



Legislation Text

File #: 12-1492, **Version:** 1

Resolution to Approve Deficit Elimination Plan as of June 30, 2012

Pursuant to the law of the State of Michigan, the City must prepare and authorize a deficit elimination plan for two funds with unrestricted net asset deficits: The Airport Fund and the Golf Course Fund. As of June 30, 2012, the Airport fund had an unrestricted net asset deficit of \$595,250 and the Golf Course fund had a deficit of \$164,436.

The Airport fund, overall, has a positive net assets as follows:

NET ASSETS

Invested in Capital Assets, net of related debt: 2,038,544
Unrestricted (deficit) (Note 21): (595,250)

TOTAL NET ASSETS \$1,443,294

The unrestricted deficit is due to the categorization of an internal loan for hangar improvements as unrestricted, rather than restricted. If this money was borrowed externally, the City would be allowed to classify this as restricted and this deficit would not exist. The City's plan to eliminate the deficit coincides with the repayment plan for the internal loan as authorized by Council on May 5, 2008. The current balance on the loan as of June 30, 2012 was \$943,659.

The Golf Course fund has been on a five year deficit elimination plan with the State. The City has made many improvements to the courses over the five years but has not completely eliminated the deficit. The City's plan to resolve this deficit is to eliminate the Golf Course fund at the end of fiscal year 2013 and transfer the operations to the City's General Fund in the fiscal year 2014 budget.

The City of Ann Arbor is requesting the City Council approve the City's Deficit Elimination Plan for fiscal year ended June 30, 2012.

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Reviewed by: Tom Crawford, Chief Financial Officer

Approved by: Steven D. Powers, City Administrator

Whereas, The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 indicated the presence of a unrestricted net asset deficit in the City's Airport and Golf Course enterprise funds; and

Whereas, The City is required by the Michigan Department of Treasury to file a formal plan for the elimination of any such deficit (which must be approved by the Department);

RESOLVED, The City reduce the deficit in the Airport fund in accordance with the internal loan repayment schedule adopted by Council on May 5, 2008;

RESOLVED, That the City eliminate the Golf Course fund and transfer all assets and liabilities to the

City's General Fund effective at the end of fiscal year 2013;

RESOLVED, That the repayment of the Airport loan and the elimination of the Golf Course fund will constitute the City's Deficit Elimination Plan for purposes of the Michigan Department of Treasury; and

RESOLVED, That a certified copy of this resolution be forwarded to the Michigan Department of Treasury.