



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

ALL CORRESPONDENCE SHOULD REFER TO STATE ID NUMBER

**DEFICIT ELIMINATION
PLAN NOTIFICATION
State ID Number
81-2010**

January 29, 2008

Mr. Tom Crawford, Finance
City of Ann Arbor
100 North Fifth Avenue
P.O. Box 8647
Ann Arbor, Michigan 48107-8647

Dear Mr. Crawford:

We have received an audit report from your local unit, which indicates a deficit balance in one or more funds as follows:

<u>FUND</u>	<u>AMOUNT</u>	<u>SOURCE OF INFORMATION</u>
Golf Course	\$1,132,340	Audited Financial Statements 6/30/07, p. 31

According to MCL 141.921, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan with the Department of Treasury within 90 days after the beginning of the fiscal year to correct the deficit. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification to ensure the correction of the deficit condition. Upon certification by the Department of Treasury, the local unit shall institute the plan.

Your deficit elimination plan is due within 30 days from the date of this letter. **If the deficit elimination plan is not filed within that 30-day time period, we WILL recommend that 25% of your State-Shared Revenue be withheld pursuant to MCL 141.921(2).** A complete plan should identify exactly how the deficit is to be eliminated. The following are acceptable evidence to support a plan:

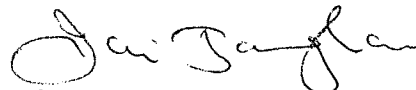
1. Certified copies of board/council resolutions (describing funds and amounts) approving additional appropriations sufficient to eliminate the deficit and a copy of the journal entry that shows that the transfer has been made.

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2. Projected budget approved by the legislative body as evidenced by a certified resolution itemizing yearly revenues by source, expenditures/expenses by activity, and changes in the fund balance/retained earnings through the year of the deficit's eventual elimination. There is a five-year limit for an approved plan; the plan must be amended if the deficit increases or the plan is not otherwise followed.
3. For tax increment finance or downtown development authorities, the ordinance or development plan approving their existence is acceptable if it shows the flow of revenues.
4. For drain or other special assessment-type funds that have deficits, which are not "covered" on the balance sheet by a long-term receivable and deferred revenue, a letter from the Drain Commissioner itemizing assessment levies which could not be recognized for the audited fiscal year due to generally accepted accounting principles, will suffice as a deficit elimination plan.

After receiving your plan, we will notify you in writing if additional information is needed or that your plan has been certified. If you have any questions or concerns, please do not hesitate to contact me at (517) 373-3227.

Sincerely,



Jai Jaglan, CPA, CGFM, MST
Auditor
Local Audit and Finance Division

c: Gene Arlt, Audit Specialist

517 241-4234