types.

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. BASIS OF ACCOUNTING

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BASIS OF ACCOUNTING (concluded)

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

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

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

E. ADDITIONAL INFORMATION

Budgetary Accounting Controls. The City Administrator is required by City Charter to prepare and submit an annual budget to City Council. A budget is prepared for the General Fund, Debt Service Funds and Special Revenue Funds. These budgets are prepared on the modified accrual basis and are adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the departmental level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within the General Fund departments. Budgetary control for the Debt Service Funds and Special Revenue Funds is maintained at the fund level. Revisions to a department total of the General Fund or to the fund total of a Special Revenue Fund must be approved by City Council; some supplemental budgetary appropriations, of immaterial size, were necessary during the fiscal year. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Any outstanding encumbrances are carried forward to the succeeding fiscal year. Enterprise, Internal Service, and Pension Trust Funds also have legally adopted budgets. Three Special Revenue Funds, 350 S. Fifth Ave. Project, Senior Center Endowment, and Local Forfeiture funds, do not have a legally adopted budget as the new funds were required at the end of the fiscal year but no expenditures were anticipated until fiscal year 2009.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ADDITIONAL INFORMATION (continued)

Inventories. Inventories of materials and supplies are stated at cost using the first-in, first-out method. The cost is accounted for as an expenditure in governmental funds and an expense in the proprietary funds at the time inventories are used.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair valve 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:

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ADDITIONAL INFORMATION (continued))

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

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

Reserves and Designations. In the fund financial statements, reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use. Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change, and may never be legally authorized or result in expenditures. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. ADDITIONAL INFORMATION (concluded)

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

Property Taxes. Property tax revenue is derived pursuant to a tax increment financing agreement between the SmartZone LDFA and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment-financing district. The City of Ann Arbor bills and collects the taxes on behalf of the SmartZone LDFA. Delinquent taxes on ad valorem real property are purchased by the County of Washtenaw. Property tax revenue is recognized in the year it is levied in both the government-wide financial statements and in the fund financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments." The Consolidated Investment Fund is eliminated for financial reporting purposes. In addition, the cash resources of the Pension Trust Fund and certain other funds are invested separately. The following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances) as of June 30, 2008:

	Cash and Cash with fiscal agents	Equity in pooled cash and investments	Investments
Governmental activities	$5,371,250	$109,094,042	$11,429,908
Business-type activities	10,930,383	70,786,470	40,159,852
Component units	6,048,147	578,699	12,373,471
Fiduciary funds	1,870,018	937,940	471,906,035
Totals	$24,219,798	$181,397,151	$535,869,266

Total Equity in Pooled Cash and Investments	$717,266,417

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

U. S. Government Agencies	$183,637,411
U. S. Treasury Bonds & Notes	59,567,320
Corporate Bonds and Notes	57,797,693
Commercial Paper	21,155,838
Municipal Bonds	670,129
Repurchase Agreements	14,975,867
Guaranteed Investment Contracts	13,448,605
Real Estate Participation Interest	48,882,267
Total	702,125,703
Mutual Funds - unclassified as to risk	15,140,714
Total Investments	$717,266,417

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 $25,963,015 and the bank balance was $22,186,270. Of the bank balance, $123,352 was covered by federal depository insurance. The remaining $22,062,918 was exposed to custodial credit risk as it was uninsured and uncollateralized. The component units, Ann Arbor Housing Commission and Downtown Development Authority, are not included in these figures, nor are the 15th District Court funds as they provide this information in their separately audited financial statements.

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

Investments. Michigan statutes and City policy authorize the City to invest in U.S. Treasury Obligations, Federal Agency Securities, Federal Instrumentality Securities, Repurchase Agreements, Time Certificates of Deposit, Money Market Mutual Funds that limit assets of the fund to securities authorized in M.C.L. 129.91 as legal investments for a public corporation, Eligible Bankers Acceptances, Prime Commercial Paper, Obligations of the State of Michigan or any of its political subdivisions, Investment Pools, and Joint Interlocal Investment Ventures. Pension fund investment policy is governed by the Pension Trustees and makes additional allowances for investments in equities, long-term securities and other securities of relatively higher risk.

Custodial Credit Risk for Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2008, 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Credit Risk. The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. In addition to the restrictions placed on the City by Public Act 20 of 1943, the City's investment policy further requires that banks in which the City invests public funds must have maintained an average Highline Banking Data Services Rating of 30 or better for the four most recent reporting quarters. Securities purchased by the City always conform to the rating requirements set forth in Public Act 20. As of June 30, 2008, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated at least A-1 by Standard & Poor's and P1 by Moody's. The City also held investments in U.S. treasuries and money market mutual funds, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2008, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U. S. Treasury Bonds & Notes		23.49%
U. S. Government Agencies	Federal Home Loan Bank	24.15%
	Federal Home Loan Mortgage Corporation	12.50%
	Federal National Mortgage Association	14.73%
	Federal Farm Credit Bank	16.82%
Commercial Paper	ING Funding	2.99%
Cash and Cash Equivalents		5.32%

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, 2008, maturities of the City's debt securities were as follows:

	City Investments	
	Fair Value	Weighted Average Maturity
U. S. Government Agencies	$143,901,060	0.34 - 4.89 years
U. S. Treasury Bonds & Notes	46,557,524	0.09 - 2.78 years
Commercial Paper	21,155,838	0.02 - 0.31 years
Repurchase Agreements	14,975,867	N/A
Total	226,590,289	
Mutual Funds - unclassified as to risk	6,396,622	
Total Investments	$232,986,911	

Of the above balances, $92,523,135 of U.S. agencies securities were callable.

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, 2008

U. S. Government Agencies	$28,736,059
U. S. Treasury Bonds & Notes	13,009,796
Corporate Bonds and Notes	57,797,693
Municipal Bonds	670,129
Stocks - Common	301,990,573
Guaranteed Investment Contracts	13,448,605
Real Estate	48,882,267
Total	464,535,122
Mutual Funds - unclassified as to risk	7,370,913
Total Investments	$471,906,035

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, 2008 the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

Pension Investments	
AAA	$1,291,443
AA	4,207,976
A	15,126,027
BBB	6,391,073
BB	3,169,787
B	2,041,041
D	10,000
Not rated	4,562,956
	$36,800,303

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, 2008, maturities of the System's debt securities were as follows:

	Fair Value	**Weighted Average Maturity (in years)**
U.S. treasuries	$13,009,796	1.30
U.S. agencies	28,736,059	8.32
Municipal bonds	670,129	0.02
Corporate bonds	35,405,992	2.84
Domestic corporate securities	1,394,311	0.49
Total debt securities	$79,216,287	
Portfolio weighted average maturity		12.97

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, $492,427 of the DDA's bank balance of $592,427 was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investment. Following is a summary of the DDA's investments as of June 30, 2008:

U. S. Government Agencies	$11,000,292
Uncategorized pooled investments	3,777,714
Total Investments	$14,778,006

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the DDA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the DDA does not have a policy for investment custodial credit risk. $3,777,714, of the investments listed above are unclassified as to custodial credit risk as the invested amount is part of an investment pool. $11,000,292 of the investments above are uninsured and unregistered, with securities held by the agent in the Authority's name.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. For the U.S. Government Agencies investments, the total amount of $11,000,292 has a maturity of one to seven years. None of the other investments are subject to investment rate risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2008, all of the investments in U.S. Government Agencies were rated Aaa by Moody's.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The DDA does not have an investment policy that limits concentration of credit risk. All investments held at year- end are reported above. At June 30, 2008, 74% of the DDA's investments were concentrated in U.S. Government Agencies.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due To Other Funds
General Fund	$3,127,455	$1,431,116
Other Major Funds:		
Street Repair Millage	1,909,586	463,927
Open Space & Parkland Preservation	56,622	13,020
Total other major funds	1,966,208	476,947
Non Major Funds:		
Special Revenue Funds	724,307	1,053,872
Debt Service Funds	114,310	253,831
Capital Projects Funds	760	939
Permanent Fund	897	5,046
Total non major funds	840,274	1,313,688
Enterprise Funds:		
Water Supply System	187,148	738,836
Sewage Disposal System	171,981	1,471,403
Parking System	125	687,129
Market	6,521	2,277
Golf Courses	2,413	36,743
Airport	21,636	3,687
Stormwater Sewer System	27,945	650,319
Solid Waste	361,172	201,976
Total enterprise funds	778,941	3,792,370
Internal Service Funds	1,353,733	1,052,490
Total	$8,066,611	$8,066,611

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, 2007, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills. Other tax rates are as follows: Employee Benefits (2.0560), Refuse Collection (2.4670), Ann Arbor Transportation Authority (2.0560), Street Repair (1.9944), Parks Maintenance & Repair (1.0969), Open Space and Parkland Preservation Millage (0.4779), and Debt Service (0.4661). Real and personal property located in the City as of December 31, 2006 were assessed and equalized at $6,145,712,020, 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 2007 taxable value on February 29, 2008 was $4,726,123,530. Property taxes are due July 31st of each year and any delinquent real property taxes are turned over to Washtenaw County for collection the following March 1st. The County pays municipalities from a revolving fund for delinquent real property taxes. Delinquent personal property taxes are negligible.

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Governmental Activities				
Non-Depreciable Assets:				
Land	$32,114,561	$10,039,472		$42,154,033
Construction in progress	35,930,150	4,238,961	($35,066,236)	5,102,875
Depreciable Assets:				
Buildings	23,192,107	33,204,326	(3,500,000)	52,896,433
Improvements other than buildings	8,688,866	1,958,393		10,647,259
Machinery and equipment	15,830,450	898,305	(232,214)	16,496,541
Vehicles	10,956,830	1,249,482	(554,447)	11,651,865
Infrastructure	674,408,739	9,359,933	(499,839)	683,268,833
Total at historical cost	801,121,703	60,948,872	(39,852,736)	822,217,839
Less accumulated depreciation for:				
Buildings	(9,714,885)	(466,539)	309,688	(9,871,736)
Improvements other than buildings	(5,172,477)	(178,798)		(5,351,275)
Machinery and equipment	(11,266,412)	(1,047,798)	317,727	(11,996,483)
Vehicles	(8,542,991)	(940,035)	435,430	(9,047,596)
Infrastructure	(94,059,561)	(7,942,954)	477,937	(101,524,578)
Total accumulated depreciation	(128,756,326)	(10,576,124)	1,540,782	(137,791,668)
Governmental activities capital assets, net	$672,365,377	$50,372,748	($38,311,954)	$684,426,171

5. CHANGES IN CAPITAL ASSETS (Concluded)

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Business-type Activities				
Non-Depreciable Assets:				
Land	$7,374,728			$7,374,728
Construction in progress	44,549,684	$13,405,706	($5,102,724)	52,852,666
Depreciable Assets:				
Buildings	106,659,752	5,053,780	(878,031)	110,835,501
Improvements other than buildings	145,016,039	618,126		145,634,165
Machinery and equipment	37,647,916	661,392	(93,436)	38,215,872
Vehicles	8,638,347	647,321	(463,416)	8,822,252
Total at historical cost	349,886,466	20,386,325	(6,537,607)	363,735,184
Less accumulated depreciation for:				
Buildings	(45,689,752)	(2,612,055)	752,841	(47,548,966)
Improvements other than buildings	(61,351,173)	(2,467,036)		(63,818,209)
Machinery and equipment	(27,542,956)	(2,221,624)	83,030	(29,681,550)
Vehicles	(5,967,823)	(997,560)	463,416	(6,501,967)
Total accumulated depreciation	(140,551,704)	(8,298,275)	1,299,287	(147,550,692)
Business-type activities capital assets, net	$209,334,762	$12,088,050	($5,238,320)	$216,184,492

Depreciation expense was charged to governmental functions as follows:

General government	$443,124
Public safety	774,889
Public works	8,698,042
Culture and Recreation	660,069
	$10,576,124

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 2012. 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 2008 was $778,830. The following is a table of future minimum noncancellable lease payments by the City:

2009	$823,318
2010	456,000
2011	456,000
2012	228,000
Total	$1,963,318

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 2008 was $331,495. The total revenue includes $293,012 for cell towers, $17,815 for office space, and $20,668 for airport hangers. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2009	$343,108
2010	342,728
2011	348,291
2012	270,949
2013	239,163
2014-2018	1,063,808
2019-2023	214,561
Total	$2,822,608

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.

6. LEASES (Concluded)

Capital Lease Obligations Payable. The City has entered into certain lease agreements as lessee for financing the purchase of (primarily) various types of equipment, as well as several drain construction projects. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases as of June 30, 2008:

Asset Type	Governmental Activities Assets	Enterprise Fund
Equipment	$457,600	$195,977
Drains		3,016,913
	457,600	3,212,890
Less: Accumulated Depreciation		(229,052)
Net book value	$457,600	$2,983,838

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, 2008:

Year Ended June 30	Internal Service Fund	Enterprise Fund
2009	$424,480	$352,485
2010		263,228
2011		256,802
2012		158,349
2013		159,912
2014-2018		678,202
2019-2023		510,340
2024-2028		303,201
Total minimum lease payments	424,480	2,682,519
Less: amount representing interest	(13,640)	(349,723)
Present value of future minimum lease payments	$410,840	$2,332,796

7. TRANSFERS

A reconciliation of the interfund transfers is as follows:

	Transfers In	Transfers Out
General Fund	$356,845	$2,659,830
Street Repair Millage	2,708,646	147,577
Open Space & Parkland Preservation		1,189,817
Nonmajor governmental funds	5,814,417	3,336,865
Water Supply System	1,519,505	657,943
Sewage Disposal System	55,692	2,409,719
Golf Courses	1,647,137	
Airport		15,376
Stormwater System		946,474
Solid Waste	304,247	1,636,633
Internal Service Funds	1,441,023	847,278
Total Transfers	$13,847,512	$13,847,512

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.

8. CONTINGENT LIABILITIES

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

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

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

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

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, 2008:

	Governmental Activities						Governmental Activities	
	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	Accrued Compensated Absences	Total Governmental Activities Debt
Bonds and other debt payable at July 1, 2007	$32,954,947	$616,813	$23,266,875	$800,753	$3,500,000	$61,139,388	$14,186,299	$75,325,687
Debt issued and other increases:								
Debt issued/accrued					451,200	451,200	5,801,279	6,252,479
Amortization of bond discounts	3,825	304	4,379	521		9,029		9,029
Debt retired and other decreases:								
Decrease in accrued compensated absences							(4,864,290)	(4,864,290)
Bond discounts								
Debt retired	(2,500,000)	(75,000)	(475,000)	(125,000)	(40,360)	(3,215,360)		(3,215,360)
Bonds and other debt payable at June 30, 2008	$30,458,772	$542,117	$22,796,254	$676,274	$3,910,840	$58,384,257	$15,123,288	$73,507,545
Balance due within one year	$2,560,000	$75,000	$510,000	$125,000	$3,910,840	$7,180,840		$7,180,840

(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, 2008:

	Business-Type Activities						Component Unit
	Ann Arbor Building Authority Bonds	Revenue Bonds	Other Long-Term Debt	Other Bonds	Accrued Compensated Absences	Total Proprietary Fund Type Debt	Downtown Development Authority Bonds
Bonds and other debt payable at July 1, 2007	$24,710,000	$62,040,000	$5,734,180	$4,962,110	$3,269,644	$100,715,934	$4,192,890
Debt issued and other increases:							
Debt issued/accrued		47,925,000	1,122,485		723,952	49,771,437	
Debt retired and other decreases:							
Decrease in accrued compensated absences					(1,016,864)	(1,016,864)	
Debt refunded							
Debt retired	(1,810,000)	(4,805,000)	(426,129)	(352,054)		(7,393,183)	(1,157,946)
Bonds and other debt payable at June 30, 2008	$22,900,000	$105,160,000	$6,430,536	$4,610,056	$2,976,732	$142,077,324	$3,034,944
Balance due within one year	$1,710,000	$5,305,000	$514,909	$505,056		$8,034,965	$1,199,944

(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 ($51,290,000) in bond principal at June 30, 2008; Sewage Disposal System ($53,725,000) and Stormwater Disposal System ($145,000). Other Long-Term Debt includes various long-term obligations (notes and contracts) paid from general operations and other sources. During fiscal year 2008, the City did not receive additional funds from the Michigan Municipal Bond Authority (MMBA) from the Drinking Water Revolving Fund. At June 30, 2008, the outstanding balance was $382,891. During fiscal year 2008, the City received an additional $1,122,485 from the MMBA from the Strategic Water Quality Initiatives Fund. At June 30, 2008, the outstanding balance was $3,714,849. Revenue bonds are collateralized by the revenues of the related funds.

Other Bonds will be serviced from the revenues of the Downtown Development Authority for the Parking System ($4,610,056). Various limitations and restrictions are contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

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

In fiscal years 2005 and 2006, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. This advance refunding met the requirements of an in-substance debt defeasance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balances of the defeased bonds outstanding at June 30, 2008 are as follows:

1999 Ann Arbor Building Authority Bonds	$6,550,000
2000 Ann Arbor Building Authority Bonds	$6,700,000
Water Supply System Revenue Bonds Series U	$1,825,000
Water Supply System Revenue Bonds Series V	$3,000,000

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

Below is a summary of general long-term debt (with various issue dates) and annual debt service requirements as of June 30, 2008:

	Governmental Activities Debt												
	General Obligation Portion												
FY	Capital Projects Bonds		Special Assessment Bonds		Special Revenue Bonds		Special Assessment Bonds		Other Debt		Total Governmental Activities Debt		
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	$2,560,000	$1,321,820	$75,000	$26,190	$510,000	$960,795	$125,000	$31,930	$3,910,840	$81,901	$7,180,840	$2,422,636	$9,603,476
2010	2,590,000	1,211,507	80,000	22,725	550,000	941,035	125,000	25,945			3,345,000	2,201,212	5,546,212
2011	2,625,000	1,101,556	80,000	18,925	585,000	919,360	120,000	19,960			3,410,000	2,059,801	5,469,801
2012	1,315,000	1,017,105	80,000	15,075	625,000	895,905	90,000	14,893			2,110,000	1,942,978	4,052,978
2013	1,345,000	958,255	80,000	11,175	650,000	871,216	80,000	10,617			2,155,000	1,851,263	4,006,263
2014	750,000	913,832	80,000	7,225	685,000	845,366	80,000	6,710			1,595,000	1,773,133	3,368,133
2015	785,000	883,830	20,000	3,225	720,000	817,914	25,000	2,750			1,550,000	1,707,719	3,257,719
2016	820,000	852,432	25,000	2,325	755,000	788,835	20,000	1,625			1,620,000	1,645,217	3,265,217
2017	860,000	819,630	25,000	1,175	795,000	757,953	15,000	705			1,695,000	1,579,463	3,274,463
2018	895,000	785,232			835,000	725,200					1,730,000	1,510,432	3,240,432
2019	935,000	748,312			875,000	690,605					1,810,000	1,438,917	3,248,917
2020	980,000	708,575			915,000	653,534					1,895,000	1,362,109	3,257,109
2021	1,025,000	664,475			965,000	614,176					1,990,000	1,278,651	3,268,651
2022	1,070,000	618,350			1,010,000	572,470					2,080,000	1,190,820	3,270,820
2023	1,115,000	570,200			1,060,000	527,888					2,175,000	1,098,088	3,273,088
2024	1,165,000	520,025			800,000	481,938					1,965,000	1,001,963	2,966,963
2025	1,220,000	467,600			840,000	446,663					2,060,000	914,263	2,974,263
2026	1,275,000	412,700			885,000	408,698					2,160,000	821,398	2,981,398
2027	1,330,000	354,050			930,000	368,503					2,260,000	722,553	2,982,553
2028	1,390,000	292,538			975,000	326,339					2,365,000	618,877	2,983,877
2029	1,455,000	228,250			1,030,000	280,913					2,485,000	509,163	2,994,163
2030	1,520,000	155,500			1,080,000	232,875					2,600,000	388,375	2,988,375
2031	1,590,000	79,500			1,135,000	182,419					2,725,000	261,919	2,986,919
2032					1,195,000	129,319					1,195,000	129,319	1,324,319
2033					1,255,000	73,519					1,255,000	73,519	1,328,519
2034					1,320,000	14,850					1,320,000	14,850	1,334,850
	$30,615,000	$15,685,274	$545,000	$108,040	$22,980,000	$14,528,288	$680,000	$115,135	$3,910,840	$81,901	$58,730,840	$30,518,638	$89,249,478
Interest Ranges		4.00 - 5.50%		3.85- 5.20%		3.00 - 4.50%		3.85 - 5.70%		3.89 - 4.72%		2.75 - 5.70%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

Below is a summary of general long-term debt (with various issue dates) and annual debt service requirements as of June 30, 2008:

	Enterprise Funds											Component Units		
	Ann Arbor Building Authority Bonds		Water, Sewer & Storm Revenue Bonds		Other Debt		Other Bonds		Total Enterprise Debt			Downtown Development Authority		
FY Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
2009	$1,710,000	$1,021,862	$5,305,000	$3,775,738	$299,909	$52,575	$505,056	$176,900	$7,819,965	$5,027,075	$12,847,040	$1,199,944	$107,213	$1,307,157
2010	1,790,000	942,261	5,640,000	3,945,385	218,390	44,839	150,000	166,544	7,798,390	5,099,029	12,897,419	575,000	72,825	647,825
2011	1,870,000	864,322	6,075,000	3,728,630	218,390	38,412	155,000	160,544	8,318,390	4,791,908	13,110,298	610,000	50,400	660,400
2012	1,945,000	787,628	6,160,000	3,513,583	126,442	31,907	165,000	154,344	8,396,442	4,487,442	12,883,884	650,000	26,000	676,000
2013	2,025,000	702,591	6,350,000	3,290,755	131,178	28,734	170,000	147,744	8,676,178	4,169,824	12,846,002			
2014	2,095,000	605,364	4,910,000	3,076,502	135,131	25,357	180,000	140,942	7,320,131	3,848,165	11,168,296			
2015	2,160,000	504,086	4,550,000	2,905,672	135,132	21,897	190,000	133,744	7,035,132	3,565,399	10,600,531			
2016	2,130,000	402,701	4,695,000	2,731,837	139,085	18,378	200,000	126,144	7,164,085	3,279,060	10,443,145			
2017	2,195,000	298,064	4,890,000	2,548,400	86,983	15,334	205,000	118,144	7,376,983	2,979,942	10,356,925			
2018	1,865,000	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			
	$22,900,000	$6,558,813	$105,160,000	$45,719,749	$2,332,796	$349,723	$4,610,056	$1,979,881	$135,002,852	$54,608,166	$189,611,018	$3,034,944	$256,438	$3,291,382
Interest Ranges		2.400-5.500%		2.375 - 5.75%		1.625 - 4.50%		4.00 - 4.25%		1.625 - 5.75%			3.60 - 5.00%	

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		1998 Environmental Bonds Refunding $11,420,000 Dated 12/1/98 Due 3-1 & 9-1		2006 Maintenance Facility Bonds $24,635,000 Dated 6/1/06 Due 3-1 & 9-1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$625,000	$142,188	$1,330,000	$133,600	$605,000	$1,046,032	$2,560,000	$1,321,820	$3,881,820
2010	625,000	109,375	1,335,000	80,300	630,000	1,021,832	2,590,000	1,211,507	3,801,507
2011	625,000	78,125	1,340,000	26,799	660,000	996,632	2,625,000	1,101,556	3,726,556
2012	625,000	46,875			690,000	970,230	1,315,000	1,017,105	2,332,105
2013	625,000	15,625			720,000	942,630	1,345,000	958,255	2,303,255
2014					750,000	913,832	750,000	913,832	1,663,832
2015					785,000	883,830	785,000	883,830	1,668,830
2016					820,000	852,432	820,000	852,432	1,672,432
2017					860,000	819,630	860,000	819,630	1,679,630
2018					895,000	785,232	895,000	785,232	1,680,232
2019					935,000	748,312	935,000	748,312	1,683,312
2020					980,000	708,575	980,000	708,575	1,688,575
2021					1,025,000	664,475	1,025,000	664,475	1,689,475
2022					1,070,000	618,350	1,070,000	618,350	1,688,350
2023					1,115,000	570,200	1,115,000	570,200	1,685,200
2024					1,165,000	520,025	1,165,000	520,025	1,685,025
2025					1,220,000	467,600	1,220,000	467,600	1,687,600
2026					1,275,000	412,700	1,275,000	412,700	1,687,700
2027					1,330,000	354,050	1,330,000	354,050	1,684,050
2028					1,390,000	292,538	1,390,000	292,538	1,682,538
2029					1,455,000	228,250	1,455,000	228,250	1,683,250
2030					1,520,000	155,500	1,520,000	155,500	1,675,500
2031					1,590,000	79,500	1,590,000	79,500	1,669,500
	$3,125,000	$392,188	$4,005,000	$240,699	$23,485,000	$15,052,387	$30,615,000	$15,685,274	$46,300,274
Interest Range		5.00 - 5.50%		4.00%		4.00 - 5.00%		4.00 - 5.50%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

GENERAL OBLIGATION PORTION OF SPECIAL ASSESSMENT BONDS

	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		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$55,000	$17,995	$20,000	$8,195	$75,000	$26,190	$101,190
2010	60,000	15,300	20,000	7,425	80,000	22,725	102,725
2011	60,000	12,300	20,000	6,625	80,000	18,925	98,925
2012	60,000	9,270	20,000	5,805	80,000	15,075	95,075
2013	60,000	6,210	20,000	4,965	80,000	11,175	91,175
2014	60,000	3,120	20,000	4,105	80,000	7,225	87,225
2015			20,000	3,225	20,000	3,225	23,225
2016			25,000	2,325	25,000	2,325	27,325
2017			25,000	1,175	25,000	1,175	26,175
	$355,000	$64,195	$190,000	$43,845	$545,000	$108,040	$653,040
Interest Range		4.90 - 5.20%		3.85- 4.70%		3.85- 5.20%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL REVENUE BONDS

	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		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$160,000	$131,970	$350,000	$828,825	$510,000	$960,795	$1,470,795
2010	170,000	127,110	380,000	813,925	550,000	941,035	1,491,035
2011	175,000	121,535	410,000	797,825	585,000	919,360	1,504,360
2012	185,000	115,380	440,000	780,525	625,000	895,905	1,520,905
2013	190,000	108,891	460,000	762,325	650,000	871,216	1,521,216
2014	200,000	102,191	485,000	743,175	685,000	845,366	1,530,366
2015	210,000	94,889	510,000	723,025	720,000	817,914	1,537,914
2016	220,000	86,960	535,000	701,875	755,000	788,835	1,543,835
2017	230,000	78,378	565,000	679,575	795,000	757,953	1,552,953
2018	240,000	69,125	595,000	656,075	835,000	725,200	1,560,200
2019	250,000	59,230	625,000	631,375	875,000	690,605	1,565,605
2020	260,000	48,673	655,000	604,861	915,000	653,534	1,568,534
2021	275,000	37,417	690,000	576,759	965,000	614,176	1,579,176
2022	285,000	25,256	725,000	547,214	1,010,000	572,470	1,582,470
2023	300,000	12,375	760,000	515,513	1,060,000	527,888	1,587,888
2024			800,000	481,938	800,000	481,938	1,281,938
2025			840,000	446,663	840,000	446,663	1,286,663
2026			885,000	408,698	885,000	408,698	1,293,698
2027			930,000	368,503	930,000	368,503	1,298,503
2028			975,000	326,339	975,000	326,339	1,301,339
2029			1,030,000	280,913	1,030,000	280,913	1,310,913
2030			1,080,000	232,875	1,080,000	232,875	1,312,875
2031			1,135,000	182,419	1,135,000	182,419	1,317,419
2032			1,195,000	129,319	1,195,000	129,319	1,324,319
2033			1,255,000	73,519	1,255,000	73,519	1,328,519
2034			1,320,000	14,850	1,320,000	14,850	1,334,850
	$3,350,000	$1,219,380	$19,630,000	$13,308,908	$22,980,000	$14,528,288	$37,508,288
Interest Range		3.00 - 4.50%		4.00 - 4.50%		3.00 - 4.50%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SPECIAL ASSESSMENT BONDS

	Bonds $455,000 Dated 6/1/96 Due 3-1 & 9-1		Bonds $770,000 Dated 6/1/99 Due 3-1 & 9-1		Bonds $525,000 Dated 5/1/02 Due 3-1 & 9-1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$35,000	$4,632	$55,000	$16,720	$35,000	$10,578	$125,000	$31,930	$156,930
2010	35,000	2,690	55,000	14,025	35,000	9,230	125,000	$25,945	150,945
2011	30,000	855	55,000	11,275	35,000	7,830	120,000	$19,960	139,960
2012			55,000	8,498	35,000	6,395	90,000	$14,893	104,893
2013			55,000	5,692	25,000	4,925	80,000	$10,617	90,617
2014			55,000	2,860	25,000	3,850	80,000	$6,710	86,710
2015					25,000	2,750	25,000	$2,750	27,750
2016					20,000	1,625	20,000	$1,625	21,625
2017					15,000	705	15,000	$705	15,705
	$100,000	$8,177	$330,000	$59,070	$250,000	$47,888	$680,000	$115,135	$795,135
Interest Range		5.50 - 5.70%		4.90 - 5.20%		3.85 - 4.70%		3.85 - 5.70%	

9. LONG TERM OBLIGATIONS (Continued)

ANN ARBOR BUILDING AUTHORITY BONDS

	Parking/Refunding Bonds $10,100,000 Dated 12/1/98 Due 3-1 & 9-1		Parking Bonds $1,525,000 Dated 6/1/99 Due 3-1 & 9-1		Parking Bonds $2,265,000 Dated 2/1/00 Due 3-1 & 9-1		Parking Bonds $3,600,000 Dated 5/1/02 Due 3-1 & 9-1		Golf Course Refunding $1,160,000 Dated 7/15/03 Due 3-1 & 9-1		Parking/Refunding Bonds $13,305,000 Dated 7/28/05 Due 3-1 & 9-1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$395,000	$176,650	$575,000	$18,592	$490,000	$45,742	$150,000	$130,658	$100,000	$22,720		$627,500	$1,710,000	$1,021,862	$2,731,862
2010	425,000	159,495			505,000	18,517	155,000	124,791	105,000	19,958	$600,000	819,500	1,790,000	942,261	2,732,261
2011	445,000	141,016					160,000	118,471	110,000	16,735	1,155,000	588,100	1,870,000	864,322	2,734,322
2012	465,000	121,433					170,000	111,689	110,000	13,206	1,200,000	541,300	1,945,000	787,628	2,732,628
2013	485,000	100,456					180,000	104,233	115,000	9,352	1,245,000	488,550	2,025,000	702,591	2,727,591
2014	505,000	78,403					185,000	96,178	120,000	5,150	1,285,000	425,633	2,095,000	605,364	2,700,364
2015	530,000	54,825					195,000	87,638	120,000	740	1,315,000	360,883	2,160,000	504,086	2,664,086
2016	555,000	30,038					205,000	78,446			1,370,000	294,217	2,130,000	402,701	2,532,701
2017	575,000	4,313					215,000	68,618			1,405,000	225,133	2,195,000	298,064	2,493,064
2018							225,000	58,210			1,440,000	154,300	1,665,000	212,510	1,877,510
2019							240,000	47,090			1,470,000	81,800	1,710,000	128,890	1,838,890
2020							250,000	35,083			820,000	21,867	1,070,000	56,950	1,126,950
2021							260,000	22,417					260,000	22,417	282,417
2022							275,000	9,167					275,000	9,167	284,167
	$4,380,000	$866,629	$575,000	$18,592	$995,000	$64,259	$2,865,000	$1,092,689	$780,000	$87,861	$13,305,000	$4,428,783	$22,900,000	$6,558,813	$29,458,813
Interest Range		4.000 - 4.500%		4.850%		5.500%		3.800- 5.000%		2.400- 3.700%		4.000- 5.000%		2.400- 5.500%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

WATER REVENUE BONDS

	1998 Series W		2002 Series X		2003 Series Y		2004 Series Z		2005 Series 2005-A		2008 Series 2008-A				
	$6,750,000		$5,210,000		$13,265,000		$9,765,000		$6,795,000		$23,375,000				
	Dated 12/1/98		Dated 5/1/02		Dated 11/5/03		Dated 2/1/04		Dated 6/29/05		Dated 4/30/08				
	Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Due 2/1 & 8/1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$350,000	$90,322	$205,000	$200,472	$1,375,000	$271,139	$235,000	$343,390	$1,145,000	$159,468	$400,000	$939,696	$3,710,000	$2,004,487	$5,714,487
2010	365,000	75,513	285,000	191,178	1,380,000	202,285	245,000	336,215	1,175,000	117,509	400,000	968,294	3,850,000	1,890,994	5,740,994
2011	380,000	59,920	380,000	178,115	1,400,000	141,618	265,000	328,615	1,175,000	74,303	425,000	955,981	4,025,000	1,738,552	5,763,552
2012	395,000	43,698	500,000	160,492	1,505,000	89,833	520,000	316,936	605,000	38,517	500,000	942,294	4,025,000	1,591,770	5,616,770
2013	405,000	26,933	575,000	138,205	1,480,000	33,454	535,000	299,554	610,000	14,233	525,000	926,982	4,130,000	1,439,361	5,569,361
2014	405,000	9,923	650,000	112,033			550,000	281,000			1,000,000	901,127	2,605,000	1,304,083	3,909,083
2015			675,000	82,553			575,000	261,386			1,075,000	859,877	2,325,000	1,203,816	3,528,816
2016			675,000	51,559			595,000	240,659			1,125,000	816,044	2,395,000	1,108,262	3,503,262
2017			700,000	19,396			615,000	218,468			1,175,000	770,211	2,490,000	1,008,075	3,498,075
2018							640,000	194,748			1,225,000	722,377	1,865,000	917,125	2,782,125
2019							665,000	169,292			1,275,000	672,544	1,940,000	841,836	2,781,836
2020							690,000	142,275			1,335,000	620,544	2,025,000	762,819	2,787,819
2021							720,000	113,800			1,400,000	566,060	2,120,000	679,860	2,799,860
2022							740,000	83,371			1,465,000	505,925	2,205,000	589,296	2,794,296
2023							760,000	51,567			1,525,000	438,875	2,285,000	490,442	2,775,442
2024							770,000	19,090			1,600,000	368,843	2,370,000	387,933	2,757,933
2025											1,675,000	294,566	1,675,000	294,566	1,969,566
2026											1,725,000	215,234	1,725,000	215,234	1,940,234
2027											1,750,000	132,801	1,750,000	132,801	1,882,801
2028											1,775,000	49,182	1,775,000	49,182	1,824,182
	$2,300,000	$306,309	$4,645,000	$1,134,003	$7,140,000	$738,329	$9,120,000	$3,400,366	$4,710,000	$404,030	$23,375,000	$12,667,457	$51,290,000	$18,650,494	$69,940,494
Interest Ranges		4.125 - 4.200%		3.800- 4.750%		3.500- 5.000%		3.000- 4.250%		3.625 - 4.000%		3.000 - 4.750%		3.000- 5.000%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

SEWER REVENUE BONDS

	1995 Series XVI		1996 Series XVII		1998 Series XVIII		2004 Series XIX		2008 Series 2008-A				
	$1,525,000		$1,480,000		$8,900,000		$27,170,000		$24,550,000				
	Dated 10/1/95		Dated 6/1/96		Dated 12/1/98		Dated 2/1/04		Dated 4/30/08				
	Due 1/1 & 7/1		Due 1/1 & 7/1		Due 1/1 & 7/1		Due 1/1 & 7/1		Due 1/1 & 7/1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$125,000	$12,500	$125,000	$22,025	$400,000	$74,883	$800,000	$958,919		$695,281	$1,450,000	$1,763,608	$3,213,608
2010	125,000	6,250	125,000	15,275	340,000	60,603	900,000	938,169	$300,000	1,034,094	1,790,000	2,054,391	3,844,391
2011	125,000		125,000	8,400	350,000	45,728	950,000	913,856	500,000	1,022,094	2,050,000	1,990,078	4,040,078
2012			150,000		335,000	31,155	1,100,000	884,294	550,000	1,006,344	2,135,000	1,921,793	4,056,793
2013					345,000	15,975	1,300,000	846,669	575,000	988,750	2,220,000	1,851,394	4,071,394
2014					355,000		1,350,000	802,763	600,000	969,656	2,305,000	1,772,419	4,077,419
2015							1,500,000	753,731	725,000	948,125	2,225,000	1,701,856	3,926,856
2016							1,550,000	700,356	750,000	923,219	2,300,000	1,623,575	3,923,575
2017							1,600,000	644,231	800,000	896,094	2,400,000	1,540,325	3,940,325
2018							1,650,000	584,294	850,000	865,093	2,500,000	1,449,387	3,949,387
2019							1,700,000	520,631	900,000	830,094	2,600,000	1,350,725	3,950,725
2020							1,775,000	452,406	925,000	793,594	2,700,000	1,246,000	3,946,000
2021							1,850,000	379,906	975,000	755,594	2,825,000	1,135,500	3,960,500
2022							1,925,000	303,203	1,000,000	716,094	2,925,000	1,019,297	3,944,297
2023							2,000,000	221,000	1,050,000	674,437	3,050,000	895,437	3,945,437
2024							2,075,000	134,406	1,125,000	629,578	3,200,000	763,984	3,963,984
2025							2,125,000	45,156	1,200,000	580,875	3,325,000	626,031	3,951,031
2026									1,250,000	526,468	1,250,000	526,468	1,776,468
2027									1,300,000	466,687	1,300,000	466,687	1,766,687
2028									1,350,000	403,750	1,350,000	403,750	1,753,750
2029									1,450,000	337,250	1,450,000	337,250	1,787,250
2030									1,500,000	267,188	1,500,000	267,188	1,767,188
2031									1,550,000	194,750	1,550,000	194,750	1,744,750
2032									1,625,000	119,344	1,625,000	119,344	1,744,344
2033									1,700,000	40,375	1,700,000	40,375	1,740,375
	$375,000	$18,750	$525,000	$45,700	$2,125,000	$228,344	$26,150,000	$10,083,990	$24,550,000	$16,684,828	$53,725,000	$27,061,612	$80,786,612
Interest Ranges		5.000%		5.300 - 5.600%		4.000 - 4.500%		2.375 - 4.250%		3.000 - 4.750%		2.375 - 5.600%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

STORMWATER REVENUE BONDS

	1994 Stormwater Bonds $1,525,000 Dated 7/1/94 Due 6/1 & 12/1		Total		
FY	Principal	Interest	Principal	Interest	Requirements
2009	$145,000	$7,643	$145,000	$7,643	$152,643
	$145,000	$7,643	$145,000	$7,643	$152,643
Interest Range		5.750%		5.750%	

9. LONG TERM OBLIGATIONS (Continued)

OTHER DEBT

	Solid Waste Trucks Dated 12/28/07 Due monthly		Traver Creek 2 Sandy Reagan Project Dated 3/30/05 Due 6-1		Traver Creek Drain Crossing Project Dated 6/1/01 Due 4-1		Traver Creek/Traver Knoll Drain Project Dated 6/1/06 Due 4-1 & 10-1		Mallets Creek Wetland Detention Dated 4/1/06 Due 3-1 & 9-1		Golf Course Golf Carts Dated 6/18/04 Due 8-1, 9-1 & 10-1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$410,840	$13,640	$36,948	$2,871	$55,000	$7,260	$47,366	$15,251	$75,122	$25,775	$85,473	$1,418	$710,749	$66,215	$776,964
2010			36,948	1,914	55,000	4,895	47,366	13,476	79,076	24,554			218,390	44,839	263,229
2011			36,948	957	55,000	2,475	47,366	11,700	79,076	23,280			218,390	38,412	256,802
2012							47,366	9,913	79,076	21,994			126,442	31,907	158,349
2013							52,102	8,024	79,076	20,710			131,178	28,734	159,912
2014							52,102	5,933	83,029	19,424			135,131	25,357	160,488
2015							52,102	3,810	83,030	18,087			135,132	21,897	157,029
2016							52,102	1,641	86,983	16,737			139,085	18,378	157,463
2017									86,983	15,334			86,983	15,334	102,317
2018									86,984	13,921			86,984	13,921	100,905
2019									90,937	12,508			90,937	12,508	103,445
2020									90,937	11,040			90,937	11,040	101,977
2021									90,937	9,562			90,937	9,562	100,499
2022									94,891	8,084			94,891	8,084	102,975
2023									94,891	6,553			94,891	6,553	101,444
2024									94,890	5,011			94,890	5,011	99,901
2025									98,845	3,469			98,845	3,469	102,314
2026									98,844	1,874			98,844	1,874	100,718
2027										268				268	268
Total	$410,840	$13,640	$110,844	$5,742	$165,000	$14,630	$397,872	$89,748	$1,573,607	$258,185	$85,473	$1,418	$2,743,636	$363,363	$3,106,999
Interest Range		4.72%		2.59%		4.30 - 4.50%		3.75 - 4.20%		1.625%		4.07%		1.625 - 4.72%	

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) and the Strategic Water Quality Initiatives Fund (SWQIF) but until the projects are completed a final repayment schedule cannot be determined.

Loan Segment	Date	Draws at 06/30/08	Payments at 06/30/08	Outstanding Debt at 06/30/08
2004 DWRF, Project #7146-01	03/25/04	$0	$35,000	$382,891
2004 SWQIF, Project #3002-01	08/10/04	0	40,000	719,672
2005 SWQIF, Project #3002-02	02/03/05	0	40,000	764,382
2006 SWQIF, Project #3002-03	04/13/06	0	40,000	809,903
2007 SWQIF, Project #3002-04	05/14/07	626,569	40,000	924,976
2008 SWQIF, Project #3002-05	04/10/08	495,916	0	495,916
		$1,122,485	$195,000	$4,097,740

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

OTHER BONDS

FY	Refunding Bonds $4,040,000 Dated 12/1/98 Due 3/1 & 9/1		2007 Parking Facility Bonds $4,250,000 Dated 5/1/07 Due 3-1 & 9-1		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$360,056	$4,556	$145,000	$172,344	$505,056	$176,900	$681,956
2010			150,000	166,544	150,000	166,544	316,544
2011			155,000	160,544	155,000	160,544	315,544
2012			165,000	154,344	165,000	154,344	319,344
2013			170,000	147,744	170,000	147,744	317,744
2014			180,000	140,942	180,000	140,942	320,942
2015			190,000	133,744	190,000	133,744	323,744
2016			200,000	126,144	200,000	126,144	326,144
2017			205,000	118,144	205,000	118,144	323,144
2018			215,000	109,944	215,000	109,944	324,944
2019			225,000	101,344	225,000	101,344	326,344
2020			235,000	92,344	235,000	92,344	327,344
2021			250,000	82,944	250,000	82,944	332,944
2022			260,000	72,942	260,000	72,942	332,942
2023			275,000	62,544	275,000	62,544	337,544
2024			285,000	51,544	285,000	51,544	336,544
2025			300,000	39,788	300,000	39,788	339,788
2026			315,000	27,412	315,000	27,412	342,412
2027			330,000	14,025	330,000	14,025	344,025
	$360,056	$4,556	$4,250,000	$1,975,325	$4,610,056	$1,979,881	$6,589,937
Interest Range		4.05%		4.00 - 4.25%		4.00 - 4.25%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

DOWNTOWN DEVELOPMENT AUTHORITY BONDS

	DDA Bonds $3,750,000 Dated 7/1/92 Due 3-1 & 9-1		DDA Refunding Bonds $4,040,000 Dated 12/1/98 Due 3-1 & 9-1		DDA Bonds $4,925,000 Dated 5/1/02 Due 3-1 & 9-1		Total		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Requirements
2009	$350,000	$8,750	$314,944	$6,378	$535,000	$92,085	$1,199,944	$107,213	$1,307,157
2010					575,000	72,825	575,000	72,825	647,825
2011					610,000	50,400	610,000	50,400	660,400
2012					650,000	26,000	650,000	26,000	676,000
	$350,000	$8,750	$314,944	$6,378	$2,370,000	$241,310	$3,034,944	$256,438	$3,291,382
Interest Range		5.00%		4.05%		3.60 - 4.00%		3.60 - 5.00%	

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 $2,484,501 at June 30, 2008 and is included in Estimated Claims Payable. The total Estimated Claims Payable of $3,186,217 is reflected in the Insurance fund at June 30, 2008. 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 2006, 2007, and 2008 are summarized below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2006	$5,644,433	$9,721,423	($12,730,800)	$2,635,056
2007	2,635,056	13,576,536	(13,867,137)	2,344,455
2008	2,344,455	16,198,553	(15,356,791)	3,186,217

11. DEFERRED COMPENSATION PLAN

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

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

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

12. POST 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 Employees' Retirement System 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 2008, the City contributed $12,360,028 to the plan, including $7,737,424 for current premiums (approximately 51 percent of total premiums) and an additional $4,622,604 to prefund benefits. Plan members receiving benefits contributed $10,368, or approximately .13 percent of the total premiums through required contributions. Plan members contributions are based on the year of retirement, union affiliation, and the premium requirement at that time. Currently only employees from the Salaried group and Teamster union pay premiums Below are the tables for the premium requirements, based on the employee group and time of retirement, and the number of employees required to contribute at the end of the fiscal year.

SALARIED MEMBERS

	Monthly Required Premium					
Year of	Retiree Only		Retiree & Spouse		Family Coverage	
Retirement	# of Employees	Premium	# of Employees	Premium	# of Employees	Premium
FY 2005	0	$20	3	$40	2	$80
FY 2006	2	20	2	40	2	80
FY 2007	0	20	1	40	1	80
FY 2008	0	34	0	75	1	84

TEAMSTER MEMBERS

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

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)	$12,360
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	12,360
Contributions made	12,360
Increase in net OPEB obligation	0
Net OPEB obligation - beginning of year	0
Net OPEB obligation - end of year	$0

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2008 were as follows (dollar amounts in thousands):

Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	$12,360	100%	$0

Funded Status and Funding Progress. As of June 30, 2007, the most recent actuarial valuation date, the plan was 27.8 percent funded. The actuarial accrued liability for benefits was $215 million, and the actuarial value of assets was $60 million, resulting in an unfunded actuarial accrued liability (UAAL) of $155 million. The covered payroll (annual payroll of active employees covered by the plan) was $49.6 million, and the ratio of the UAAL to the covered payroll was 23 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.

12. POST EMPLOYMENT BENEFITS (concluded):

In the June 30, 2007, 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 9.5 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 on an open basis over 30 years.

13. RETIREMENT COMMITMENTS

Plan Description. The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit plan administered by the City of Ann Arbor Employees' Retirement System (CAAERS). CAAERS provides retirement, disability and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries per the Ann Arbor City Code Section 1:573 of Chapter 18. Chapter 17.1 of the Ann Arbor City Charter assigns the authority to establish and amend benefit provisions to City Council. CAAERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 S. Maple Rd., Ann Arbor, Michigan, 48103 or by calling 877-994-4590.

Summary of Significant Accounting Policies

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

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

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for the most current actuarial report, was 14.14% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

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

Annual required contribution (ARC)	$7,517
Interest on net pension obligation	0
Adjustment to annual required contribution	0
Annual pension cost (expense)	7,517
Contributions made	7,517
Increase in net pension obligation	0
Net pension obligation - beginning of year	0
Net pension obligation - end of year	$0

13. RETIREMENT COMMITMENTS (concluded):

Three-Year Trend Information
(Dollar amounts in thousands)

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	7,517	100.0%	-
2007	5,103	100.0%	-
2006	2,897	100.0%	-

Actuarial Methods & Assumptions. The annual required contribution for the current year was determined as part of the June 30, 2008, 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 .4% to 6.0% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases which are funded as a pay-as-you-go basis through City Council appropriation. Unfunded actuarial accrued liabilities were amortized as a level percent-of-payroll over an open 15-year period for the shortfall of gains and losses and over a closed 16-year period for the early retirement window. The single equivalent period for the amortization of all unfunded actuarial accrued liabilities was 29 years. The employer contributions consisted of $7,101,986 for normal cost and $415,038 for amortization of the unfunded actuarial accrued liability.

Funded Status and Funding Progress. As of June 30, 2008, the most recent actuarial valuation date, the plan was 99.6 percent funded. The actuarial accrued liability for benefits was $430.4 million, and the actuarial value of assets was $428.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $51.3 million, and the ratio of the UAAL to the covered payroll was 3.4 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements on page 91, presents multiyear tend 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, 2008 was $2,221,480, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust. The entire amount exceeding the corpus, $1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure.

15. SIGNIFICANT COMMITMENTS

As of June 30, 2008, the City had $9,764,314 in construction commitments for various projects including resurfacing of streets, bridge reconstruction and other road improvements.

16. SUBSEQUENT EVENTS

Subsequent to year-end, the City sold a bond issue, the 2008 Court and Police Facilities Capital Improvement Bonds in the amount of $27,660,000, to cover the construction of the new Police and Court facility. Pursuant to this bond sale the City of Ann Arbor bond ratings increased. Moody's rating increased from a rating Aa3 to Aa2 and Standard & Poor's rating increased from AA- to AA+.

Additionally, effective 1998, the City and the VEBA Board of Trustees entered into a funding agreement for the allocation of Retirement System annual excess earnings (if any) to payment of City retiree health benefit costs thereby allowing the City to allocate the equivalent budgetary amount to prefund the City's VEBA. This agreement and all transfers were executed in compliance with Michigan Public Act 28 (PA 28). It has come to the City's attention that the Pension System's transfer to the VEBA may not have fully complied with Section 420 of the Internal Revenue Code with respect to the transfers to the VEBA. The City has committed to compliance with both State and Federal law (as applicable).

Since last year's audit, the City has filed the application through the Internal Revenue Service Voluntary Correction Program suggesting a resolution that required no repayment of funds and received an initial response from the IRS. Although the City requested that no restoration of funds to the retirement system be required, the IRS decided that $21.6 million dollars of plan assets, incorrectly distributed from the plan, should be returned to the plan, adjusted for income. The IRS is willing to accept corrective amounts being provided on an installment basis and is currently reviewing the City's proposal. This proposal, which the City believes should comply with the IRS demands set forth in its initial response, is consistent with IRS procedures governing its correction program by (A) taking credit for previous and future pension funding that exceeded contributions that would have been required had the excess transfers not occurred, (B) additional pension funding of approximately $3.5 million per year for five years starting in fiscal year 2009; and (C) interest on these items. 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 described above 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; however, the pension system will have an equal and offsetting OPEB asset. The OPEB assets and liabilities will be amortized over a closed 15 year period per the pension and VEBA board actions in the October meeting. The City is awaiting final approval of its proposal at this time. The City expects that any compliance matters which may need to be addressed will not adversely affect the tax qualified status of the Plan.

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	$7,833,175
Local Streets	2,922,203
Street Repair Millage	22,725,480
Metro Expansion	858,994
Total restricted for highways and streets	34,339,852
Culture and Recreation:	
Parks Repair & Restoration Millage	784,960
Parks Rehab & Development Millage	3,496,878
Parks Maint & Capital Imp Millage	1,625,720
Open Space and Parkland Preservation	17,633,154
Open Space Endowment	121,080
Total restricted for culture and recreation	23,661,792
Other purposes:	
Community Television Network	2,937,033
Michigan Justice Training	101,898
Court Facilities	1,357,406
Federal Equitable Sharing Forfeiture	153,788
Police and Fire Relief	678,763
Total restricted for other purposes	5,228,888
Grand total restricted	$63,230,532

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 FUNDS

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

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

CITY OF ANN ARBOR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all major governmental funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations in the amount of $4,817,854 were made in fiscal 2008. Budgets are prepared in accordance with Generally Accepted Accounting Principles using the modified-accrual basis of accounting.

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

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts and other commitments are reported as reservations of fund balances at year-end. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

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

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For fiscal year 2008, there were three funds in excess of budget appropriation as follows:

	Modified Budget	Actual	Negative Variance	Explanation
Special Revenue Funds:				
Michigan Justice Training	$24,800	$42,991	($18,191)	This fund had training costs allocated to it but the budget amendment was not sent to Council. This oversight will be remedied in the future years.
Police and Fire Relief	$0	$680	($680)	This fund is an expendable trust fund for death benefits for fallen firefighters and police officers. There were some expenditures remaining for a fundraiser for a fallen firefighter that were not paid in the prior year.
Debt Service Funds:				
Special Assessment- Debt Service	$163,647	$163,848	($201)	This fund had higher than anticipated paying agent costs due to increased bank fees.

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes:				
General operations	$28,659,199	$28,659,199	$28,880,846	$221,647
Transportation (AATA)	9,552,757	9,552,757	9,626,636	73,879
Employee benefits	9,552,757	9,552,757	9,626,636	73,879
Interest, penalties, payments in lieu of taxes and excess of roll	2,809,913	2,809,913	3,017,113	207,200
Total taxes	50,574,626	50,574,626	51,151,231	576,605
Licenses, permits and registrations	1,152,928	1,152,928	1,284,685	131,757
Federal grants			3,385	3,385
State shared revenues and grants	10,927,680	10,958,726	11,116,813	158,087
Charges for services:				
Police department	1,687,300	1,687,300	1,908,885	221,585
Fire department	1,077,900	1,077,900	893,332	(184,568)
Ann Arbor Transportation Authority	92,131	92,131	91,589	(542)
Construction overhead	269,889	269,889	591,724	321,835
Central services	40,000	40,000	51,790	11,790
Recreation facilities	1,995,943	1,995,943	1,928,832	(67,111)
Cemetery	5,000	5,000	6,290	1,290
Public services	1,771,870	1,771,870	1,839,536	67,666
Miscellaneous	467,000	467,000	607,928	140,928
Total charges for services	7,407,033	7,407,033	7,919,906	512,873

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues (Concluded):				
Fines and forfeits:				
Standing violations	$2,937,365	$2,937,365	$2,469,309	($468,056)
District court	2,915,000	2,915,000	3,086,421	171,421
Total fines and forfeits	5,852,365	5,852,365	5,555,730	(296,635)
Investment income	1,539,491	1,539,491	3,040,655	1,501,164
Rentals	229,236	229,236	328,167	98,931
Miscellaneous revenue:				
Sale of property and equipment	500	500	12,271	11,771
Other	314,732	633,988	656,471	22,483
Total miscellaneous revenue	315,232	634,488	668,742	34,254
Total Revenues	77,998,591	78,348,893	81,069,314	2,720,421
Expenditures:				
Current:				
General government:				
Mayor and Council	338,764	338,764	323,099	15,665
Administration	645,949	625,949	575,209	50,740
Human resources	1,339,901	1,339,901	1,325,144	14,757
Attorney	1,906,524	2,090,872	2,070,785	20,087
Clerk/Elections	766,136	909,136	905,295	3,841
Finance	4,418,448	4,505,998	4,102,372	403,626
Environmental Coordinaton Services	139,362	142,362	142,048	314
District court	4,241,374	4,337,420	4,158,178	179,242
Parks operation & forestry	3,297,637	3,489,457	3,219,103	270,354
Miscellaneous	2,146,847	1,498,140	317,821	1,180,319
Municipal service charge	(2,726,583)	(2,726,583)	(2,726,616)	33
Total general government expenditures	16,514,359	16,551,416	14,412,438	2,138,978

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008
(Concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Expenditures (Concluded):				
Current:				
Public safety:				
Police department	$26,318,005	$26,665,847	$26,593,794	$72,053
Fire department	13,188,302	13,038,369	13,034,317	4,052
Building department	1,848,453	2,133,453	2,047,072	86,381
Total public safety expenditures	41,354,760	41,837,669	41,675,183	162,486
Public works:				
Public services	4,094,553	4,349,553	3,925,832	423,721
Total public works expenditures	4,094,553	4,349,553	3,925,832	423,721
Community and economic development:				
Transfers to other agencies	1,331,864	1,348,883	1,348,883	
Community development	426,789	763,970	763,935	35
Other	35,000	35,000	19,313	15,687
Total community and economic development expenditures	1,793,653	2,147,853	2,132,131	15,722
Culture and recreation:				
Parks and recreation	3,657,445	3,834,011	3,622,760	211,251
Historic district commission	39,000	39,000	39,000	
Total culture and recreation expenditures	3,696,445	3,873,011	3,661,760	211,251
Other:				
Public transportation	9,552,756	9,578,756	9,574,677	4,079
Total other expenditures	9,552,756	9,578,756	9,574,677	4,079
Total Expenditures	77,006,526	78,338,258	75,382,021	2,956,237
Excess of Revenues over Expenditures	992,065	10,635	5,687,293	5,676,658
Other Financing Sources (Uses):				
Transfers in (Note 7)	397,664	482,664	356,845	(125,819)
Transfers out (Note 7)	(751,336)	(2,675,155)	(2,659,830)	15,325
Total Other Financing Sources (Uses)	(353,672)	(2,192,491)	(2,302,985)	(110,494)
Net change in fund balance	638,393	(2,181,856)	3,384,308	5,566,164
Fund Balance - July 1, 2007	653,403	3,473,652	16,396,461	12,922,809
Fund Balance - June 30, 2008	$1,291,796	$1,291,796	$19,780,769	$18,488,973

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
STREET REPAIR MILLAGE
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	$9,066,437	$9,066,437	$9,359,283	$292,846
Charges for services			145,475	145,475
Investment income	500,000	500,000	1,276,877	776,877
Contributions and donations			14,421	14,421
Miscellaneous			4,901	4,901
Total Revenues	9,566,437	9,566,437	10,800,957	1,234,520
Expenditures:				
Current:				
Public works	9,566,437	12,645,494	3,234,817	9,410,677
Capital outlay			4,983,346	(4,983,346)
Total Expenditures	9,566,437	12,645,494	8,218,163	4,427,331
Excess of Revenues over (under) Expenditures		(3,079,057)	2,582,794	5,661,851
Other Financing Sources (Uses):				
Transfers in (Note 7)		1,989,028	2,708,646	719,618
Transfers out (Note 7)		(882,576)	(147,577)	734,999
Total Other Financing Sources (Uses)		1,106,452	2,561,069	1,454,617
Net change in fund balances		(1,972,605)	5,143,863	7,116,468
Fund Balances - July 1, 2007		1,972,605	17,581,617	15,609,012
Fund Balances - June 30, 2008			$22,725,480	$22,725,480

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
OPEN SPACE AND PARKLAND PRESERVATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	$2,220,776	$2,220,776	$2,237,489	$16,713
Federal grants		335,000	336,643	1,643
Investment income			937,442	937,442
Miscellaneous			2,642	2,642
Total Revenues	2,220,776	2,555,776	3,514,216	958,440
Expenditures:				
Current:				
Culture and recreation	326,530	326,530	281,955	44,575
Capital outlay	722,909	7,296,909	6,519,245	777,664
Total Expenditures	1,049,439	7,623,439	6,801,200	822,239
Excess of Revenues over (under) Expenditures	1,171,337	(5,067,663)	(3,286,984)	1,780,679
Other Financing Sources (Uses):				
Transfers in		6,264,001		(6,264,001)
Transfers out (Note 10)	(1,162,625)	(1,187,525)	(1,189,817)	(2,292)
Total Other Financing Sources (Uses)	(1,162,625)	5,076,476	(1,189,817)	(6,266,293)
Net change in fund balances	8,712	8,813	(4,476,801)	(4,485,614)
Fund Balances - July 1, 2007		25,000	22,109,955	22,084,955
Fund Balances - June 30, 2008	$8,712	$33,813	$17,633,154	$17,599,341

CITY OF ANN ARBOR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE 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]
6/30/2008	$428,689	$430,438	$1,749	99.6%	$51,287	3.4%
6/30/2007	413,712	413,490	(222)	100.1%	50,678	-0.4%
6/30/2006	398,258	407,302	9,044	97.8%	49,627	18.2%
6/30/2005	398,690	384,369	(14,321)	103.7%	47,225	-30.3%
6/30/2004	409,324	370,409	(38,915)	110.5%	47,109	-82.6%
6/30/2003	417,623	353,620	(64,003)	118.1%	46,213	-138.5%

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]
6/30/2007	$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%
6/30/2004	39,163	131,703	92,540	29.7%	47,109	196.4%
6/30/2003	29,789	126,918	97,129	23.5%	46,213	210.2%

CITY OF ANN ARBOR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30	Annual Required Contribution	Percentage Contribution
2008	$7,517,024	100%
2007	5,038,578	100%
2006	2,871,450	100%
2005	1,044,659	100%
2004	0	100%

RETIREE HEALTH CARE BENEFITS PLAN AND TRUST

Year Ended June 30		Annual Required Contribution	Current Premiums Paid by City	Pre-funding Contributions to VEBA Trust	Percentage Contribution
2008	(a)	$12,360,028	$7,737,424	$4,622,604	100.0%
2007		N/A	7,616,064	0	N/A
2006		N/A	7,292,343	7,065,913	N/A
2005		N/A	6,522,226	4,099,023	N/A
2004		N/A	6,083,674	7,803,872	N/A

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

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

350 S. Fifth Ave. Project – to account for the funding set aside for the 350 S. Fifth Ave project.

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

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

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

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

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.

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

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR DEBT SERVICE FUNDS

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

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

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, 2008

	Special Revenue																	
	Major Streets	Local Streets	Community Development	Home Program	Affordable Housing	Community Television Network	Homeland Security Fund	Construction Code	Alternative Transportation	Tree Removal & Disposal	350 S Fifth Ave Project	Senior Center Endowment	Drug Enforcement	Metro Expansion	Michigan Justice Training	Art in Public Places	Parks Repair & Restoration Millage	Parks Rehab & Development Millage
ASSETS																		
Cash	$54,133	$6,021	$63			$34,863		$27,645							$16,799		$539	$13,051
Equity in pooled cash and investments	7,029,913	2,704,429	151,023		$596,344	2,529,178		1,682,259	$671,983	$500,778	$173	$103,433	$53,818	$877,350	110,196	$330,495	824,661	3,522,481
Investments, at fair value																		
Receivables																		
Taxes	14,092							154									7,233	7,134
Accounts	123,563	118	15,000			405,938	71,403	34,504										
Special assessments																		
Accrued interest and dividends																		
Loans			77,849															
Unbilled district costs																		
Less. Allowance for uncollectibles	(66,858)	(118)						(25,169)									(5,304)	(7,104)
Due from other funds	119,047	8,517	34,637	1,873	90,189	7,717	18,177	219,932	842	475				351	853		605	459
Due from other governments	907,918	254,851	158,501	256,130														
Total Assets	$8,181,808	$2,973,818	$437,073	$258,003	$686,533	$2,977,696	$89,580	$1,939,325	$672,625	$501,253	$173	$103,433	$53,818	$877,701	$127,648	$330,495	$827,734	$3,536,021
LIABILITIES AND FUND BALANCES																		
Liabilities																		
Accounts payable	$88,808	$21,730	$111,280	$136,425	$5,100	$8,521		$41,384	$1,200					$17,536			$25,952	$26,984
Accrued liabilities	39,252	2,440	3,776	545		16,122		17,638	1,786					487			625	431
Accrued interest payable																		
Due to other funds	210,573	27,445	229,363	121,033	10,596	6,020	$89,580	4,694	38,478					684	$25,950	$15,064	16,197	11,728
Deposits	10,000					10,000												
Deferred revenue			92,651															
Total Liabilities	348,631	51,615	437,073	258,003	15,696	40,663	89,580	63,716	41,484					18,707	25,950	15,064	42,774	39,143
Fund Balances:																		
Reserved for encumbrances	214,515				23,197				7,260					23,157			14,847	172,144
Reserved for endowment																		
Reserved for debt service																		
Unreserved balances.																		
Designated for subsequent year's expenditures	217,000	50,000			7,718			507,203	9,882								177,331	679,885
Designated, nonmajor capital projects funds																		
Undesignated, nonmajor special revenue funds	7,401,660	2,872,203			639,922	2,937,033		1,368,406	614,019	501,253	173	103,433	53,818	835,837	101,898	315,431	592,782	2,644,849
Total Fund Balances	7,833,175	2,922,203			670,837	2,937,033		1,875,609	631,161	501,253	173	103,433	53,818	858,994	101,898	315,431	784,960	3,496,878
Total Liabilities and Fund Balances	$8,181,808	$2,973,818	$437,073	$258,003	$686,533	$2,977,696	$89,580	$1,939,325	$672,625	$501,253	$173	$103,433	$53,818	$877,701	$127,848	$330,495	$827,734	$3,536,021

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008
(continued)

	Special Revenue														
	Parks Maint & Capital Imp Millage	Open Space Endowment	Special Assistance	Parks Memorial & Contributions	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Economic Development	Cemetary Perpetual Care	Local Forfeiture	Police and Fire Relief	Energy Projects	Sidewalk Improvement
ASSETS															
Cash	$4,209	$71,600	$35		$58,005		$60,062	$15,244			$660				
Equity in pooled cash and investments	1,795,781	49,480	7,500	$162,066	1,310,718		61,902	138,544	$168,423	$1,869,775	85,954	$45,659	$617,361	$871,656	$388,262
Investments, at fair value													$61,402		
Receivables															
Taxes	2,887														
Accounts			79			24,000	37,371		150						19,712
Special assessments															
Accrued interest and dividends															
Loans															
Unbilled district costs															
Less: Allowance for uncollectibles	(2,845)														(14,471)
Due from other funds	217,273		30	21		1,981								45	1,283
Due from other governments															
Total Assets	$2,017,265	$121,080	$7,644	$162,087	$1,368,723	$25,981	$159,335	$153,788	$168,573	$1,869,775	$86,614	$45,659	$678,763	$871,701	$394,786
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	$149,594				$11,317		$20,485		$25,090					$36,977	$23,870
Accrued liabilities	49,240			$79											
Accrued interest payable															
Due to other funds	192,711					25,981	27,187							588	
Deposits															
Deferred revenue							111,600								
Total Liabilities	391,545			79	11,317	25,981	159,272		25,090					37,565	23,870
Fund Balances:															
Reserved for encumbrances	109,776								100,636					254,840	
Reserved for endowment															
Reserved for debt service															
Unreserved balances															
Designated for subsequent year's expenditures	236,627				1,339,444					600,000				140,000	
Designated, nonmajor capital projects funds															
Undesignated, nonmajor special revenue funds	1,279,317	121,080	7,644	162,008	17,962		63	153,768	42,847	1,269,775	86,614	45,659	678,763	439,296	370,916
Total Fund Balances	1,625,720	121,080	7,644	162,008	1,357,406		63	153,788	143,483	1,869,775	86,614	45,659	678,763	834,136	370,916
Total Liabilities and Fund Balances	$2,017,265	$121,080	$7,644	$162,087	$1,368,723	$25,981	$159,335	$153,768	$168,573	$1,869,775	$86,614	$45,659	$678,763	$871,701	$394,786

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008
(concluded)

	Debt Service		Capital Projects					Permanent	
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Special Assessments	Municipal Center	Maintenance Facility	Elizabeth R Dean Trust	Total
ASSETS									
Cash	$94,811	$6,005		$2,748	$41,527	$109	$1,093,827		$1,801,956
Equity in pooled cash and investments	25,500	1,236,094	$799,200	681,049	85,000	6,907,787	731,649	$117,463	39,825,337
Investments, at fair value								2,090,794	2,152,196
Receivables:									
Taxes	11,419								42,899
Accounts	66,520								798,361
Special assessments		401,123							401,123
Accrued interest and dividends		2,599						23 124	25,723
Loans									77,649
Unbilled district costs		11,626							11,626
Less Allowance for uncollectibles	(9,911)								(131,780)
Due from other funds	55,282	59,028	21			509	230	697	640,274
Due from other governments									1,577,398
Total Assets	$243,624	$1,716,475	$799,221	$683,797	$126,527	$6,908,405	$1,825,706	$2,232,298	$47,222,762
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	$125	$57				$467,079	$52,578	$5,546	$1,277,639
Accrued liabilities						2,984		226	135,631
Accrued interest payable	92,913								92,913
Due to other funds	14,654	239,177				939		5,046	1,313,688
Deposits									20,000
Deferred revenue		345,643							549,894
Total Liabilities	107,692	584,877				471,002	52,578	10,818	3,389,765
Fund Balances:									
Reserved for encumbrances			799,221			5,330,975	66,931		7,117,499
Reserved for endowment								2,221,480	2,221,480
Reserved for debt service	135,932	1,131,598							1,267,530
Unreserved balances									
Designated for subsequent year's expenditures									3,965,090
Designated, nonmajor capital projects funds				683 797	126,527	1,106,428	1,706,197		3,822,949
Undesignated, nonmajor special revenue funds									25,638,449
Total Fund Balances	135,932	1,131,598	799,221	683,797	126,527	6,437,403	1,773,128	2,221,480	43,832,997
Total Liabilities and Fund Balances	$243,624	$1,716,475	$799,221	$683,797	$126,527	$6,908,405	$1,825,706	$2,232,298	$47,222,762

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds															
	Major Streets	Local Streets	Community Development	Home Program	Affordable Housing	Community Television Network	Homeland Security Grant	Construction Code	Alternative Transportation	Tree Removal & Disposal	350 S.Fifth Ave Project	Senior Center Endowment	Drug Enforcement	Metro Expansion	Michigan Justice Training	Art in Public Places
Revenues:																
Taxes																
Special assessments/improvement charges																
Federal grants			$1,342,396	$1,561,858			$87,386									
State shared revenues and grants	$5,896,773	$1,555,271												$335,485	$35,482	
Charges for services	824,543	170,206				$1,613,469		$3,081,596								
Fines and forfeits													$40,000			
Interest and penalties																
Investment income	425,996	162,158			$45,465	159,576		100,597	$50,537	$15,049	$173	$3,433	2,195	45,007	4,997	$1,806
Rentals																
Contributions and donations					15,000							100,000				
Sale of property and equipment	2,349															
Intra-governmental sales	363,457															
Miscellaneous	90,778	14,436				993		6,245								
Total Revenues	7,403,896	1,902,071	1,342,396	1,561,658	60,465	1,774,040	87,386	3,188,438	50,537	15,049	173	103,433	42,195	380,492	40,479	1,806
Expenditures:																
Current:																
General government						1,295,963				216,775						
Public safety							87,386	3,165,376							42,991	
Public works	6,530,519	1,799,615							198,754					198,638		
Community and economic development			1,342,396	1,561,658	179,317											
Culture and recreation																5,064
Capital outlay	644,070					105,771										
Debt Service:																
Principal retirement																
Interest and fiscal charges																
Total Expenditures	7,174,589	1,799,615	1,342,396	1,501,658	179,317	1,401,734	87,386	3,165,376	198,754	216,775				198,638	42,991	5,064
Excess of Revenues over (under) Expenditures	229,307	102,456			(118,852)	372,306		23,062	(146,217)	(203,726)	173	103,433	42,195	181,854	(2,512)	(3,258)
Other Financing Sources (Uses):																
Transfers in	38,332				169,996			280,076	357,228	678,000						318,689
Transfers out	(1,705,498)	(184,333)			(35,000)			(30,000)	(318,600)							
Total Other Financing Sources (Uses)	(1,867,166)	(184,333)			154,996			250,076	38,628	678,000						318,689
Net change in fund balances	(1,437,859)	(81,877)			36,144	372,306		273,140	(109,589)	474,274	173	103,433	42,195	181,854	(2,512)	315,431
Fund Balances - July 1, 2007	9,271,034	3,004,080			634,693	2,564,727		1,802,469	740,750	26,979			11,623	677,140	104,410	
Fund Balances - June 30, 2008	$7,833,175	$2,922,203			$670,837	$2,937,033		$1,875,609	$631,161	$501,253	$173	$103,433	$53,818	$858,994	$101,898	$315,431

(continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

	Special Revenue Funds																
	Parks Repair & Restoration Millage	Parks Rehab & Development Millage	Parks Maintenance & Capital Impr Millage	Open Space Endowment	Special Assistance	Parks Memorial & Contributions	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Economic Development	Cemetery Perpetual Care	Local Forfeiture	Police and Fire Relief	Energy Projects	Sidewalk Improvement
Revenues:																	
Taxes			$5,135,810														
Special assessments/improvement charges																	
Federal grants								$24,000	$115,162								
State shared revenues and grants									3,755								
Charges for services													$4,345			$460,000	$8,775
Fines and forfeits							$226,887			$51,812							
Interest and penalties																	
Investment income	$55,861	$230,310	153,374	$1,537	$61	$5,052	78,051			5,561	$11,112	$69,900	2,789	$2,077	$38,971	54,390	16,717
Rentals											7,475						
Contributions and donations					7,146	160,520											
Sale of property and equipment			837														
Intra-governmental sales																	
Miscellaneous	3,552	4,763	10,778														
Total Revenues	59,413	235,093	5,390,799	1,537	7,227	165,572	304,938	24,000	118,917	57,373	18,587	69,900	7,114	2,077	38,971	514,390	25,492
Expenditures:																	
Current:																	
General government							77,619		112,849				3,000			225,013	
Public safety								21,155	1,568	5,829				2,836	860		
Public works																	58,502
Community and economic development					14,203							380,125					
Culture and recreation	206,596	202,055	3,519,096			3,111					682						
Capital outlay		831,093	147,943				27,674	2,845	4,500	3,995	170,895					3,188	
Debt Service:																	
Principal retirement																	
Interest and fiscal charges																	
Total Expenditures	206,596	1,033,148	3,667,039		14,203	3,111	105,293	24,000	118,917	9,824	171,577	380,125	3,000	2,836	680	228,201	58,502
Excess of Revenues over (under) Expenditures	(149,183)	(796,055)	1,633,760	1,537	(6,976)	162,461	199,645			47,549	(152,990)	(310,225)	4,114	(759)	38,291	286,189	(33,010)
Other Financing Sources (Uses)																	
Transfers in		26,000		23,867												63,120	
Transfers out		(678,000)	(8,040)			(71,504)											
Total Other Financing Sources (Uses)		(652,000)	(8,040)	23,867		(71,504)										63,120	
Net change in fund balances	(149,183)	(1,450,055)	1,625,720	25,404	(6,976)	90,957	199,645			47,549	(152,990)	(310,225)	4,114	(759)	38,291	349,309	(33,010)
Fund Balances - July 1, 2007	934,143	4,946,933		95,676	14,620	71,051	1,157,761		83	106,239	296,473	2,180,000	62,500	46,418	640,472	484,827	403,926
Fund Balances - June 30, 2008	$784,960	$3,496,876	$1,625,720	$121,080	$7,644	$162,008	$1,357,406		$83	$153,788	$143,483	$1,869,775	$66,614	$45,659	$678,783	$834,136	$370,916

(continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(concluded)

	Debt Service		Capital Projects					Permanent	
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Special Assessments	Municipal Center	Maintenance Facility	Elizabeth R Dean Trust	Total
Revenues									
Taxes	$2,181,992								$7,317,802
Special assessments/improvement charges		$182,302							182,302
Federal grants									3,130,802
State shared revenues and grants									7,626,766
Charges for services									6,162,934
Fines and forfeits									318,699
Interest and penalties		30,472							30,472
Investment income		76,811	$48,184	$45,839	$4,855	$420,416	$111,546	$161,000	2,609,405
Rentals									7,475
Contributions and donations									282,666
Sale of property and equipment									3,186
Intra-governmental sales									363,457
Miscellaneous	69,721	4,221				23,750	6,000	306	235,563
Total Revenues	2,251,713	293,806	46,164	45,839	4,855	444,166	117,546	161,306	28,271,529
Expenditures:									
Current:									
General government	14,854								1,947,873
Public safety									3,327,821
Public works									8,786,028
Community and economic development									3,477,899
Culture and recreation								73,379	4,011,983
Capital outlay					500	2,206,468	1,009,944		5,158,886
Debt Service									
Principal retirement	3,050,000	125,000							3,175,000
Interest and fiscal charges	2,547,607	38,848							2,586,455
Total Expenditures	5,612,261	163,848			500	2,206,468	1,009,944	73,379	32,471,945
Excess of Revenues over (under) Expenditures	(3,360,548)	129,958	46,184	45,839	4,355	(1,762,302)	(892,398)	87,927	(4,200,416)
Other Financing Sources (Uses)									
Transfers in	3,228,781		612,346						5,814,417
Transfers out			(304,246)					(1,644)	(3,336,865)
Total Other Financing Sources (Uses)	3,226,761		308,100					(1,644)	2,477,552
Net change in fund balances	(133,787)	129,958	354,284	45,839	4,355	(1,782,302)	(892,398)	88,283	(1,722,864)
Fund Balances - July 1, 2007	269,719	1,001,640	444,937	837,958	122,172	8,199,705	2,665,526	2,135,197	45,555,861
Fund Balances - June 30, 2008	$135,932	$1,131,598	$799,221	$683,797	$126,527	$6,437,403	$1,773,128	$2,221,480	$43,832,997

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008

	Major Streets			Local Streets			Community Development		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues.									
Taxes									
Special assessments/improvement charges									
Federal grants							$1,826,642	$1,342,396	($484,446)
State shared revenues and grants	$6,188,058	$5,696,773	($492,285)	$1,610,158	$1,555,271	($54,887)			
Charges for services	140,829	824,543	683,714		170,206	170,206			
Fines and forfeits									
Interest and penalties									
Investment income	250,000	425,996	175,996	70,000	162,158	92,158			
Rentals									
Contributions and donations									
Sale of property and equipment		2,349	2,349						
Intra-governmental sales	150,000	363,457	213,457						
Miscellaneous	25,500	90,778	65,278	250	14,438	14,186			
Total Revenues	8,755,387	7,403,896	648,509	1,680,408	1,902,071	221,663	1,826,842	1,342,396	(484,446)
Expenditures									
Current									
General government									
Public safety									
Public works	9,772,568	6,530,519	3,242,049	1,870,940	1,799,615	71,325			
Community and economic development							1,826,842	1,342,396	484,446
Culture and recreation									
Capital outlay	12,500	644,070	(631,570)						
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	9,785,068	7,174,589	2,610,479	1,870,940	1,799,615	71,325	1,826,842	1,342,396	484,446
Excess of Revenues over (under) Expenditures	(3,029,881)	229,307	3,258,988	(190,532)	102,456	292,988			
Other Financing Sources (Uses):									
Transfers in	614,443	38,332	(576,111)	155,000		(155,000)			
Transfers out	(1,131,553)	(1,705,498)	(573,945)	(187,693)	(184,333)	3,360			
Total Other Financing Sources (Uses)	(517,110)	(1,867,166)	(1,150,056)	(32,693)	(184,333)	(151,640)			
Net changes in fund balances	(3,546,791)	(1,437,859)	2,108,932	(223,225)	(81,877)	141,348			
Fund Balances - July 1, 2007	3,909,856	9,271,034	5,361,378	223,225	3,004,080	2,780,855			
Fund Balances - June 30, 2008	$382,865	$7,833,175	$7,470,310		$2,922,203	$2,922,203			

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Home Program			Affordable Housing			Community Television Network		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues									
Taxes									
Special assessments/improvement charges									
Federal grants	$2,631,678	$1,561,858	($1,069,820)						
State shared revenues and grants									
Charges for services							$1,388,065	$1,613,469	$225,404
Fines and forfeits									
Interest and penalties									
Investment income				$5,000	$45,485	$40,465	70,300	159,578	89,278
Rentals									
Contributions and donations					15,000	15,000			
Sale of property and equipment							1,000		(1,000)
Intra-governmental sales									
Miscellaneous				5,000		(5,000)		993	993
Total Revenues	2,631,678	1,561,858	(1,069,820)	10,000	60,485	50,485	1,459,365	1,774,040	314,675
Expenditures:									
Current:									
General government							1,374,365	1,295,963	78,402
Public safety									
Public works									
Community and economic development	2,631,678	1,561,856	1,069,820	622,937	179,317	443,620			
Culture and recreation									
Capital outlay							150,000	105,771	44,229
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	2,631,678	1,561,858	1,069,820	622,937	179,317	443,620	1,524,365	1,401,734	122,631
Excess of Revenues over (under) Expenditures				(612,937)	(118,852)	494,085	(65,000)	372,306	437,306
Other Financing Sources (Uses)									
Transfers in				190,000	189,996	(4)			
Transfers out				(68,261)	(35,000)	33,261			
Total Other Financing Sources (Uses)				121,739	154,996	33,257			
Net changes in fund balances				(491,198)	36,144	527,342	(65,000)	372,306	437,306
Fund Balances - July 1, 2007				498,917	634,693	135,776	65,000	2,564,727	2,499,727
Fund Balances - June 30, 2008				$7,719	$670,837	$663,118		$2,937,033	$2,937,033

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Homsland Security Grant			Construction Code			Alternative Transportation		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues									
Taxes									
Special assessments/improvement charges									
Federal grants	$145,780	$67,386	($58,394)				$484,360		($484,360)
State shared revenues and grants									
Charges for services				$2,456,000	$3,081,596	$625,596			
Fines and forfeits									
Interest and penalties									
Investment income					100,597	$100,597		50,537	50,537
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous					6,245	6,245			
Total Revenues	145,780	87,386	(58,394)	2,456,000	3,188,438	732,438	484,360	50,537	(433,823)
Expenditures:									
Current:									
General government									
Public safety	145,780	87,386	58,394	3,208,560	3,165,376	43,184			
Public works							1,824,814	198,754	1,626,060
Community and economic development									
Culture and recreation									
Capital outlay				30,000		30,000			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	145,780	87,386	58,394	3,238,560	3,165,376	73,184	1,824,814	198,754	1,626,060
Excess of Revenues over (under) Expenditures				(782,560)	23,062	805,622	(1,340,454)	(148,217)	1,192,237
Other Financing Sources (Uses)									
Transfers in				280,082	280,078	(4)	357,237	357,228	(9)
Transfers out					(30,000)	(30,000)	(318,600)	(318,600)	
Total Other Financing Sources (Uses)				280,082	250,078	(30,004)	38,637	38,628	(9)
Net changes in fund balances				(502,478)	273,140	775,616	(1,301,817)	(109,589)	1,192,228
Fund Balances - July 1, 2007				528,500	1,802,489	1,073,969	1,301,817	740,750	(561,067)
Fund Balances - June 30, 2008				$26,022	$1,875,609	$1,849,587		$631,161	$631,161

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Tree Removal & Disposal			Drug Enforcement			Metro Expansion		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants							$345,000	$335,485	($9,515)
Charges for services									
Fines and forfeits				$7,500	$40,000	$32,500			
Interest and penalties									
Investment income		$15,049	$15,049		2,195	2,195		45,007	45,007
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues		15,049	15,049	7,500	42,195	34,695	345,000	380,492	35,492
Expenditures:									
Current:									
General government	678,005	218,775	459,230						
Public safety				7,500		7,500			
Public works							345,000	198,638	146,362
Community and economic development									
Culture and recreation									
Capital outlay									
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	678,005	218,775	459,230	7,500		7,500	345,000	198,638	146,362
Excess of Revenues over (under) Expenditures	(678,005)	(203,726)	474,279		42,195	42,195		181,854	181,854
Other Financing Sources (Uses):									
Transfers in	678,005	678,000	5						
Transfers out									
Total Other Financing Sources (Uses)	678,005	678,000	5						
Net changes in fund balances		474,274	474,274		42,195	42,195		181,854	181,854
Fund Balances - July 1, 2007		26,979	26,979		11,623	11,623		677,140	677,140
Fund Balances - June 30, 2008		$501,253	$501,253		$53,818	$53,818		$858,994	$858,994

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Michigan Justice Training			Art in Public Places			Parks Repair & Restoration Millage		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants	$30,000	$35,462	$5,462						
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income		4,997	4,997		$1,806	$1,806		$55,861	$55,861
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous								3,552	3,552
Total Revenues	30,000	40,479	10,479		1,806	1,806		59,413	59,413
Expenditures:									
Current:									
General government									
Public safety	24,800	42,991	(18,191)						
Public works									
Community and economic development									
Culture and recreation				318,689	5,064	313,625	756,772	208,596	548,176
Capital outlay									
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	24,800	42,991	(18,191)	318,689	5,064	313,625	756,772	208,596	548,176
Excess of Revenues over (under) Expenditures	5,200	(2,512)	(7,712)	(318,689)	(3,258)	315,431	(756,772)	(149,183)	607,589
Other Financing Sources (Uses):									
Transfers in				318,689	318,689				
Transfers out									
Total Other Financing Sources (Uses)				318,689	318,689				
Net changes in fund balances	5,200	(2,512)	(7,712)		315,431	315,431	(756,772)	(149,183)	607,589
Fund Balances - July 1, 2007		104,410	104,410				756,772	934,143	177,371
Fund Balances - June 30, 2008	$5,200	$101,898	$96,698		$315,431	$315,431		$784,960	$784,960

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Parks Rehab & Development Millage			Parks Maint & Capital Impr Millage			Open Space Endowment		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues.									
Taxes				$5,086,192	$5,135,810	$47,618			
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income		$230,310	$230,310		153,374	153,374		$1,537	$1,537
Rentals									
Contributions and donations									
Sale of property and equipment				300	837	537			
Intra-governmental sales									
Miscellaneous		4,783	4,783	9,000	10,778	1,778			
Total Revenues		235,093	235,093	5,097,492	5,300,799	203,307		1,537	1,537
Expenditures.									
Current									
General government									
Public safety									
Public works									
Community and economic development									
Culture and recreation	978,192	202,055	776,137	4,353,675	3,519,096	834,579			
Capital outlay	494,516	831,093	(336,577)	723,513	147,943	575,570			
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	1,472,708	1,033,148	439,560	5,077,188	3,667,039	1,410,149			
Excess of Revenues over (under) Expenditures	(1,472,708)	(798,055)	674,653	20,304	1,633,760	1,613,456		1,537	1,537
Other Financing Sources (Uses)									
Transfers in	26,000	26,000					119,334	23,867	(95,467)
Transfers out	(678,000)	(678,000)		(8,040)	(8,040)				
Total Other Financing Sources (Uses)	(652,000)	(652,000)		(8,040)	(8,040)		119,334	23,867	(95,467)
Net changes in fund balances	(2,124,708)	(1,450,055)	674,653	12,264	1,625,720	1,613,456	119,334	25,404	(93,930)
Fund Balances - July 1, 2007	2,124,708	4,946,933	2,622,225	8,040		(8,040)		95,676	95,676
Fund Balances - June 30, 2008		$3,496,878	$3,496,878	$20,304	$1,625,720	$1,605,416	$119,334	$121,080	$1,746

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Special Assistance			Parks Memorial & Contributions			Court Facilities		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services									
Fines and forfeits							$212,000	$226,887	$14,887
Interest and penalties									
Investment income	$50	$81	$31		$5,052	$5,052		78,051	78,051
Rentals									
Contributions and donations	5,950	7,146	1,196	$115,000	160,520	45,520			
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	6,000	7,227	1,227	115,000	165,572	50,572	212,000	304,938	92,938
Expenditures:									
Current:									
General government							165,042	77,619	87,423
Public safety									
Public works									
Community and economic development	20,203	14,203	6,000						
Culture and recreation				59,947	3,111	56,836			
Capital outlay							39,000	27,674	11,326
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	20,203	14,203	6,000	59,947	3,111	56,836	204,042	105,293	98,749
Excess of Revenues over (under) Expenditures	(14,203)	(6,976)	7,227	55,053	162,461	107,408	7,958	199,645	191,687
Other Financing Sources (Uses)									
Transfers in									
Transfers out				(71,500)	(71,504)	4			
Total Other Financing Sources (Uses)				(71,500)	(71,504)	4			
Net changes in fund balances	(14,203)	(6,976)	7,227	(16,447)	90,957	107,404	7,958	199,645	191,687
Fund Balances - July 1, 2007	14,203	14,620	417	26,000	71,051	45,051		1,157,761	1,157,761
Fund Balances - June 30, 2006		$7,644	$7,644	$9,553	$162,006	$152,455	$7,958	$1,357,406	$1,349,448

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Local Law Enforcement Block Grant			Major Grants			Federal Equitable Sharing Forfeiture		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants	$35,220	$24,000	($11,220)	$915,211	$115,162	($800,049)			
State shared revenues and grants					3,755	3,755			
Charges for services									
Fines and forfeits								$51,812	$51,812
Interest and penalties									
Investment income								5,561	5,561
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	35,220	24,000	(11,220)	915,211	118,917	(796,294)		57,373	57,373
Expenditures:									
Current:									
General government				1,019,788	112,849	906,937			
Public safety	35,220	21,155	14,065		1,568	(1,568)	17,839	5,829	12,010
Public works									
Community and economic development									
Culture and recreation									
Capital outlay		2,845	(2,845)		4,500	(4,500)	7,486	3,995	3,491
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	35,220	24,000	11,220	1,019,788	118,917	900,869	25,325	9,824	15,501
Excess of Revenues over (under) Expenditures				(104,575)		104,575	(25,325)	47,549	72,874
Other Financing Sources (Uses):									
Transfers in									
Transfers out									
Total Other Financing Sources (Uses)									
Net changes in fund balances				(104,575)		104,575	(25,325)	47,549	72,874
Fund Balances - July 1, 2007				104,575	83	(104,512)	25,325	106,239	80,914
Fund Balances - June 30, 2008					$63	$63		$153,788	$153,788

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Bandemer			Economic Development			Cemetery Perpetual Care		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services								$4,345	$4,345
Fines and forfeits									
Interest and penalties									
Investment income	$1,500	$11,112	$9,612		$69,900	$69,900		2,769	2,769
Rentals	4,200	7,475	3,275						
Contributions and donations									
Sale of property and equipment							3,000		(3,000)
Intra-governmental sales									
Miscellaneous									
Total Revenues	5,700	18,587	12,687		69,900	69,900	3,000	7,114	4,114
Expenditures									
Current									
General government							3,000	3,000	
Public safety									
Public works									
Community and economic development				600,000	380,125	219,875			
Culture and recreation	6,619	682	5,937						
Capital outlay	270,000	170,895	99,105						
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	276,619	171,577	105,042	600,000	380,125	219,675	3,000	3,000	
Excess of Revenues over (under) Expenditures	(270,919)	(152,990)	117,929	(600,000)	(310,225)	289,775		4,114	4,114
Other Financing Sources (Uses)									
Transfers in									
Transfers out									
Total Other Financing Sources (Uses)									
Net changes in fund balances	(270,919)	(152,990)	117,929	(600,000)	(310,225)	289,775		4,114	4,114
Fund Balances - July 1, 2007	275,000	296,473	21,473	600,000	2,180,000	1,580,000		62,500	62,500
Fund Balances - June 30, 2008	$4,081	$143,483	$139,402		$1,869,775	$1,869,775		$66,614	$66,614

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	Police and Fire Relief			Energy Projects			Sidewalk Improvement		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Charges for services				$827,219	$460,000	($167,219)	$487,713	$8,775	($478,938)
Fines and forfeits									
Interest and penalties									
Investment income	$25,000	$38,971	$13,971		54,390	54,390		16,717	$16,717
Rentals									
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous				8,000		(8,000)			
Total Revenues	25,000	38,971	13,971	835,219	514,390	(120,829)	487,713	25,492	(462,221)
Expenditures									
Current:									
General government				477,918	225,013	252,905			
Public safety		680	(680)						
Public works							805,635	58,502	747,133
Community and economic development									
Culture and recreation									
Capital outlay				307,219	3,188	304,031			
Debt service:									
Principal retirement									
Interest and fiscal charges									
Total Expenditures		680	(680)	785,137	228,201	556,936	805,635	58,502	747,133
Excess of Revenues over (under) Expenditures	25,000	38,291	13,291	(149,918)	286,189	436,107	(317,922)	(33,010)	284,912
Other Financing Sources (Uses)									
Transfers in				53,938	63,120	(9,182)			
Transfers out									
Total Other Financing Sources (Uses)				53,938	63,120	(9,182)			
Net changes in fund balances	25,000	38,291	13,291	(95,980)	349,309	445,289	(317,922)	(33,010)	284,912
Fund Balances - July 1, 2007		640,472	640,472	140,000	484,827	344,827	317,922	403,926	66,004
Fund Balances - June 30, 2008	$25,000	$676,763	$653,763	$44,020	$834,136	$790,116		$370,916	$370,916

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2008
(continued)

	General Debt Service			Special Assessments-Debt Service		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:						
Taxes	$ 2,186,840	$2,161,992	($4,848)			
Special assessments/improvement charges					$162,302	$182,302
Federal grants						
State shared revenues and grants						
Charges for services						
Fines and forfeits						
Interest and penalties				40,000	30,472	(9,528)
Investment income	7,300		(7,300)	33,000	76,611	43,811
Rentals						
Contributions and donations						
Sale of property and equipment						
Intra-governmental sales						
Miscellaneous		69,721	69,721		4,221	4,221
Total Revenues	2,194,140	2,251,713	57,573	73,000	293,806	220,806
Expenditures						
Current:						
General government	19,000	14,654	4,346			
Public safety						
Public works						
Community and economic development						
Culture and recreation						
Capital outlay						
Debt service						
Principal retirement	3,050,000	3,050,000		125,000	125,000	
Interest and fiscal charges	2,577,602	2,547,607	29,995	38,647	38,848	(201)
Total Expenditures	5,646,602	5,612,261	34,341	163,647	163,848	(201)
Excess of Revenues over (under) Expenditures	(3,452,462)	(3,360,548)	91,914	(90,647)	129,958	220,605
Other Financing Sources (Uses):						
Transfers in	3,339,726	3,226,761	(112,965)			
Transfers out						
Total Other Financing Sources (Uses)	3,339,726	3,226,761	(112,965)			
Net changes in fund balances	(112,736)	(133,767)	(21,051)	(90,647)	129,958	220,605
Fund Balances - July 1, 2007	112,736	269,719	156,983	90,647	1,001,640	910,993
Fund Balances - June 30, 2006		$135,932	$135,932		$1,131,598	$1,131,598

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Wheeler Center	Total
Current Assets:								
Cash	$15,139	$10,390	$3,550	$142,272	$112,102	$286,499	$4,046	$573,998
Equity in pooled cash and investments	1,193,891	4,741,717	5,423	4,923,508	193,334	9,678,808	59,340	20,796,021
Accounts receivable	1,965				8,727	4,256		14,948
Less: allowance for uncollectibles					(1,304)	(4,256)		(5,560)
Due from other funds	124,933	17,658	814	570,911	534,341	95,798	9,078	1,353,733
Prepaid items						1,213,005		1,213,005
Inventory, at cost	386,309			391,144				777,453
Total Current Assets	1,722,237	4,769,965	9,787	6,027,835	847,200	11,274,110	72,464	24,723,598
Noncurrent Assets:								
Capital assets:								
Land			98,440	96,267				194,707
Buildings	90,663	205,043	152,159	257,643				705,708
Improvements other than buildings				62,407				62,407
Machinery and equipment	75,733	816,495		2,610,007				3,502,235
Vehicles				7,952,264				7,952,284
Less: Accumulated depreciation	(131,491)	(211,778)	(152,159)	(7,853,725)				(8,349,153)
Total Capital Assets (net of accumulated depreciation)	34,905	809,760	98,440	3,125,083				4,068,188
Total Noncurrent Assets	34,905	809,760	98,440	3,125,083				4,068,188
TOTAL ASSETS	1,757,142	5,579,725	108,227	9,152,918	847,200	11,274,110	72,464	28,791,786
LIABILITIES								
Current Liabilities:								
Accounts payable	30,339	477,477		181,263	25,366	2,391,565	45,932	3,151,942
Estimated claims payable						307,021		307,021
Accrued liabilities	5,112	46,092		25,689	21,176	7,334	543	105,946
Due to other funds	14,370	38,420		93,421	426	883,755	22,096	1,052,490
Note Payable, current portion				410,840				410,840
Total Current Liabilities	49,821	561,989		711,213	46,968	3,589,675	68,573	5,028,239
Noncurrent Liabilities:								
Accrued compensated absences	35,352			379,328	77,162	34,052		525,894
Estimated claims payable						2,879,196		2,879,196
Total Noncurrent Liabilities	35,352			379,328	77,162	2,913,248		3,405,090
TOTAL LIABILITIES	65,173	561,989		1,090,541	124,130	6,502,923	68,573	8,433,329
Net Assets:								
Invested in Capital Assets	34,905	809,760	98,440	2,714,243				3,657,348
Unrestricted	1,637,064	4,207,976	9,787	5,346,134	723,070	4,771,187	3,891	16,701,109
TOTAL NET ASSETS	$1,671,969	$5,017,736	$108,227	$8,062,377	$723,070	$4,771,187	$3,891	$20,358,457

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Wheeler Center	Total
Operating Revenues:								
Cherges for services	$1,323,979	$6,730,201	$108	$6,291,520	$2,070,012	$19,946,137	$450,000	$36,811,957
Miscellaneous revenues	2,058			6,589	8,408			17,055
Total Operating Revenues	1,326,037	6,730,201	108	6,298,109	2,078,420	19,946,137	450,000	36,829,012
Operating Expenses:								
Personal services	356,385	2,372,695	1,097	1,634,649	1,599,340	393,556	29,932	6,387,654
Materials and supplies	40,504	995,282	1	26,436	18,449	38,858	57,353	1,176,883
Utilities	3,447	70,977	13,830	21,618	8,586	1,952	319,835	440,245
Insurance	660	3,324	5,952	45,024	4,452	21,546,878		21,606,290
Contractual services	93,849	1,148,122	20,205	42,265	50,052	18,740	24,518	1,397,751
Maintenence	3,747	784,041	285	176,431	23,304	9,170	16,543	1,013,521
Professional fees		62,446		1,032	47,143	152,040		262,661
Miscellaneous	230	46,753		2,646	5,895	10,178	878	66,780
Cost of goods sold	726,598			2,184,894				2,911,492
Municipal service charge	19,716	364,764	4,596	106,644	56,268	231,516		783,504
Information Technology Charges	9,888	266,532		76,944	202,620	19,704		575,688
Depreciation and amortization	3,093	124,274		960,762				1,088,129
Total Operating Expenses	1,258,117	6,239,210	45,966	5,279,545	2,016,109	22,422,592	449,059	37,710,598
Operating Income (Loss)	67,920	490,991	(45,858)	1,018,564	62,311	(2,476,455)	941	(881,586)
Nonoperating Revenues (Expenses).								
Investment income	73,351	252,148	331	292,058		543,979	2,950	1,164,817
Interest expense and fiscal charges				(5,872)	(3,151)			(9,023)
Net gain on retirement of capital assets				99,777				99,777
Total Nonoperating Revenues (Expenses)	73,351	252,148	331	385,963	(3,151)	543,979	2,950	1,255,571
Income (Loss) Before Contributions and Transfers	141,271	743,139	(45,527)	1,404,527	59,160	(1,932,476)	3,891	373,985
Capital contributions				113,578				113,578
Transfers In	48,751			824,996	567,276			1,441,023
Transfers Out	(40,764)	(8,316)		(746,910)	(51,288)			(847,278)
Change in Net Assets	149,258	734,823	(45,527)	1,596,191	575,148	(1,932,476)	3,891	1,081,308
Net Assets - July 1, 2007	1,522,711	4,282,913	153,754	6,466,186	147,922	6,703,663		19,277,149
Net Assets - June 30, 2008	$1,671,969	$5,017,736	$108,227	$8,062,377	$723,070	$4,771,187	$3,891	$20,358,457

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Wheeler Center	Total
Cash flow from operating activities:								
Receipts from customers	$1,324,072	$6,730,201	$108	$6,298,109	$2,084,308	$19,946,137	$450,000	$36,832,935
Receipts from interfund services provided		193,898				1,485,057	13,020	1,691,975
Payments to suppliers	(846,801)	(3,793,697)	(46,700)	(2,522,500)	(399,728)	(21,503,367)	(373,195)	(29,485,988)
Payments on behalf of employees	(355,739)	(2,363,640)	(2,997)	(1,601,933)	(1,602,887)	(696,044)	(29,389)	(6,652,629)
Payments for interfund services used	(68,486)		(1,201)	(1,076,471)	(432,813)			(1,598,971)
Net cash provided by (used in) operating activities	33,046	766,762	(50,790)	1,097,205	(351,120)	(768,217)	60,436	787,322
Cash flows from noncapital financing activities:								
Transfers in	48,751			624,996	567,276			1,441,023
Transfers out	(40,764)	(8,316)		(746,910)	(51,286)			(847,278)
Interest expense					(3,151)			(3,151)
Net cash flows provided by (used in) noncapital financing activities	7,987	(8,316)		78,086	512,837			590,594
Cash flows from capital and related financing activities:								
Interest paid on capital leases and notes				(5,872)				(5,872)
Proceeds from sale of equipment				111,288				111,288
Acquisition of capital assets		(368,739)		(1,202,495)				(1,571,234)
Net cash flows used in capital and related financing activities		(368,739)		(1,097,079)				(1,465,818)
Cash flows from investing activities:								
Interest and dividends on investments	73,351	252,148	331	292,058		543,979	2,950	1,164,817
Net cash flows provided by investing activities	73,351	252,148	331	292,058		543,979	2,950	1,164,817
Net increase (decrease) in cash and cash equivalents	114,384	641,855	(50,459)	370,270	161,717	(224,238)	63,386	1,078,915
Cash and cash equivalents at beginning of the year	1,094,646	4,110,252	59,432	4,895,510	143,719	10,189,545	-	20,293,104
Cash and cash equivalents at end of the year	$1,209,030	$4,752,107	$8,973	$5,065,780	$305,436	$9,965,307	$63,386	$21,370,019

CITY OF ANN ARBOR
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008
(Concluded)

	Central Stores	Information Technology	Park Service Headquarters	Fleet Services	Project Management	Insurance	Wheeler Center	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Net operating income (loss)	$67,920	$490,991	($45,858)	$1,018,564	$62,311	($2,476,455)	$941	($881,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	3,093	124,274		960,762				1,088,129
(Increase) decrease in assets and increase (decrease) in liabilities:								
Allowance for uncollectible accounts				(133)	(6,940)			(7,073)
Accounts receivable	(1,965)			133	12,828			10,996
Inventory	57,474			(67,654)				(10,180)
Prepaid items						(669,890)		(669,890)
Accounts payable	(5,636)	(51,456)	(1,831)	(181,552)	20,192	2,322,284	45,932	2,147,933
Notes payable				410,840				410,840
Accrued compensated absences	3,930			46,143	22,278	(30,768)		41,583
Estimated claims payable						841,762		841,762
Accrued liabilities	(3,284)	9,055	(1,900)	(13,427)	(25,825)	(271,720)	543	(306,558)
Due to other funds	(1,763)	13,353	(387)	(509,238)	162	(682,970)	22,098	(1,158,745)
Due from other funds	(86,723)	180,545	(814)	(567,233)	(436,126)	199,540	(9,078)	(719,889)
Net cash provided by (used in) operating activities	$33,046	$766,762	($50,790)	$1,097,205	($351,120)	($788,217)	$60,436	$787,322

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

	Employees' Benefit Trust Funds		
	Employees' Benefit Retirement System	VEBA Trust Fund	Total Employees' Benefit Trust Funds
ASSETS			
Cash	$342,180		$342,180
Equity in pooled cash and investments (Note 2)	932,973	$4,901	937,874
Investments, at fair value (Note 2):			
Short term investments	6,743,650	627,263	7,370,913
U.S. Government obligations	41,745,855		41,745,855
Guaranteed investment contracts	13,448,605		13,448,605
Domestic corporate bonds	36,800,303	20,997,390	57,797,693
Domestic stocks	264,890,660	37,099,913	301,990,573
Municipal bonds	670,129		670,129
Real Estate-Direct & funds	45,989,189	2,893,078	48,882,267
Accrued interest and dividends	978,645	217,158	1,195,803
Due from other governments	235,127	1,985,007	2,220,134
Property, plant & equipment (net of depreciation of $25,622)	2,198		2,198
Total Assets	412,779,514	63,824,710	476,604,224
LIABILITIES			
Accounts payable	2,218,748	32,267	2,251,015
Accrued liabilities	131,588		131,588
Due to other governments	12,482		12,482
Total Liabilities	2,362,818	32,267	2,395,085
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$410,416,696	$63,792,443	$474,209,139

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

	Agency Funds					
	Treasurer's Current Tax	Treasurer's Delinquent Tax	Contractors' Retainage	Fifteenth District Court	Payroll	Total Agency Funds
ASSETS						
Cash	$17,497	$233,546	$983,776	$272,949	$20,070	$1,527,838
Equity in pooled cash & investments			66			66
Due from others			9,722			9,722
Total Assets	$17,497	$233,546	$993,564	$272,949	$20,070	$1,537,626
LIABILITIES						
Due to others	$17,497		$993,564		$20,070	$1,031,131
Due to other governments		233,546		228,519		462,065
Deposits				44,430		44,430
Total Liabilities	$17,497	$233,546	$993,564	$272,949	$20,070	$1,537,626

CITY OF ANN ARBOR
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Employees' Benefit Trust Funds		
ADDITIONS	Employees' Benefit Retirement System	VEBA Trust Fund	Total Employees' Benefit Trust Funds
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments	($30,274,397)	($6,864,751)	($37,139,148)
Interest	5,699,757	2,295,104	7,994,861
Dividends	1,085,814		1,085,814
Total investment income (loss)	(23,488,826)	(4,569,647)	(28,058,473)
Less investment expense	(1,267,679)	(282,278)	(1,549,957)
Net investment income (loss)	(24,756,505)	(4,851,925)	(29,608,430)
Contributions:			
Employer	7,517,024	4,622,604	12,139,628
Plan member	2,725,883		2,725,883
Total contributions	10,242,907	4,622,604	14,865,511
Total additions	(14,513,598)	(229,321)	(14,742,919)
DEDUCTIONS			
Benefits	23,975,916		23,975,916
Refund of contributions	375,562		375,562
Administrative expense	633,919	72	633,991
Total deductions	24,985,397	72	24,985,469
Change in net assets	(39,498,995)	(229,393)	(39,728,388)
Net assets held in trust for benefits at beginning of year	449,915,691	64,021,836	513,937,527
Net assets held in trust for benefits at end of year	$410,416,696	$63,792,443	$474,209,139

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2008

TREASURER'S CURRENT TAX FUND	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash	$124,056	$1,139,664,868	$1,139,771,427	$17,497
Equity in pooled cash and investments		109,338,125	109,338,125	
Due from other funds		63,101	63,101	
Total Assets	$124,056	$1,249,066,094	$1,249,172,653	$17,497
LIABILITIES				
Due to others	$124,056	$251,202,926	$251,309,485	$17,497
Due to other funds		272,317	272,317	
Total Liabilities	$124,056	$251,475,243	$251,581,802	$17,497

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
TREASURER'S DELINQUENT TAX FUND				
ASSETS				
Cash	$66,745	$4,192,018	$4,025,217	$233,546
Equity in pooled cash and investments		1,945,965	1,945,965	
Due from other funds		20,262	20,262	
Total Assets	$66,745	$6,158,245	$5,991,444	$233,546
LIABILITIES				
Due to others	$57,734	$899,770	$957,504	
Due to other funds		16,311	16,311	
Due to other governments	9,011	314,736	90,201	233,546
Total Liabilities	$66,745	$1,230,817	$1,064,016	$233,546
CONTRACTORS' RETAINAGES FUND				
ASSETS				
Cash	$2,374,258	$4,529,719	$5,920,201	$983,776
Equity in pooled cash and investments		1,966,465	1,966,399	66
Due from others		9,722		9,722
Total Assets	$2,374,258	$6,505,906	$7,886,600	$993,564
LIABILITIES				
Due to others	$2,374,258	$2,518,629	$3,899,323	$993,564
Total Liabilities	$2,374,258	$2,518,629	$3,899,323	$993,564

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
FIFTEENTH DISTRICT COURT				
ASSETS				
Cash	$162,660	$592,538	$482,249	$272,949
LIABILITIES				
Due to other funds		$269,029	$269,029	
Due to other governments	$119,659	108,860		$228,519
Deposits	43,001	1,429		44,430
Total Liabilities	$162,660	$379,318	$269,029	$272,949
PAYROLL				
ASSETS				
Cash		$102,890,110	$102,870,040	$20,070
Equity in pooled cash and investments		26,513,285	26,513,285	
Due from other governments		33,352	33,352	
Total Assets		$129,436,747	$129,416,677	$20,070
LIABILITIES				
Due to others		$98,215,997	$98,195,927	$20,070
Due to other funds		76,904	76,904	
Total Liabilities		$98,292,901	$98,272,831	$20,070

CITY OF ANN ARBOR
AGENCY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2008

TOTAL - ALL AGENCY FUNDS

ASSETS	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash	$2,727,719	$1,251,869,253	$1,253,069,134	$1,527,838
Equity in pooled cash and investments		139,763,840	139,763,774	66
Due from others		9,722		9,722
Due from other funds		83,363	83,363	
Due from other governments		33,352	33,352	
Total Assets	$2,727,719	$1,391,759,530	$1,392,949,623	$1,537,626
LIABILITIES				
Due to others	2,556,048	352,837,322	354,362,239	1,031,131
Due to other funds		634,561	634,561	
Due to other governments	128,670	423,596	90,201	462,065
Deposits	43,001	1,429		44,430
Total Liabilities	$2,727,719	$353,896,908	$355,087,001	$1,537,626

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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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Ann Arbor, Michigan as of and for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

2006-1 USE OF CITY CREDIT CARDS

Criteria: Compliance with City administrative policy. City administrative policy #512 provides (among other things) that documentation be maintained for all purchases, that purchases be made only for official City business, and that use of the City credit card does not exempt the user from compliance with Federal or State regulations as well as City ordinances, policies and procedures.

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

- Several of the transactions sampled contained no explanation that would allow a user to determine that the purchase was made for official City business.
- Several of the transactions sampled were not properly supported with an invoice, receipt, or other appropriate documentation.

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

Recommendation: We recommend the City take steps to ensure that proper supporting documentation be obtained for all purchases and that the business purpose of all charges be clearly indicated.

Corrective Action Response: We agree with the recommendation and have made several improvements to the purchasing card program and policy during the last fiscal year. We are addressing issues with individuals to ensure full compliance in the future.

2008-1 PURCHASE OF TELEVISIONS FOR MAINTENANCE FACILITY

Criteria: Appropriate use of public funds, also compliance with City administrative policy #208 and #512.

Purchasing policy #208 calls for the following:

- All purchases over $3,000 require the issuance of a purchase order and the approval of the Service Area Administrator.
- For "sole source" purchases, written documentation that a specified item cannot be obtained from any other source must be submitted.
- Purchases over $10,000 require living wage and civil rights certifications.

Credit Card Policy #512 calls for the following:

- Applicable requirements of policy #208 must be followed.
- Purchases must not be split to circumvent procurement procedures

2008-1 PURCHASE OF TELEVISIONS FOR MAINTENANCE FACILITY - CONTINUED

Condition: During the performance of our audit procedures and inquiries related to purchasing card use, it came to our attention that certain employees at the City maintenance facility had purchased eleven (11) flat-screen televisions for use at the facility. Also purchased were several DVD players, HDMI cables, and custom installation services. These purchases were not approved in advance by the Service Area Administrator. The purchases were made using the City credit cards of several employees and arranged in such a way that they would not exceed applicable credit limits on the cards.

Effect: These purchases appear to be an inappropriate use of public funds. Also, the City is not in compliance with administrative policies #208 and #512.

Recommendation: We recommend that all such purchases be discontinued in the future. We recommend City evaluate the ongoing need for and business purpose satisfied by these items.

Corrective Action Response: Management understands the auditors' concerns and wants to reiterate our commitment to complying with all policies. We have re-educated staff and clearly communicated to the involved employees the importance of adhering to financial policies, as they are a key component in our effort for transparency in government. Management believes we have appropriately addressed this issue and it will not occur in the future.

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

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

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 10, 2008

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 128

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 134

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 138

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.

Demographic and Economic Information 143

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 145

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.

TABLE I

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	$ 598,685,040	$ 603,474,157	$ 575,895,851	$ 611,225,989	$ 626,041,914
Restricted	18,488,574	14,535,869	101,447,127	79,571,639	75,698,698
Unrestricted	48,319,797	44,040,557	17,347,389	25,703,229	30,524,342
Total governmental activities net assets	$ 665,493,411	$ 662,050,583	$ 694,690,367	$ 716,500,857	$ 732,264,954
Business-type activities					
Invested in capital assets, net of related debt	$ 67,551,963	$ 90,066,898	$ 97,487,787	$ 111,888,472	$ 77,083,900
Restricted	16,493,596	16,634,604	15,918,577	15,291,215	18,837,147
Unrestricted	58,330,509	58,691,676	56,489,160	55,985,356	101,517,578
Total business-type activities net assets	$ 142,376,068	$ 165,393,178	$ 169,895,524	$ 183,165,043	$ 197,438,625
Primary government					
Invested in capital assets, net of related debt	$ 666,237,003	$ 693,541,055	$ 673,383,638	$ 723,114,461	$ 703,125,814
Restricted	34,982,170	31,170,473	117,365,704	94,862,854	94,535,845
Unrestricted	106,650,306	102,732,233	73,836,549	81,688,585	132,041,920
Total primary government net assets	$ 807,869,479	$ 827,443,761	$ 864,585,891	$ 899,665,900	$ 929,703,579

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

TABLE II

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities:					
General government	$ 22,240,005	$ 13,732,411	$ 13,908,277	$ 15,219,894	$ 14,290,184
Public safety	38,535,603	43,656,127	44,026,682	42,368,701	48,004,360
Public works	16,728,351	22,554,703	19,659,069	16,388,169	22,948,985
Community and economic development	4,158,934	5,425,385	2,188,427	5,146,231	5,611,549
Culture and recreation	9,190,992	7,697,210	6,810,978	6,464,261	8,616,049
Other - Public Transportation	7,951,457	8,349,044	8,666,141	9,169,355	9,574,677
Debt service	1,218,936	934,007	1,539,263	2,737,333	2,544,827
Unallocated depreciation	41,414	37,375	71,575	55,005	64,861
Total governmental activities expenses	100,065,692	102,386,262	96,870,412	97,548,949	111,655,492
Business-type activities:					
Water	15,772,718	16,671,468	16,881,883	16,943,066	17,876,975
Sewer	14,102,932	14,019,208	13,488,810	15,247,981	13,585,023
Parking	2,478,172	2,368,344	3,684,777	2,902,894	2,963,565
Market	149,660	115,892	124,754	124,636	136,004
Golf courses	1,275,010	1,152,354	1,134,301	1,115,341	1,374,434
Airport	804,005	860,515	904,514	842,521	728,168
Stormwater	1,875,871	1,662,144	1,556,229	2,622,490	3,038,548
Solid Waste		8,086,147	9,876,503	10,322,715	10,881,003
Hydropower	467,783	259,773			
Total business-type activities expenses	36,926,151	45,195,845	47,651,771	50,121,644	50,583,720
Total primary government expenses	$ 136,991,843	$ 147,582,107	$ 144,522,183	$ 147,670,593	$ 162,239,212

TABLE II

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 8,974,662	$ 5,425,726	$ 10,716,589	$ 4,968,702	$ 5,365,601
Public safety	10,189,485	11,539,080	11,624,431	12,119,252	13,042,927
Public works	7,495,156	3,220,105	1,834,707	4,224,568	2,104,180
Community and economic development	1,109,134	(81,681)	890		
Culture and Recreation	2,650,541	2,280,083	2,482,219	2,447,072	2,561,561
Other - Public Transportation	79,541	83,507	86,770	91,589	91,589
Operating grants and contributions	10,608,459	12,245,420	12,604,477	10,659,938	10,635,661
Capital grants and contributions	1,806,735	1,213,663	791,100	479,321	336,643
Total governmental activities program revenues	42,913,713	35,925,903	40,141,183	34,990,442	34,138,162
Business-type activities:					
Charges for services:					
Water	15,997,464	18,085,363	18,377,961	19,075,505	20,274,057
Sewer	15,830,994	18,330,302	18,933,853	17,330,738	19,493,468
Parking	3,691,597	3,462,633	3,066,276	3,305,205	2,531,021
Market	151,244	131,348	125,347	126,979	122,644
Golf couurses	1,172,313	1,042,785	998,218	870,567	865,113
Airport	716,242	830,657	719,842	773,784	793,125
Stormwater	2,881,077	3,529,955	3,758,240	4,373,848	4,910,929
Solid Waste		478,493	814,140	729,343	1,543,903
Hydropower	261,730				
Capital grants and contributions				668,917	418,430
Total business-type activities program revenues	40,702,661	45,891,536	46,793,877	47,254,886	50,952,690
Total primary government program revenues	$ 83,616,374	$ 81,817,439	$ 86,935,060	$ 82,245,328	$ 85,090,852

TABLE II

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Net (Expense) Revenue					
Governmental activities	$ (57,151,979)	$ (66,460,359)	$ (56,729,229)	$ (62,558,507)	$ (77,517,330)
Business-type activities	3,776,510	695,691	(857,894)	(2,866,758)	368,970
Total primary government net expense	$ (53,375,469)	$ (65,764,668)	$ (57,587,123)	$ (65,425,265)	$ (77,148,360)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	$ 56,035,123	$ 51,423,077	$ 45,587,059	$ 48,243,639	$ 60,510,514
Property taxes, levied for debt services	8,127,043	8,029,733	16,430,807	17,236,440	9,555,291
State-shared revenues and grants (unrestricted)	11,865,469	11,674,762	11,469,467	11,464,818	11,116,813
Investment income	907,722	2,181,348	4,246,277	7,990,673	9,059,668
Gain on sale of assets					
Special Item			4,100,000		
Transfers	646,593	1,870,457	7,134,212	(1,276,359)	2,139,564
Other	(335,508)	367,458	194,410	709,786	899,577
Total governmental activities	77,246,442	75,546,835	89,162,232	84,368,997	93,281,427
Business-type activities:					
Taxes					
Property taxes, levied for general purposes		10,011,080	10,399,700	10,998,459	11,550,982
Property taxes, levied for debt services					
State-shared revenues and grants (unrestricted)					
Investment income	304,132	1,651,492	2,177,470	3,861,459	4,493,194
Gain on sale of assets					
Transfers	335,508	(1,870,457)	(7,134,212)	1,276,359	(2,139,564)
Total business-type activities	639,640	9,792,115	5,442,958	16,136,277	13,904,612
Total primary government	$ 77,886,082	$ 85,338,950	$ 94,605,190	$ 100,505,274	$ 107,186,039
Change in Net Assets					
Governmental activities	$ 20,094,463	$ 9,086,476	$ 32,433,003	$ 21,810,490	$ 15,764,097
Business-type activities	4,416,150	10,487,806	4,585,064	13,269,519	14,273,582
Total primary government	$ 24,510,613	$ 19,574,282	$ 37,018,067	$ 35,080,009	$ 30,037,679

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

TABLE III

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	$ 571,515	$ 1,580,541	$ 2,156,339	$ 1,128,857	$ 798,049	$ 1,346,170	$ 920,078	$ 485,868	$ 270,048	$ 219,224
Unreserved	13,644,975	13,800,396	7,964,747	6,488,557	7,759,394	8,117,344	9,740,289	11,962,837	16,126,413	19,561,545
Total General Fund	$ 14,216,490	$ 15,380,937	$ 10,121,086	$ 7,617,414	$ 8,557,443	$ 9,463,514	$ 10,660,367	$ 12,448,705	$ 16,396,461	$ 19,780,769
All Other Governmental Funds										
Reserved	9,731,247	$ 8,975,856	$ 9,271,201	$ 11,954,731	$ 15,115,496	$ 13,463,689	$ 7,410,788	$ 33,451,679	$ 14,783,804	$ 16,289,679
Unreserved, reported in:										
Special revenue funds	7,159,520	15,000,029	15,096,984	23,169,533	26,026,533	21,250,565	35,852,445	34,425,813	70,463,629	64,279,003
Capital projects funds	6,505,968	11,497,955	13,088,634	13,724,712	15,260,231	21,486,018	10,799,473	11,709,820		3,622,949
Central duplicating projects	2,543									
Information Services projects	672,242	1,412,317	2,060,987	321,977						
Debt service funds					1,990,759	1,828,253	1,621,672			
Subsequent year's expenditures	10,148,173	1,092,341	1,512,921	2,527,377	1,963,668					
Undesignated								26,634,034		
Total all other governmental funds	$ 34,219,693	$ 37,978,498	$ 41,030,727	$ 51,698,330	$ 60,356,687	$ 58,028,525	$ 55,684,378	$ 106,221,346	$ 85,247,433	$ 84,191,631

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

TABLE IV

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	$ 50,960,730	$ 52,787,520	$ 54,797,240	$ 57,801,733	$ 61,284,172	$ 84,162,166	$ 59,452,810	$ 62,017,866	$ 65,480,079	$ 70,065,805
Special Assessments/improvement charges	460,225	499,979	471,113	293,355	893,925	714,075	130,872	122,147	119,198	182,302
Licenses, fees & permits	2,945,101	4,099,147	3,122,293	2,856,377	3,001,458	3,145,919	3,715,412	3,229,331	1,210,631	1,284,685
Federal grants	3,335,371	2,480,560	3,279,419	2,475,059	3,018,503	2,132,556	3,842,697	4,853,737	3,801,631	3,470,830
State shared revenues and grants	20,399,496	21,460,079	22,428,861	24,055,728	31,341,012	20,341,372	20,077,465	20,011,307	19,214,810	18,743,579
Charges for services	9,154,370	10,368,179	10,196,953	7,251,540	8,175,886	13,268,471	9,343,486	9,808,385	14,846,082	14,228,315
Fines & penalties	5,238,081	5,737,482	5,541,929	5,321,733	5,901,225	5,479,576	5,787,212	5,997,715	5,894,126	5,874,429
Interest and penalties	142,938	104,810	100,644	120,128	88,841	95,095	50,227	39,894	36,551	30,472
Investment income	3,204,491	3,129,341	5,495,927	3,355,595	2,324,906	786,244	1,630,015	3,844,416	7,216,882	7,864,379
Rental	52,171	50,107	49,163	53,363	52,839	109,655	58,482	128,882	185,173	335,642
Contributions and donations	56,379	295,672	104,087	50,176	140,025	398,211	232,206	184,162	171,640	297,087
Sale of property and equipment	105,267	420,056	15,051	15,227	97,668	49,471	18,370	3,470	33,837	15,457
Intra-governmental sales	18,622	24,163	143,388	63,826	47,046	526,340	57,020	157,650	535,049	363,457
Reimbursements and refunds		44,564	482,100							
Miscellaneous	1,807,085	846,387	467,197	503,275	1,104,228	646,593	367,458	194,410	709,788	899,577
Total Revenues	97,860,327	102,148,045	106,695,365	104,237,115	117,469,736	111,855,746	104,963,752	110,373,572	119,455,275	123,656,018
Expenditures										
General government	81,093,707	66,528,691	67,977,909	64,786,881	76,380,826	71,949,620	62,580,503	58,196,427	54,702,644	55,447,393
Public Safety	27,613,214	28,230,695	34,397,326	31,924,968	31,920,806	33,472,092	34,559,387	37,492,113	43,476,726	45,003,004
Capital outlay	400,631	2,151,920	4,324,540	1,110,976	1,887,981	7,216,099	2,438,127	10,943,071	31,209,188	16,661,477
Debt service:										
Principal	2,940,190	3,449,129	3,330,792	2,544,562	2,470,661	2,556,100	2,516,100	2,508,050	3,405,000	3,175,000
Interest	2,147,998	1,656,535	1,472,433	1,066,153	970,388	1,187,383	971,713	1,329,166	2,422,079	2,586,455
Total expenditures	94,195,740	102,017,170	111,503,000	101,433,542	113,430,662	116,381,294	103,065,830	110,468,827	135,215,637	122,873,329
Excess of revenues over (under) expenditures	3,684,587	130,875	(4,807,635)	2,803,573	4,039,074	(4,525,548)	1,897,922	(95,255)	(15,760,362)	782,687
Other Financing Sources (Uses):										
Transfers in	25,545,391	19,136,672	18,173,436	16,973,562	9,652,384	7,927,995	11,784,483	21,817,720	9,362,022	8,879,908
Transfers out	(21,130,404)	(17,102,352)	(15,704,753)	(15,126,528)	(8,037,958)	(8,324,538)	(9,577,715)	(12,938,988)	(10,627,817)	(7,334,089)
Proceeds of refunding bonds	13,204,633									
Payment to refunded bond escrow agent	(15,180,758)									
Bond Proceeds	1,507,050			815,000	4,000,000			44,885,000		
Bond Discount					(55,114)					
Bond Issuance Costs				(12,225)				(305,812)		
Note Proceeds	563,417		263,041			3,500,000				
Total other financing sources (uses)	4,509,329	2,034,320	2,731,724	2,849,809	5,559,312	3,103,457	2,206,768	53,457,920	(1,265,795)	1,545,819
Net change in fund balances	$ 6,193,918	$ 2,165,195	$ (2,075,911)	$ 5,453,382	$ 9,596,386	$ (1,422,091)	$ 4,104,690	$ 53,362,665	$ (17,026,157)	$ 2,328,506
Debt service as a percentage of noncapital expenditures	5.4%	5.1%	4 5%	3 9%	3.4%	4.2%	4.1%	4.3%	6.2%	7 0%

TABLE V

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

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
1999	$2,696,959,403	$260,367,000		$2,957,326,403	17.3056
2000	2,812,309,779	280,181,600		3,092,491,379	17.1320
2001	2,949,820,311	267,104,900		3,216,925,211	17.1295
2002	3,153,455,816	269,398,975		3,422,854,791	17.0025
2003	3,375,930,999	299,043,900		3,674,974,899	16.8691
2004	3,554,607,491	274,842,600		3,829,450,091	16.9015
2005	3,755,255,488	273,920,800		4,029,176,288	16.9013
2006	3,964,733,709	256,014,650		4,220,748,359	16.8156
2007	4,227,329,588	254,272,500		4,481,602,088	16.6605
2008	4,469,676,977	266,530,700		4,736,207,677	16.7825

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	Transpor-tation*	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	1999	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	20.6808	1.6500	5.5629	4.1029	49.3022
Non-Homestead	1999	6.4515	2.5806	2.1505	2.1505	1 0275	0.9450	2.0000	17.3056	30.2352	1.6500	5.5629	4.1029	58.8566
Homestead	2000	6.4515	2.5806	2 1505	2.1505	0.8539	0.9450	2.0000	17.1320	19.9233	1.6500	5.5809	4.0319	48.3181
Non-Homestead	2000	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	29.6256	1.6500	5.5809	4.0319	58 0204
Homestead	2001	8.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	18.8558	1.9500	5.5317	3.9944	47.4614
Non-Homestead	2001	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	29.4965	1.9500	5.5317	3.9944	58.1021
Homestead	2002	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	18.1505	1.9500	5.7269	3.9721	46.8020
Non-Homestead	2002	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	29.1050	1.9500	5.7269	3.9721	57.7565
Homestead	2003	6.0315	2.5302	2.1085	2.1065	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	1.9622	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

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 3.9970 mills and State Education Tax of 6 0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 12.3461 mills is included for School Operating Tax.

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

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

Source: City of Ann Arbor Financial Services, Assessing Unit

TABLE VII

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

		2008			1999		
Taxpayer	Type of Business	Taxable Value	Rank	Percentage of Total City Assessed Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Pfizer-Parke Davis	Pharmaceuticals	$ 228,957,900	1	4.83%	$ 110,448,800	1	3.57%
Briarwood Shopping Complex	Shopping Center	40,016,997	2	0.84%	32,973,350	2	1.07%
Detroit Edison	Utility	33,456,409	3	0.71%	24,744,860	3	0.80%
AMCAP Arborland LLC	Shopping Center	31,405,642	4	0.66%			
Transwestern Great Lakes	Office Building	28,745,736	5	0.61%			
McMullen Properties LLC	Office Building	20,888,150	6	0.44%			
Geddes Lake Co-op	Co-op Housing	20,054,595	7	0.42%	12,988,239	7	0.42%
Maple Village Shopping	Shopping Center	17,940,000	8	0.38%			
MicKinley Associates	Apartments & Office	17,609,099	9	0.37%	13,990,218	6	0.45%
Windwood Dr Ann Arbor	Apartments	17,520,000	10	0.37%			
Michigan Consolidated Gas Co.	Utility				15,443,300	4	0.50%
Erim International	Research Lab				14,255,568	5	0.46%
Windemere Park Apt.	Apartments				11,764,400	8	0.38%
Phoenix Drive LLC	Corporate Headquarters				10,767,536	9	0.35%
Village Co-op	Co-op Housing				10,704,676	10	0.35%
Total		$ 456,594,528		9.65%	$ 258,080,947		8.35%

Source: City of Ann Arbor Financial Services, Assessing Unit

TABLE VIII

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amounts	Percentage of Levy
1999	$50,297,248	$49,305,383	98.0%	$883,949	$50,189,332	99.8%
2000	52,075,252	51,162,749	98.3%	795,259	51,958,008	99.8%
2001	54,210,561	53,385,722	98.5%	753,115	54,138,837	99.9%
2002	57,214,924	56,263,669	98.3%	832,408	57,096,077	99.8%
2003	61,993,518	60,937,583	98.3%	844,144	61,781,727	99.7%
2004	64,735,506	63,519,485	98.1%	1,015,842	64,535,327	99.7%
2005	68,096,928	66,903,671	98.2%	1,050,334	67,954,005	99.8%
2006	71,971,311	70,772,145	98.3%	1,054,936	71,827,081	99.8%
2007	75,936,565	74,440,502	98.0%	1,449,352	75,889,854	99.9%
2008	81,075,841	78,911,292	97.3%	2,055,627	80,966,919	99.9%

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

Source: City of Ann Arbor Financial Services, Treasury Unit

TABLE IX

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

	Governmental Activities					Business-Type Activities							
Fiscal Year	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	Total Primary Government	Percentage of Personal Income	Per Capita
1999	$21,895	$1,485	$5,910	$3,595	$2,523	$22,355	$2,800	$50,780	$923	$5,470	$117,736	1.10%	1,076
2000	20,820	1,220	5,332	3,030	1,921	32,035	2,200	47,615	732	4,973	119,678	1.04%	1,093
2001	19,245	1,055	4,752	2,550	1,446	30,795	1,600	44,285	571	4,463	110,762	0.94%	972
2002	17,770	1,250		2,730	876	33,040	1,200	45,855	896	3,939	107,556	0.88%	943
2003	16,180	1,150	4,000	2,335	460	31,505	800	42,210	721	3,269	102,630	0.79%	900
2004	14,515	1,025	3,925	1,930	3,644	29,965	400	75,240	782	2,587	134,013	1.00%	1,175
2005	12,760	895	3,790	1,530	3,548	28,270		71,405	2,260	1,406	125,864	0.92%	1,101
2006	35,575	760	23,900	1,165	3,500	26,555		66,750	2,972	1,061	162,238	1.17%	1,419
2007	33,115	620	23,455	805	3,500	24,710		62,040	5,734	4,962	158,941	1.14%	1,390
2008	30,615	545	22,980	680	3,911	22,900		105,160	2,333	4,610	193,734	1.34%	1,683

Note: For fiscal year 2008 percent of personal income, the divisor used was for 2007 since 2008 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)

	General Bonded Debt Outstanding					
Fiscal Year	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	General Obligation Portion of Special Revenue Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
1999	$21,895	$1,485	$5,910	$29,290	0.99%	267.64
2000	20,620	1,220	5,332	27,172	0.88%	248.21
2001	19,245	1,055	4,752	25,052	0.78%	219.77
2002	17,770	1,250		19,020	0.56%	166.81
2003	16,180	1,150	4,000	21,330	0.58%	187.01
2004	14,515	1,025	3,925	19,465	0.51%	170.65
2005	12,760	895	3,790	17,445	0.43%	152.59
2006	35,575	760	23,900	60,235	1.43%	526.86
2007	33,115	620	23,455	57,190	1.28%	500.23
2008	30,615	545	22,980	54,140	1.14%	470.41

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

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

TABLE XI

CITY OF ANN ARBOR
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2008
(dollars in thousands)
(Unaudited)

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
DIRECT DEBT			
General Obligation Bonds	$ 31,000		
Ann Arbor Building Authority Bonds	22,900		
Other Long-Term Debt	3,500		
City direct debt	$ 57,400		
OVERLAPPING DEBT			
Ann Arbor School District	$ 190,165	60.580%	$ 115,202
Washtenaw Community College	78,017	30.519%	23,810
Washtenaw County at Large	52,435	31.241%	16,381
Overlapping debt	$ 320,617		$ 155,393
Total direct & overlapping debt			$ 212,793

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

TABLE XI

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

Legal Debt Margin Calculation for Fiscal Year 2008

Taxable value of real and personal property	$ 4,736,207,677
Debt limit (10% of assessed value)	473,620,768
Debt applicable to limit:	
Net direct debt	57,400,889
Less:Special Assessment bonds (general obligation portion)	(676,274)
Total net debt applicable to limit	58,724,615
Legal debt margin	$ 416,896,153

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	$ 295,732,640	$ 309,249,138	$ 321,692,521	$ 342,285,479	$ 367,497,490	$ 382,945,009	$ 402,917,629	$ 422,074,836	$ 448,160,209	$ 473,620,768
Total net debt applicable to limit	46,956,121	54,575,642	51,485,511	51,625,889	47,909,852	48,124,150	43,944,619	63,436,196	56,724,615	56,724,615
Legal debt margin	$ 248,776,519	$ 254,673,496	$ 270,207,010	$ 290,659,590	$ 319,587,638	$ 334,820,859	$ 358,973,010	$ 358,638,640	$ 391,435,594	$ 416,896,153
Total net debt applicable to the limit as a percentage of debt limit	15 88%	17.65%	16.00%	15.08%	13.04%	12.57%	10.91%	15.03%	12.66%	11.98%

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

TABLE XIII

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

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service			
				Principal	Interest	Total	Coverage
Water Supply System:							
1999	$13,491,641	$10,398,392	$3,093,249	$1,525,000	$1,862,659	$3,387,659	0.9
2000	15,347,694	10,323,987	5,023,707	1,880,000	2,000,997	3,680,997	1 3
2001	15,324,186	9,854,378	5,669,788	1,985,000	1,775,399	3,760,399	1.5
2002	17,772,569	9,955,579	7,816,990	2,235,000	1,653,572	3,888,572	2.0
2003	18,510,943	10,829,592	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	18,365,628	12,229,142	8,136,464	2,665,000	1,753,678	4,416,678	1.4
2006	18,719,848	12,793,461	5,926,385	3,090,000	1,266,128	4,356,128	1.4
2007	19,845,050	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
Sewage Disposal System:							
1999	12,810,932	9,673,398	2,937,534	1,095,000	575,047	1,670,047	1.8
2000	14,181,086	11,238,645	2,944,443	1,200,000	528,680	1,726,680	1.7
2001	15,140,567	12,528,551	2,614,016	1,250,000	478,705	1,728,705	1.5
2002	18,870,157	10,147,750	6,722,407	1,305,000	411,660	1,716,860	3.9
2003	18,555,436	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	1,437,620	3.5
2005	19,351,456	9,867,652	9,883,804	1,125,000	1,694,292	2,819,292	3.4
2006	20,291,760	9,621,514	10,870,246	1,440,000	1,243,005	2,683,005	4.0
2007	21,188,920	11,400,323	9,788,597	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
Stormwater Sewer System:							
1999	2,137,340	1,713,109	424,231	80,000	64,506	144,506	2.9
2000	1,999,327	1,721,429	277,898	85,000	61,750	146,750	1 9
2001	2,129,529	1,666,023	463,506	95,000	56,508	151,508	3.1
2002	2,487,424	1,581,689	905,735	100,000	51,781	151,781	6 0
2003	2,688,709	1,681,136	1,007,573	105,000	45,270	150,270	6.7
2004	2,859,418	1,691,556	1,167,862	110,000	41,366	151,366	7.7
2005	3,578,596	1,449,544	2,129,052	115,000	36,243	151,243	14 1
2006	3,810,641	1,333,400	2,477,241	125,000	51,547	176,547	14.0
2007	4,564,942	2,261,839	2,303,103	130,000	22,802	152,802	15.1
2008	5,178,719	2,701,223	2,475,496	140,000	15,588	155,588	15.9

Notes:
(1) Includes interest income.
(2) Excludes depreciation expense.

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

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

TABLE XIV

Year	Population (1)	Personal income *(thousands of dollars)* (2)	Per Capita Personal Income (2)	Median Age (1)	Education Level in Years of Schooling (1)	School Enrollment (3)	Unemployment Rate % (4)
1999	109,440	$10,710,960	$33,654	27.9	16.5	16,330	1.8
2000	109,472	11,541,043	35,593	27.9	16.5	16,530	1.5
2001	113,992	11,774,476	35,873	27.9	16.5	16,589	2.9
2002	114,024	12,226,644	36,783	28.1	16.5	16,768	2.9
2003	114,061	12,989,048	38,706	28.1	16.5	16,664	4.1
2004	114,061	13,391,280	39,528	28.1	16.5	16,724	4.4
2005	114,328	13,751,795	40,228	28.1	16.5	16,980	4.7
2006	114,328	13,892,850	40,381	27.3	16.5	16,879	4.4
2007	114,328	14,431,623	41,233	27.3	16.5	16,680	5.2
2008	115,092	n/a*	n/a*	27.3	16.5	17,012	6.3

Sources:

(1) U. S. Census Bureau

(2) Bureau of Economic Analysis
http://www.bea.gov/regional/reis/
*Note: Accelerated estimates of personal income for 2007 from metropolitan statistical areas (MSAs) were released September 2008. 2008 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

TABLE XV

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

	2008			1999		
Taxpayer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Michigan	23,016	1	42.59%	18,300	1	47.81%
Univ. of Mich Hospitals & Health System	13,110	2	24.26%	7,803	2	20.39%
St. Joseph Mercy Health System	5,811	3	10.75%	4,343	3	11.35%
Ann Arbor Public Schools	3,000	4	5.55%	1,900	4	4.96%
Pfizer Inc.	2,500	5	4.62%			
Washtenaw Community College	1,559	6	2.88%			
Borders Group, Inc.	1,220	7	2.26%	1,600	5	4.18%
Veterans Administration Medical Center	1,230	8	2.28%			
Washtenaw County	1,395	9	2.58%	1,300	6	3.40%
Voyager Learning Co.	1,200	10	2.22%			
Bell & Howell Learning and Information				1,000	7	2.61%
City of Ann Arbor				750	8	1.96%
NSK Corp				627	9	1.64%
Domino's Pizza				650	10	1.70%
Total	54,041		100.00%	$ 38,273		100.00%

Source: Business Week (Prime Numbers: Top 100 Employers, January's Edition)
Crain's Business Detroit (Washtenaw County's Largest Employers) May 4, 2000 Edition

TABLE XVI

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

	Full-Time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function/Program										
General government										
Financial Services	74	90	66	67	66	54	49	47	50	51
Community Services	37	37	37	72	73	65	67	56	41	42
Parks & Recreation	71	78	82	32	34	23	18	24	23	21
City Administrator Services	8	8	8	20	20	20	18	16	31	32
Mayor & Council	2	2	2	1	1	1	1	1	1	1
Other				1	1					
Police										
Officers	234	235	232	242	240	236	225	159	159	160
Civilians	10	11	12					67	67	50
Fire										
Firefighters & Officers	116	122	126	114	115	100	102	94	94	94
Civilians	5	5	5							
Public Services										
Project Management	32	33	35	35	35	34	19	17	16	17
Water	70	52	70	32	32	28	24	21	24	26
Wastewater Treatment	64	63	63	45	39	36	35	32	34	35
Field Operations	146	149	151	188	174	155	146	124	128	125
Other	47	50	55	50	50	50	74	103	92	87
15th District Court	40	40	40	40	40	41	41	41	41	41
Retirement System	3	3	4	4	4	4	4	4	4	4
Downtown Development Authority	3	2	2	2	3	3	3	3	3	3
City Attorney	12	12	14	14	14	13	14	14	14	14
Per Budget Book	974	992	1,004	959	941	863	840	823	822	803

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

TABLE XVII

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

Function/Program	2006	2007	2008
Police			
Physical arrests	1,786	1,731	1,685
Parking violations	193,498	191,563	167,102
Traffic violations	348	26,459	22,893
Fire			
Emergency responses	5,629	5,966	5,996
Fire extinguished	330	316	265
Inspections	238	1,088	471
Refuse Collection			
Refuse collected (tons per day)	117.61	125.00	123.00
Recyclables collected (tons per day)	6.42	9.00	10.00
Other Public works			
Street resurfacing (miles)	6.25	6.20	4.34
Potholes repaired (tons)	449.43	273.00	444.34
Parks and Recreation			
Athletic field permits issued	1,142	1,040	814
Community center admissions	10,764	10,168	10,168
Water			
New connections	27,156	27,813	28,193
Water mains breaks	80	104	110
Average daily consumption (millions of gallons)	13,960	11.947	12.800
Peak daily consumption (millions of gallons)	21,594	22.007	22.510
Wastewater			
Average daily sewage treatment (millions of gallons)	19,600	19,085	18,000

Source: Various services areas within City of Ann Arbor
Reporting from FY2006 to current fiscal year, not required to report retroactively.
*GASB Statement No. 44 (Economic Condition Reporting: The Statistical Section)

TABLE XVIII

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

	Fiscal Year									
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	4	4	4	4	2	2	2	2	2	2
Patrol units	36	36	36	36	36	37	35	35	34	36
Fire Stations	6	6	6	6	6	5	5	5	5	5
Refuse Collection										
Collection Trucks	18	18	18	18	18	17	16	14	14	18
Other Public works										
Streets (miles)	283.83	283.83	289.74	289.74	289.74	291.46	295.13	295.13	295.13	295.13
Streetlights	8,369	8,483	8,547	8,685	8,701	8,786	8,858	7,028	7,134	7,134
Traffic signals	147	147	149	150	150	153	154	154	154	158
Parks and Recreation										
Acreage	1,983	1,983	2,027	2,027	2,027	2,055	2,055	2,056	2,069	2,088
Playgrounds	146	146	147	147	147	153	153	153	78	85
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	21	22	22	22	22	23	23	25	25	25
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	439.55	442.21	439.81	448	440	441	478	481.6	480.5	490.4
Fire hydrants	3,604	3,750	3,800	3,428	3,294	3,345	3,428	3,466	3,510	3,549
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)	334.75	336.5	337.24	337.24	364	365	395	400.2	401.9	407
Storm sewers (miles)	197.78	198.78	199.07	199.07	271	271	341	359.9	367.8	388.2
Treatment capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

Source: Various services areas within City of Ann Arbor