

# **City of Pontiac, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# City of Pontiac, Michigan

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# City of Pontiac, Michigan

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## Independent Auditor's Report

To the Honorable Mayor Willie W. Payne  
And Members of the City Council of the  
City of Pontiac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pontiac, Michigan as of and for the year ended June 30, 2005, 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 of Pontiac, Michigan'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 General City Employees' Retirement System, Police and Fire Retirement System ("Retirement Systems") or the General City Employees' and Police and Fire Retiree Prefunded Group Health and Insurance Trusts ("Health Trusts"), which statements reflect total assets of \$767,880,889 as of December 31, 2004 and total additions of \$60,481,738 and 100% of the net assets held in trust for pension benefits for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions expressed herein, insofar as it relates to the amounts included in the Retirement Systems and Health Trusts of the City are based solely on the report of the other auditors.

Except as discussed in the following paragraph, 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 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.

We were unable to obtain documentation supporting the endowments of the City's two cemeteries. Therefore, we were unable to satisfy ourselves as to the proper balance of restricted net assets related to the endowments. In our opinion, except for the effect of adjustments, if any, that might have been determined had we been able to obtain documentation supporting the endowments of the City's two cemeteries, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pontiac, Michigan as of June 30, 2005 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.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental 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 Pontiac, Michigan's basic financial statements. The accompanying other supplemental 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. The other supplemental 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.

In accordance with Government Auditing Standards, we will also be issuing a report on our consideration of the City of Pontiac, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note 13, an adjustment was made to beginning net assets on the government-wide financial statements related to the reclassification of long-term debt. The impact of these changes is summarized in Note 13. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pontiac, Michigan's basic financial statements. The accompanying other supplemental information and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining balance sheets and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except as described in paragraph 3 above, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 17 to the financial statements, the City's general fund has suffered recurring losses from operations and has a fund deficit that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty



Detroit, Michigan

December 27, 2005

# City of Pontiac, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Pontiac, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- Expenses of governmental activities decreased \$8.1 million from prior year, a 9 percent reduction. The primary reason for the decrease is that, in the prior year, the Internal Service Funds used accumulated fund balance. This resulted in a large operating loss for the 2004 fiscal year, which was allocated to the governmental activities.
- Medical insurance premiums for City employees and retirees increased approximately \$530,000 over prior year.
- The rates paid for the purchase of water from the City of Detroit increased 45 percent. Based on usage consistent with last year, the rate increase resulted in an increase of expenses of \$1.6 million. In addition, the City was charged a look-back adjustment of approximately \$500,000, which represents an adjustment for actual usage compared to estimated usage for previous years.
- On the government-wide financial statements, a prior period adjustment was made to reclassify certain bonds payable from obligations of the Tax Increment Financing Authority (TIFA), a component unit, to obligations of the governmental activities of the primary government. This adjustment does not affect the fund financial statements. See Note 13 for additional details.
- The General Fund reported a cumulative deficit of \$31,697,547 this year, an increase of \$10.9 million from June 30, 2004. The City has filed a deficit elimination plan with the State of Michigan; see Note 17 for details.

### Using this Annual Report

This annual report consists of a series of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and an optional section that presents *combining statements* for nonmajor governmental funds and Internal Service Funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how *general government* services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the City operates *like* businesses, such as the water and sewer system.
  - Fiduciary fund statements provide information about the financial relationships - like the retirement plan for the City's employees - in which the City acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. In addition to these required elements, the City has included a section with combining statements that provide details about nonmajor governmental funds and Internal Service Funds, each of which are added together and presented in single columns in the basic financial statements.

# City of Pontiac, Michigan

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## Management's Discussion and Analysis (Continued)

### Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads should be considered.

The government-wide financial statements of the City are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as the police, fire, and public works departments, and general administration. Property taxes, state and federal grants, and licenses and permits finance most of these activities.
- **Business-type Activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, parking facilities, and golf course are included here.
- **Component Units** - The City includes six other entities in its report - the Tax Increment Financing Authority, the Downtown Development Authority, the Economic Development Corporation, the Brownfield Redevelopment Authority, the Pontiac Silverdome, and the Pontiac Hospital Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like construction projects) or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
  - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City uses Internal Service Funds (the other type of proprietary fund) to report activities that provide supplies and services for other programs and activities - such as the Equipment Revolving Fund.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements (Continued)

- Fiduciary Funds** - The City is the trustee, or *fiduciary*, for its employees' pension plans and VEBA plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date (in millions of dollars):

	June 30					
	2005	2004	2005	2004	2005	2004
	Governmental Activities		Business-type Activities		Total	
<b>Assets</b>						
Current and other	\$ 48.5	\$ 49.8	\$ 24.0	\$ 27.7	\$ 72.5	\$ 77.5
Capital assets	<u>87.8</u>	<u>81.0</u>	<u>51.2</u>	<u>50.4</u>	<u>139.0</u>	<u>131.4</u>
Total assets	136.3	130.8	75.2	78.1	211.5	208.9
<b>Liabilities</b>						
Current liabilities	50.9	45.7	8.4	6.9	59.3	52.6
Long-term liabilities	<u>32.4</u>	<u>27.4</u>	<u>10.7</u>	<u>13.1</u>	<u>43.1</u>	<u>40.5</u>
Total liabilities	<u>83.3</u>	<u>73.1</u>	<u>19.1</u>	<u>20.0</u>	<u>102.4</u>	<u>93.1</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	68.2	68.1	40.6	37.2	108.8	105.3
Restricted	17.0	22.0	2.0	1.8	19.0	23.8
Unrestricted (deficit)	<u>(32.2)</u>	<u>(32.4)</u>	<u>13.5</u>	<u>19.1</u>	<u>(18.7)</u>	<u>(13.3)</u>
Total net assets	<u>\$ 53.0</u>	<u>\$ 57.7</u>	<u>\$ 56.1</u>	<u>\$ 58.1</u>	<u>\$ 109.1</u>	<u>\$ 115.8</u>

# City of Pontiac, Michigan

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## Management's Discussion and Analysis (Continued)

### The City as a Whole (Continued)

A portion of the net assets of the City's governmental activities is either restricted as to the purpose for which they can be used or they are invested in capital assets net of related debt. Consequently, unrestricted net assets were a deficit of \$32.2 million. A deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

Although the unrestricted business-type net assets total \$13.5 million, these resources are restricted for operations of their respective operations and cannot be used to make up for declines in governmental net assets.

The City's combined net assets decreased 6.0 percent from a year ago - decreasing from \$115.8 million to \$109.1 million. Looking at only the governmental activities, the decrease from a year ago was 9 percent, or \$4.7 million. The decrease in net assets is primarily due to the significant operating loss in the General Fund. The business-type activities used \$2.0 million of net assets, decreasing it by 3.5 percent. The decrease in net assets is primarily due to the significant increase in the cost of water, which increased 45 percent over last year, and a look-back charge approximating \$500,000.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole (Continued)

The following table shows the changes of the net assets during the current year (in millions of dollars):

	Year Ending June 30					
	2005	2004	2005	2004	2005	2004
	Governmental Activities		Business-type Activities		Total	
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 5.5	\$ 7.6	\$ 23.8	\$ 21.1	\$ 29.3	\$ 28.7
Operating grants and contributions	9.1	10.0	-	-	9.1	10.0
Capital grants and contributions	7.1	10.9	-	-	7.1	10.9
General revenue:						
Property taxes	17.1	17.6	2.1	2.1	19.2	19.7
Income taxes	14.4	15.6	-	-	14.4	15.6
State-shared revenue	12.6	12.7	-	-	12.6	12.7
Rental income	0.3	0.3	-	-	0.3	0.3
Unrestricted investment earnings	0.9	1.3	0.3	0.4	1.2	1.7
Unrestricted cable revenue	0.5	0.5	-	-	0.5	0.5
Contribution from component units	4.3	11.0	0.2	-	4.5	11.0
Miscellaneous	1.2	1.9	0.1	0.3	1.3	2.2
Total revenue	73.0	89.4	26.5	23.9	99.5	113.3
<b>Program Expenses</b>						
General government	16.4	20.7	-	-	16.4	20.7
Public safety	31.0	37.7	-	-	31.0	37.7
Public works	23.5	20.3	-	-	23.5	20.3
Community and human services	6.6	7.2	-	-	6.6	7.2
Interest on long-term debt	0.7	0.4	-	-	0.7	0.4
Water	-	-	12.8	9.5	12.8	9.5
Sewer	-	-	11.9	10.1	11.9	10.1
Parking	-	-	2.4	2.4	2.4	2.4
Golf course	-	-	1.2	1.4	1.2	1.4
Total program expenses	78.2	86.3	28.3	23.4	106.5	109.7
<b>Excess of Revenue Over (Under) Expenses Before Transfers</b>	(5.2)	3.1	(1.8)	0.5	(7.0)	3.6
<b>Transfers</b>	0.2	(0.7)	(0.2)	0.7	-	-
<b>Change in Net Assets</b>	<b>\$ (5.0)</b>	<b>\$ 2.4</b>	<b>\$ (2.0)</b>	<b>\$ 1.2</b>	<b>\$ (7.0)</b>	<b>\$ 3.6</b>

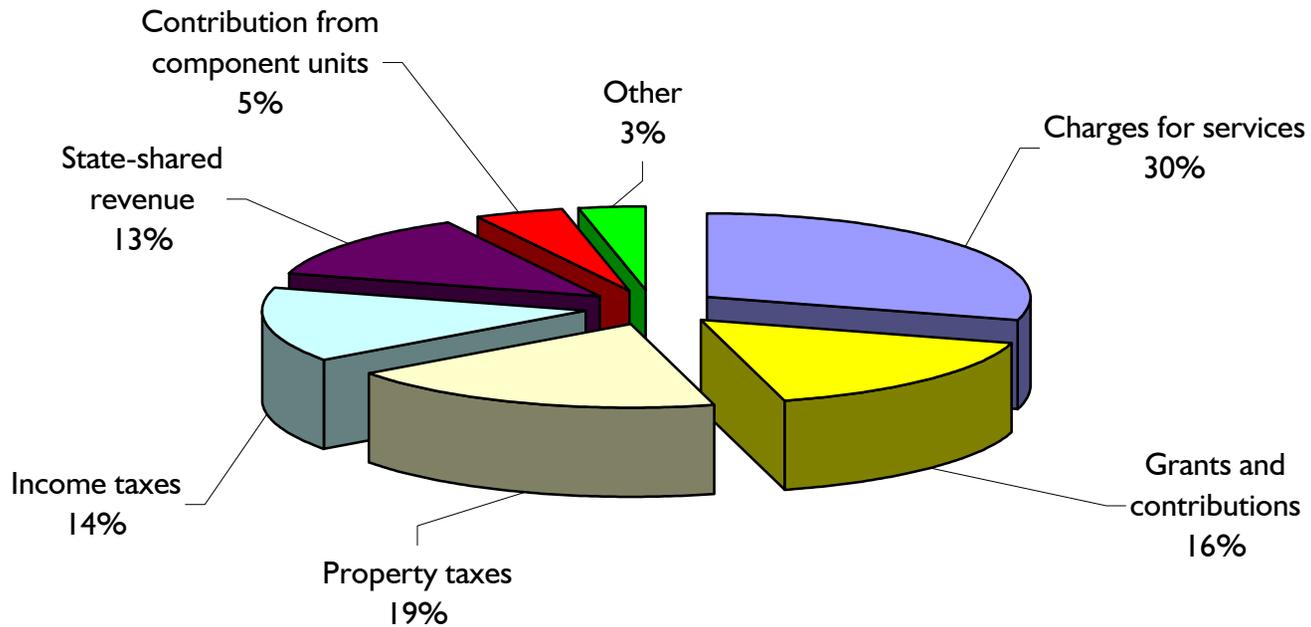
# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole (Continued)

As illustrated in Figure I, the City's largest source of revenue on a government-wide basis is charges for services, followed by property taxes, grants and contributions, and income taxes, respectively.

Figure I  
**CITY OF PONTIAC, MICHIGAN**  
Sources of Revenue - Government-wide  
Year Ended June 30, 2005



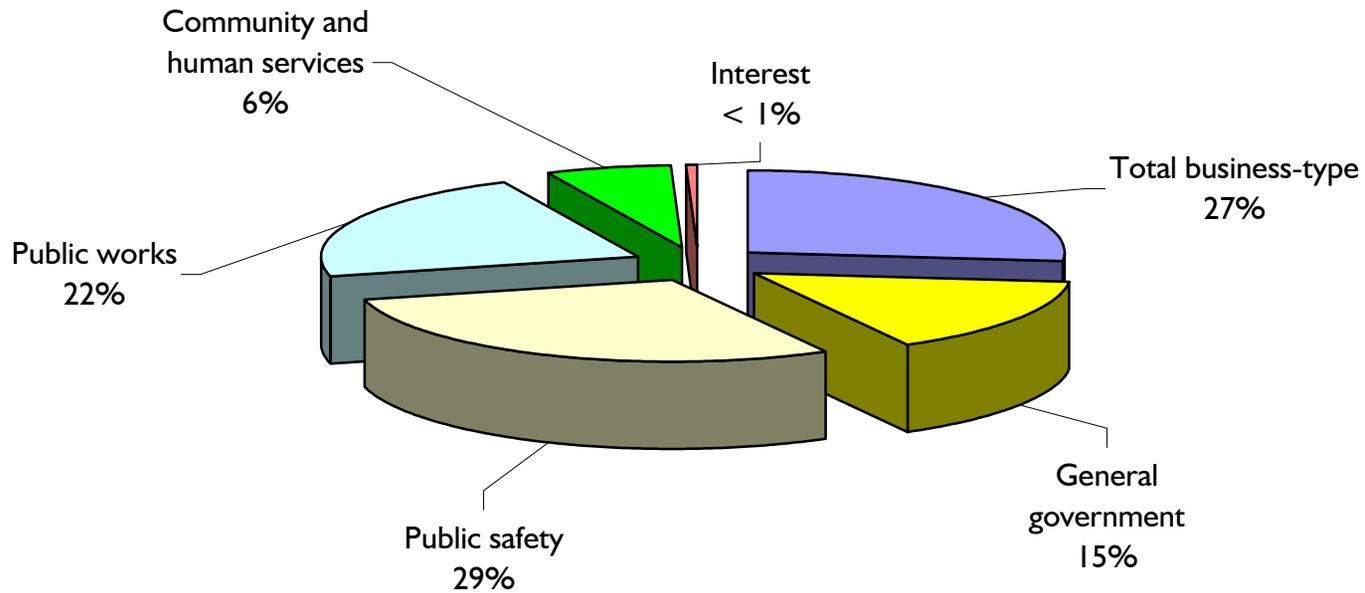
# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole (Continued)

As illustrated in Figure 2, the City's largest use of resources on a government-wide basis is public safety (police and fire protection), followed by the total business-type expenses, which is the total of the water, sewer, parking, and golf course funds.

**Figure 2**  
**CITY OF PONTIAC, MICHIGAN**  
**Expenses - Government-wide**  
**Year Ended June 30, 2005**



# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

Expenses for the City's governmental activities totaled \$78.2 million, which is a 9 percent decrease from last year's total of \$86.3 million. General government and public safety expenses decreased by a combined \$11 million. The primary reason for the decrease in expenses is due to the decreased allocation of Internal Service Fund operating losses. In the prior year, the Internal Service Funds used \$4.3 million in fund balance, resulting in a significant allocation of operating loss to governmental activities.

Although the expenses of governmental activities decreased from prior year, revenue decreased as well. Revenues totaled \$73 million for the year ended June 30, 2005, which is a decrease of \$16.4 million from last year's total of \$89.4 million. The contribution from component units decreased \$6.7 million, grant revenue was down \$3.8 million, charges for services decreased \$2.1 million, and income tax revenue decreased \$1.2 million.

### Business-type Activities

The City's business-type activities consist of the Water, Sewer, Parking, and Golf Course Funds.

The City provides water to residents from the Detroit Water System. The City provides sewage treatment through a City-owned and operated sewage treatment plant. The Water and Sewer Funds had a combined operating loss of approximately \$2.2 million, including \$2.8 million of depreciation expense. The funds had operating income of \$274,000 in the prior year, including \$2.7 million of depreciation. The primary reason for the fluctuation of operating results is that the cost of water purchased from the City of Detroit increased by 45 percent. In addition, a look-back charge of approximately \$500,000 was billed in the current year.

The Parking Fund accounts for the activity of numerous City-owned parking lots and continues to rely on a property tax levy and contributions from other funds to offset operating losses. The operating loss for 2005 was approximately \$841,000, compared to \$890,000 in 2004. Depreciation expense contributed approximately \$568,000 and \$571,000 to these losses each year, respectively.

The City-owned golf course sustained an operating loss in the current year totaling approximately \$379,000. Depreciation expense contributed approximately \$299,000 to the loss. The City's General Fund provided an operating subsidy of \$38,000 to eliminate cash flow shortfalls, which is a reduction from last year's subsidy of \$367,000.

# City of Pontiac, Michigan

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## Management's Discussion and Analysis (Continued)

### The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages or grants. The only major fund for the year ended June 30, 2005 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$33.4 million during the year ended June 30, 2005. These two service areas represent 60 percent of the General Fund's operating expenses and are primarily funded through general revenues such as taxes and state-shared revenues.

The General Fund had total revenues of \$48.9 million and total expenses and transfers to other funds of \$59.8 million, resulting in a net decrease in fund balance of \$10.9 million.

The General Fund transferred a total of \$4.0 million to other funds, including operating subsidies to the district court, cemetery, and golf course funds totaling \$1,818,200, \$355,258, and \$37,939, respectively. The actual subsidies needed by these funds exceeded the budgeted subsidies by approximately \$1.4 million.

The Major Road and Local Road Funds, nonmajor Special Revenue funds, have deficits of \$2.9 million and \$826,000, respectively. The deficit of the Major Road Fund is the result of contributing \$3.2 million to a road construction project in a previous year. The City is in discussions with the Michigan Department of Transportation to obtain a grant to reimburse for a portion of those costs. The Local Street Fund typically receives a transfer from the Major Street Fund; however, given the financial condition of the Major Street Fund, no such transfer was made during the current year. The transfer was \$505,000 in the prior year.

The University Drive Widening Fund, a nonmajor Capital Project Fund, has a deficit of \$617,000 at June 30, 2005. The deficit will be eliminated in fiscal year 2006 through drawdowns of grant funds.

### General Fund Budgetary Highlights

The General Fund deficit increased by approximately \$10.9 million during the year ended June 30, 2005, bringing the cumulative deficit to \$31.7 million. The current year deficit was the result of actual revenues being \$4.0 million less than budgeted amounts and expenditures exceeding budgeted amounts by \$6.8 million.

The revenue shortfall is the result of several line items. Income tax revenue was \$1 million under budget, licenses and permit revenue was \$401,000 below budget, State-shared revenue came in \$155,000 under budgeted amounts, and state grants were \$185,000 below budget. Charges for services and interfund reimbursements were under budget by \$754,000 and \$814,000, respectively.

The expenditure overages primarily relate to the police and fire departments, general and special programs, and operating transfers to other funds. The police and fire departments exceeded budget primarily in the overtime and medical insurance categories. Overtime was over budget a combined \$1.1 million, while medical insurance was over budget a combined \$2.7 million. The general and special programs budget overrun is the result of budgeted savings for vacant positions and fringe benefits, a portion of which was realized in other departments. Finally, the overrun in the operating transfer line item is primarily the result of the operating subsidy to the District Court being \$1.3 million more than expected and the contribution to the sick and vacation Special Revenue Fund being \$864,000 more than planned.

### Capital Asset and Debt Administration

At the end of 2005, the City had invested \$139.1 million in a broad range of capital assets including land and improvements, buildings and improvements, equipment, roads, street signs, bridges, sidewalks, furniture, vehicles, and water and sewer lines. This amount represents a net increase (including additions and deductions) of \$7.8 million, or 6 percent over last year. The value of infrastructure assets, net of depreciation, included in this report is \$30.9 million. In addition, the value of the water and sewer distribution systems, net of depreciation, is \$24.0 million.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration (Continued)

Significant projects during the year included numerous infrastructure improvement projects, Phoenix Plaza renovations, and Strand Theatre renovations. Many of these projects were still in progress as of June 30, 2005 and will be funded by federal grants and contributions received from component units of the City.

The significant deficits in the General and Major Street Funds may limit new capital outlay projects. The City had no new debt issues during the year ended June 30, 2005.

### Economic Factors and Next Year's Budgets and Rates

As previously discussed, the General Fund deficit is \$31.7 million at June 30, 2005. The City has filed a deficit elimination plan with the State of Michigan which included the following plan to eliminate the deficit:

- Renegotiation of \$15 million obligation due to a taxpayer, which will convert current payables into long-term obligations. This agreement was finalized during December 2005.
- Use of budget stabilization fund balance of \$2.8 million
- Mandatory budget cuts in each department
- Personnel reductions from layoffs and attrition
- Issuing deficit elimination bonds

In addition to the formal deficit elimination plan filed with the State, the following measures are currently proposed or underway to reduce city-wide expenditures:

- Budget approval, by the City Council, for administration of essential services only
- Citywide freeze on salary increases and promotions, except as provided for within union contract provisions
- Review, by the City Council, of all professional services contracts to determine necessity and affect on City services
- Departmental reorganization/elimination
- Proposed change to employee health insurance plans to include partial payment of monthly premiums and increase in drug co-pays, for non-union management personnel
- Proposed reductions in longevity benefits, with complete elimination by 2008
- Change the monitoring system for vacation time accumulation to eliminate overruns

# City of Pontiac, Michigan

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## Management's Discussion and Analysis (Continued)

### Economic Factors and Next Year's Budgets and Rates (Continued)

Eliminating a deficit of this magnitude requires substantial cuts city-wide, including drastic reductions in personnel. Annual debt service on any debt issued to eliminate the deficit will be a new expenditure in the annual budget, requiring additional cuts in order to maintain a balanced budget. Balancing the budget and eliminating the deficit is the highest priority of the mayor and council for the upcoming year.

The Tax Increment Financing Authority (TIFA), a component unit of the City, also has a significant deficit as of June 30, 2005. The \$9.7 million deficit is expected to be eliminated during fiscal year 2006 through the issuance of debt.

### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Pontiac Finance Director's Office, 47450 Woodward Ave., Pontiac, Michigan 48342.

# City of Pontiac, Michigan

## Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 13,422,815	\$ 430,987	\$ 13,853,802	\$ 3,012,117
Receivables - Net:				
Property and income taxes	3,792,903	80,413	3,873,316	49,657
Customer receivables	-	5,074,967	5,074,967	-
Special assessments receivable	582,241	97,800	680,041	-
Other receivables	3,373,307	55,463	3,428,770	448,280
Internal balances	(7,149,400)	7,149,400	-	-
Due from primary government	-	-	-	6,418,142
Due from component units	-	9,050,075	9,050,075	-
Due from other governmental units	10,392,068	-	10,392,068	-
Inventory	51,283	-	51,283	-
Restricted assets (Note 8)	3,487,388	2,018,745	5,506,133	-
Long-term lease receivable (Note 15)	20,593,266	-	20,593,266	42,055,000
Capital assets (Note 5):				
Nondepreciable capital assets	48,982,401	4,421,614	53,404,015	11,279,521
Depreciable capital assets - Net	<u>38,829,368</u>	<u>46,823,635</u>	<u>85,653,003</u>	<u>12,442,747</u>
Total assets	136,357,640	75,203,099	211,560,739	75,705,464

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Net Assets (Continued) June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 4,319,684	\$ 3,026,857	\$ 7,346,541	\$ 1,292,416
Other accrued liabilities	27,094,265	5,098,991	32,193,256	357,511
Deposits	1,248,032	34,239	1,282,271	3,047,897
Due to primary government	-	-	-	9,050,075
Due to component units	6,418,142	-	6,418,142	-
Due to other governmental units	509,894	-	509,894	-
Accrued interest payable	-	289,359	289,359	-
Deferred revenue	11,329,520	-	11,329,520	1,070,952
Long-term liabilities (Note 7):				
Due within one year	5,003,897	2,000,000	7,003,897	3,250,000
Due within one year - Payable from restricted assets	-	565,000	565,000	-
Due in more than one year	27,413,898	8,094,158	35,508,056	86,720,394
Total liabilities	<u>83,337,332</u>	<u>19,108,604</u>	<u>102,445,936</u>	<u>104,789,245</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	68,174,925	40,586,091	108,761,016	23,722,268
Restricted for:				
Sanitation	2,745,781	-	2,745,781	-
Drains	863,278	-	863,278	-
Grants	1,163,095	-	1,163,095	-
Capital projects	10,799,870	-	10,799,870	-
Cemetery endowment	991,960	-	991,960	-
Cable television	446,520	-	446,520	-
Water and sewer bond reserves	-	2,018,745	2,018,745	-
Revolving loan program	-	-	-	997,937
Unrestricted (deficit)	(32,165,121)	13,489,659	(18,675,462)	(53,803,986)
Total net assets	<u>\$ 53,020,308</u>	<u>\$ 56,094,495</u>	<u>\$ 109,114,803</u>	<u>\$ (29,083,781)</u>

# City of Pontiac, Michigan

## Statement of Activities Year Ended June 30, 2005

	Program Revenues				Net Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Primary government:					
Governmental activities:					
General government	\$ 16,432,201	\$ 261,186	\$ -	\$ -	\$ (16,171,015)
Public safety	31,002,998	3,077,878	507,401	21,401	(27,396,318)
Public works	23,506,393	2,025,740	5,423,256	7,107,448	(8,949,949)
Community and human services	6,553,908	179,557	3,161,262	-	(3,213,089)
Interest on long-term debt	713,963	-	-	-	(713,963)
Total governmental activities	<u>78,209,463</u>	<u>5,544,361</u>	<u>9,091,919</u>	<u>7,128,849</u>	<u>(56,444,334)</u>
Business-type activities:					
Water	12,756,398	10,751,979	-	-	(2,004,419)
Sewer	11,867,745	11,049,188	-	-	(818,557)
Parking	2,438,206	1,175,698	-	-	(1,262,508)
Golf course	1,201,508	822,326	-	-	(379,182)
Total business-type activities	<u>28,263,857</u>	<u>23,799,191</u>	<u>-</u>	<u>-</u>	<u>(4,464,666)</u>
Total primary government	<u>\$ 106,473,320</u>	<u>\$ 29,343,552</u>	<u>\$ 9,091,919</u>	<u>\$ 7,128,849</u>	<u>\$ (60,909,000)</u>
Component units:					
Tax Increment Financing Authority	\$ 12,376,411	\$ -	\$ -	\$ -	(12,376,411)
Downtown Development Authority	1,499,873	-	-	-	(1,499,873)
Economic Development Corporation	231,523	-	176,654	2,239,225	2,184,356
Brownfield Redevelopment Authority	172,606	-	-	-	(172,606)
Pontiac Silverdome	9,921,403	2,839,883	-	-	(7,081,520)
Pontiac Hospital Finance Authority	2,593,800	-	-	-	(2,593,800)
Total component units	<u>\$ 26,795,616</u>	<u>\$ 2,839,883</u>	<u>\$ 176,654</u>	<u>\$ 2,239,225</u>	<u>\$ (21,539,854)</u>

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Activities (Continued) Year Ended June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net expense from previous page	\$ (56,444,334)	\$ (4,464,666)	\$ (60,909,000)	\$ (21,539,854)
General revenues:				
Property taxes	17,078,701	2,065,856	19,144,557	8,508,184
Income taxes	14,434,017	-	14,434,017	-
State-shared revenues	12,600,516	-	12,600,516	-
Rental income	299,255	-	299,255	2,593,800
Unrestricted investment earnings	881,134	347,380	1,228,514	391,794
Unrestricted cable revenue	472,681	-	472,681	-
Contribution from component units	4,260,085	226,628	4,486,713	-
Miscellaneous	1,224,173	43,038	1,267,211	234,946
Total general revenues	51,250,562	2,682,902	53,933,464	11,728,724
Transfers	235,699	(235,699)	-	-
Total general revenues and transfers	51,486,261	2,447,203	53,933,464	11,728,724
<b>Change in Net Assets</b>	(4,958,073)	(2,017,463)	(6,975,536)	(9,811,130)
<b>Net Assets - Beginning of year, as restated (Note 13)</b>	57,978,381	58,111,958	116,090,339	(19,272,651)
<b>Net Assets - End of year</b>	<u>\$ 53,020,308</u>	<u>\$ 56,094,495</u>	<u>\$ 109,114,803</u>	<u>\$ (29,083,781)</u>

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet June 30, 2005

	Assets		
	Major Fund General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments (Note 3)	\$ -	\$ 13,340,354	\$ 13,340,354
Receivables - Net (Note 4):			
Property and income taxes	3,694,112	98,791	3,792,903
Special assessments receivable	582,241	-	582,241
Other receivables	1,001,400	752,934	1,754,334
Due from other governmental units	3,895,901	6,496,167	10,392,068
Inventory	-	19,382	19,382
Due from other funds - Advances (Note 6)	1,275,935	9,723,852	10,999,787
Lease receivable (Note 15)	10,943,266	-	10,943,266
Restricted cash and cash equivalents (Note 8)	-	3,487,388	3,487,388
Total assets	<u>\$ 21,392,855</u>	<u>\$ 33,918,868</u>	<u>\$ 55,311,723</u>

(Continued on next page)

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet (Continued) June 30, 2005

	Major Fund	Nonmajor Governmental	Total Governmental
	General Fund	Funds	Funds
<b>Liabilities and Fund Balance (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,694,742	\$ 1,505,670	\$ 4,200,412
Other accrued liabilities	14,669,288	4,516,075	19,185,363
Deposits	1,248,032	-	1,248,032
Due to other funds - Advances	14,084,401	10,293,251	24,377,652
Due to component units - Advances	6,418,142	-	6,418,142
Due to other governmental units	509,894	-	509,894
Deferred revenue	13,465,903	3,129,057	16,594,960
Total liabilities	53,090,402	19,444,053	72,534,455
<b>Fund Balance (Deficit)</b>			
Reserved for:			
Endowment	-	991,960	991,960
City-wide park improvements and special projects	64,000	2,000,000	2,064,000
Unreserved, reported in:			
General Fund	(31,761,547)	-	(31,761,547)
Special Revenue Funds	-	3,452,562	3,452,562
Capital Projects Funds	-	8,030,293	8,030,293
Total fund balance (deficit)	(31,697,547)	14,474,815	(17,222,732)
Total liabilities and fund balance (deficit)	\$ 21,392,855	\$ 33,918,868	\$ 55,311,723

# City of Pontiac, Michigan

## Governmental Funds Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities Year Ended June 30, 2005

<b>Fund Balance - Total Governmental Funds</b>	\$	(17,222,732)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		86,241,078
Long-term lease receivable from component unit to repay building authority bonds is not reported in the funds since the bonds payable are not recorded in the funds		9,650,000
Accrued interest on long-term debt is not included in the governmental funds but is included in the government-wide statement		(170,804)
Long-term liabilities are not due and payable in the current period and are not reported in the funds		(32,417,795)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds		5,265,440
Internal Service Funds are included as part of governmental activities		1,675,121
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>53,020,308</u></b>

# City of Pontiac, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	Major Fund - General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Taxes	\$ 26,561,425	\$ 4,889,591	\$ 31,451,016
Licenses and permits	2,051,525	-	2,051,525
Federal sources	110,101	5,959,830	6,069,931
State sources	12,675,769	5,393,675	18,069,444
Charges for services	2,119,864	1,485,559	3,605,423
Fines and forfeitures	100,252	2,132,578	2,232,830
Investment income	543,578	298,130	841,708
Rental income	299,255	-	299,255
Contribution from component units	3,127,605	1,859,968	4,987,573
Other	1,346,825	1,192,107	2,538,932
Total revenue	48,936,199	23,211,438	72,147,637
<b>Expenditures</b>			
Current:			
General government	5,659,935	63,057	5,722,992
District court	-	3,861,389	3,861,389
Public safety	33,431,802	1,173,581	34,605,383
Public works and utilities	4,853,673	14,466,446	19,320,119
Community development	3,400,963	3,128,010	6,528,973
Community and human services	3,292,652	32,088	3,324,740
General and special programs	5,195,500	1,818,009	7,013,509
Commercial and industrial development	-	3,671,108	3,671,108
Debt service	-	4,860,951	4,860,951
Total expenditures	55,834,525	33,074,639	88,909,164
<b>Excess of Expenditures Over Revenue</b>	(6,898,326)	(9,863,201)	(16,761,527)
<b>Other Financing Sources (Uses)</b>			
Transfers in	50,000	7,682,078	7,732,078
Transfers out	(4,003,252)	(3,447,269)	(7,450,521)
Total other financing sources (uses)	(3,953,252)	4,234,809	281,557
<b>Net Change in Fund Balances</b>	(10,851,578)	(5,628,392)	(16,479,970)
<b>Fund Balances - Beginning of year</b>	(20,845,969)	20,103,207	(742,762)
<b>Fund Balances - End of year</b>	<b>\$ (31,697,547)</b>	<b>\$ 14,474,815</b>	<b>\$ (17,222,732)</b>

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Pontiac, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (16,479,970)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay reported in governmental funds	6,897,019
Depreciation reported in the statement of activities	(4,779,955)
Loss on disposal of fixed assets	(52,866)
Capital assets donated to the City are not recorded in governmental funds; in the statement of activities, these assets are recorded and contribution revenue is recognized	3,921,788
Certain revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	481,262
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,480,851
Interest expense is recorded when incurred in the statement of activities	(61,351)
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	1,407,017
Internal Service Funds are also included as governmental activities	228,132
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (4,958,073)</b>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2005

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Governmental Activities -
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents (Note 3)	\$ 149,600	\$ 271,763	\$ 5,328	\$ 4,296	\$ 430,987	\$ 82,461
Receivables - Net (Note 4):						
Customer receivables	2,572,237	2,502,730	-	-	5,074,967	-
Taxes receivable	-	-	80,413	-	80,413	-
Other receivables	6,600	42,641	6,222	-	55,463	1,618,973
Due from other funds - Current (Note 6)	-	-	-	-	-	6,228,465
Due from component units	9,050,075	-	-	-	9,050,075	-
Inventory	-	-	-	-	-	31,901
Special assessments receivable	20,825	76,975	-	-	97,800	-
Total current assets	11,799,337	2,894,109	91,963	4,296	14,789,705	7,961,800
Noncurrent assets:						
Restricted cash and cash equivalents	899,460	1,119,285	-	-	2,018,745	-
Due from other funds - Advances (Note 6)	1,165,280	6,184,952	-	-	7,350,232	-
Nondepreciable capital assets (Note 5)	195,436	325,964	3,166,454	733,760	4,421,614	-
Depreciable capital assets - Net (Note 5)	9,738,409	20,398,414	13,881,183	2,805,629	46,823,635	1,570,691
Total noncurrent assets	11,998,585	28,028,615	17,047,637	3,539,389	60,614,226	1,570,691
Total assets	23,797,922	30,922,724	17,139,600	3,543,685	75,403,931	9,532,491

(Continued on next page)

# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets (Continued) June 30, 2005

	Major Funds			Nonmajor Fund		Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund			
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	\$ 2,020,339	\$ 885,254	\$ 90,982	\$ 30,282	\$ 3,026,857	\$ 119,272	
Accrued and other liabilities	213,174	224,631	4,611,633	49,553	5,098,991	7,738,098	
Deposits	-	-	34,239	-	34,239	-	
Due to other funds	-	-	200,832	-	200,832	-	
Accrued interest on long-term debt	-	-	30,000	-	30,000	-	
Current portion of long-term debt	-	-	2,000,000	-	2,000,000	-	
Total current liabilities	2,233,513	1,109,885	6,967,686	79,835	10,390,919	7,857,370	
Noncurrent liabilities (Note 7):							
Payable from restricted assets:							
Accrued interest on long-term debt	109,305	150,054	-	-	259,359	-	
Current portion of long-term debt	230,000	335,000	-	-	565,000	-	
Bonds payable - Net of current portion	3,239,592	4,854,566	-	-	8,094,158	-	
Total liabilities	5,812,410	6,449,505	6,967,686	79,835	19,309,436	7,857,370	
<b>Net Assets</b>							
Investment in capital assets - Net of related debt	6,464,253	15,534,812	15,047,637	3,539,389	40,586,091	1,570,691	
Restricted	899,460	1,119,285	-	-	2,018,745	-	
Unrestricted	10,621,799	7,819,122	(4,875,723)	(75,539)	13,489,659	104,430	
Total net assets	<u>\$ 17,985,512</u>	<u>\$ 24,473,219</u>	<u>\$ 10,171,914</u>	<u>\$ 3,463,850</u>	<u>\$ 56,094,495</u>	<u>\$ 1,675,121</u>	

# City of Pontiac, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		
<b>Operating Revenue</b>						
Charges for services	\$ 10,751,979	\$ 11,049,188	\$ 1,175,698	\$ 822,326	\$ 23,799,191	\$ 26,234,298
Contribution from component units	-	-	226,628	-	226,628	-
Other	6,500	27,038	-	-	33,538	-
Total operating revenue	10,758,479	11,076,226	1,402,326	822,326	24,059,357	26,234,298
<b>Operating Expenses</b>						
Purchased water	6,341,480	-	-	-	6,341,480	-
Operations and maintenance	2,944,504	8,106,416	1,581,215	817,953	13,450,088	1,433,597
Insurance	-	-	-	-	-	23,656,243
Administrative expenses	2,321,025	1,518,671	93,996	84,108	4,017,800	643,438
Depreciation	915,069	1,921,206	567,995	299,447	3,703,717	233,311
Total operating expenses	12,522,078	11,546,293	2,243,206	1,201,508	27,513,085	25,966,589
<b>Operating Income (Loss)</b>	(1,763,599)	(470,067)	(840,880)	(379,182)	(3,453,728)	267,709
<b>Nonoperating Revenue (Expenses)</b>						
Property taxes	-	-	2,065,856	-	2,065,856	-
Interest revenue	199,594	150,210	(1,736)	-	348,068	39,426
Interest expense	(234,320)	(321,452)	(195,000)	(688)	(751,460)	-
Other	-	-	-	9,500	9,500	(33,145)
Total nonoperating revenue (expenses)	(34,726)	(171,242)	1,869,120	8,812	1,671,964	6,281
<b>Income (Loss) - Before transfers</b>	(1,798,325)	(641,309)	1,028,240	(370,370)	(1,781,764)	273,990
<b>Transfers</b>						
Transfers in	-	-	70,721	37,969	108,690	-
Transfers out	(62,452)	(274,617)	(5,404)	(1,916)	(344,389)	(45,858)
Total transfers	(62,452)	(274,617)	65,317	36,053	(235,699)	(45,858)
<b>Change in Net Assets</b>	(1,860,777)	(915,926)	1,093,557	(334,317)	(2,017,463)	228,132
<b>Net Assets - Beginning of year</b>	19,846,289	25,389,145	9,078,357	3,798,167	58,111,958	1,446,989
<b>Net Assets - End of year</b>	<u>\$ 17,985,512</u>	<u>\$ 24,473,219</u>	<u>\$ 10,171,914</u>	<u>\$ 3,463,850</u>	<u>\$ 56,094,495</u>	<u>\$ 1,675,121</u>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2005

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 10,371,597	\$ 10,760,844	\$ 1,402,326	\$ 822,326	\$ 23,357,093	\$ 25,862,740
Payments to employees	(3,559,003)	(5,470,590)	(334,568)	(276,064)	(9,640,225)	(24,719,625)
Payments to suppliers	(6,658,264)	(3,828,145)	(1,462,950)	(586,897)	(12,536,256)	(929,120)
Net cash provided by (used in) operating activities	154,330	1,462,109	(395,192)	(40,635)	1,180,612	213,995
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers from other funds	-	-	70,721	37,969	108,690	-
Transfers to other funds	(62,452)	(274,617)	(5,404)	(1,916)	(344,389)	(45,858)
Interfund loans - Proceeds and collections	7,062,779	(978,265)	200,832	-	6,285,346	(6,228,465)
Component unit loans - Proceeds and collections	(9,050,075)	-	-	-	(9,050,075)	-
Property taxes	-	-	2,055,409	-	2,055,409	-
Net cash provided by (used in) noncapital financing activities	(2,049,748)	(1,252,882)	2,321,558	36,053	(945,019)	(6,274,323)
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(2,345,109)	(2,187,223)	-	(31,169)	(4,563,501)	(566,877)
Proceeds from sale of capital assets	-	-	-	-	-	-
Proceeds from special assessments	8,670	21,608	-	-	30,278	-
Principal and interest paid on capital debt	(446,860)	(643,709)	(2,220,000)	-	(3,310,569)	-
Net cash used in capital and related financing activities	(2,783,299)	(2,809,324)	(2,220,000)	(31,169)	(7,843,792)	(566,877)
<b>Cash Flows from Investing Activities</b>						
Proceeds from investments	2,604,656	1,651,987	-	-	4,256,643	3,580,451
Investment income (loss)	199,594	150,210	(1,736)	(688)	347,380	39,426
Net cash provided by (used in) investing activities	2,804,250	1,802,197	(1,736)	(688)	4,604,023	3,619,877
<b>Decrease in Cash and Cash Equivalents</b>	(1,874,467)	(797,900)	(295,370)	(36,439)	(3,004,176)	(3,007,328)
<b>Cash and Cash Equivalents - Beginning of year</b>	2,923,527	2,188,948	300,698	40,735	5,453,908	3,089,789
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,049,060</u>	<u>\$ 1,391,048</u>	<u>\$ 5,328</u>	<u>\$ 4,296</u>	<u>\$ 2,449,732</u>	<u>\$ 82,461</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>						
Cash and cash equivalents	\$ 149,600	\$ 271,763	\$ 5,328	\$ 4,296	\$ 430,987	\$ 82,461
Restricted cash and cash equivalents (Note 8)	899,460	1,119,285	-	-	2,018,745	-
Total cash and cash equivalents	<u>\$ 1,049,060</u>	<u>\$ 1,391,048</u>	<u>\$ 5,328</u>	<u>\$ 4,296</u>	<u>\$ 2,449,732</u>	<u>\$ 82,461</u>

(Continued on next page)

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2005

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>						
Operating income (loss)	\$ (1,763,599)	\$ (470,067)	\$ (840,880)	\$ (379,182)	\$ (3,453,728)	\$ 267,709
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	915,069	1,921,206	567,995	299,447	3,703,717	233,311
Changes in assets and liabilities:						
Accounts receivable	(386,882)	(315,382)	-	-	(702,264)	(371,558)
Inventory and supplies	-	-	-	-	-	32,603
Due from other funds	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Accounts payable	1,353,401	335,529	(125,242)	28,668	1,592,356	31,897
Accrued liabilities	39,541	(9,177)	(3,531)	10,432	37,265	20,033
Deposits	(3,200)	-	6,466	-	3,266	-
Due to other funds	-	-	-	-	-	-
Net cash provided by (used in) operating activities	<b>\$ 154,330</b>	<b>\$ 1,462,109</b>	<b>\$ (395,192)</b>	<b>\$ (40,635)</b>	<b>\$ 1,180,612</b>	<b>\$ 213,995</b>

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2005

	Pension and Other Employee Benefits Trust Funds (I)	Agency Funds
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	207,738	1,498,585
Cash and investments held as collateral for securities lending	66,106,886	-
Investments:		
Money markets and mutual funds	43,464,799	-
Preferred securities	211,460	-
Convertible securities	111,201	-
U.S. government obligations	29,305,964	-
Corporate and other bonds	115,019,205	-
Equities	414,027,747	-
U.S. government agency mortgage pools	65,227,053	-
Real estate	26,434,407	-
Interest in CAP Commercial Mortgage, LLC	5,190,487	-
Due from broker pending transactions	1,771	-
Accrued interest receivable	2,290,649	-
Receivables - Other	281,522	9,183,295
Total assets	767,880,889	\$ 10,681,880
<b>Liabilities</b>		
Accounts payable	2,651,104	-
Amount due broker under securities lending agreement	66,106,886	-
Due to other governmental units	-	6,306,041
Accrued liabilities	-	4,132,172
Deposits	-	243,667
Total liabilities	68,757,990	\$ 10,681,880
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 699,122,899</b>	

(I) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2004.

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2005

	Pension and Other Employee Benefits Trust Funds (1)
	Funds (1)
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 17,175,356
Net increase in fair value of investments	39,421,732
Less investment expenses	(2,984,758)
Litigation settlement	75,146
Net investment income	53,687,476
Securities lending income:	
Interest and fees	940,488
Less borrower rebates and bank fees	(836,513)
Net securities lending income	103,975
Contributions:	
Employer	6,287,787
Employee	402,500
Total contributions	6,690,287
Total additions	60,481,738
<b>Deductions</b>	
Retiree pension benefit payments	26,660,897
Retiree health benefit payments	1,227,096
Member refunds and withdrawals	47,626
Other expenses	209,799
Administrative expenses	191,929
Total deductions	28,337,347
<b>Net Increase in Net Assets Held in Trust</b>	32,144,391
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	666,978,508
End of year	\$ 699,122,899

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2004.

# City of Pontiac, Michigan

## Component Units Statement of Net Assets June 30, 2005

	Governmental Activities				Business-type Activities		Totals
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Pontiac Silverdome	Pontiac Hospital Finance Authority	
<b>Assets</b>							
Current:							
Cash and investments	\$ 449,519	\$ 200	\$ 1,633,845	\$ 473,920	\$ 454,633	\$ -	\$ 3,012,117
Receivables - Net:							
Property taxes	17,629	32,028	-	-	-	-	49,657
Other receivables	74,407	-	219,250	-	154,623	-	448,280
Due from primary government	-	-	-	-	6,418,142	-	6,418,142
Total current assets	541,555	32,228	1,853,095	473,920	7,027,398	-	9,928,196
Noncurrent assets:							
Due from other component units - Advances	-	-	-	-	1,193,820	-	1,193,820
Long-term lease receivable (Note 15)	-	-	-	-	-	42,055,000	42,055,000
Nondepreciable capital assets	-	-	5,600,321	-	5,679,200	-	11,279,521
Depreciable capital assets - Net	-	-	-	-	12,442,747	-	12,442,747
Total noncurrent assets	-	-	5,600,321	-	19,315,767	42,055,000	66,971,088
Total assets	541,555	32,228	7,453,416	473,920	26,343,165	42,055,000	76,899,284

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Net Assets (Continued) June 30, 2005

	Governmental Activities				Business-type Activities		Totals
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Pontiac Silverdome	Pontiac Hospital Finance Authority	
<b>Liabilities</b>							
Current:							
Accounts payable	\$ 650,183	\$ 59,591	\$ -	\$ 336	\$ 582,306	\$ -	\$ 1,292,416
Accrued liabilities	247,433	-	-	-	110,078	-	357,511
Deposits	7,716	-	10,870	-	3,029,311	-	3,047,897
Due to primary government	9,050,075	-	-	-	-	-	9,050,075
Due to other component units - Advances	131,590	1,062,230	-	-	-	-	1,193,820
Deferred revenue	-	-	619,714	-	451,238	-	1,070,952
Total current liabilities	<u>10,086,997</u>	<u>1,121,821</u>	<u>630,584</u>	<u>336</u>	<u>4,172,933</u>	<u>-</u>	<u>16,012,671</u>
Noncurrent liabilities:							
Due within one year	2,005,000	-	-	-	-	1,245,000	3,250,000
Due in more than one year	45,910,394	-	-	-	-	40,810,000	86,720,394
Total noncurrent liabilities	<u>47,915,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,055,000</u>	<u>89,970,394</u>
Total liabilities	<u>58,002,391</u>	<u>1,121,821</u>	<u>630,584</u>	<u>336</u>	<u>4,172,933</u>	<u>42,055,000</u>	<u>105,983,065</u>
<b>Net Assets</b>							
Invested in capital assets - Net of related debt	-	-	5,600,321	-	18,121,947	-	23,722,268
Restricted for revolving loans	-	-	997,937	-	-	-	997,937
Unrestricted	(57,460,836)	(1,089,593)	224,574	473,584	4,048,285	-	(53,803,986)
Total net assets	<u>\$ (57,460,836)</u>	<u>\$ (1,089,593)</u>	<u>\$ 6,822,832</u>	<u>\$ 473,584</u>	<u>\$ 22,170,232</u>	<u>\$ -</u>	<u>\$ (29,083,781)</u>

# City of Pontiac, Michigan

## Component Units Statement of Activities Year Ended June 30, 2005

	Program Revenues				Net Revenue (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
<b>Governmental Activities</b>					
Tax Increment Financing Authority:					
Commercial and industrial development	\$ 9,242,974	\$ -	\$ -	\$ -	\$ (9,242,974)
Interest on long-term debt	3,133,437	-	-	-	(3,133,437)
Total Tax Increment Financing Authority	12,376,411	-	-	-	(12,376,411)
Downtown Development Authority -					
Commercial and industrial development	1,499,873	-	-	-	(1,499,873)
Economic Development Corporation -					
Commercial and industrial development	231,523	-	176,654	2,239,225	2,184,356
Brownfield Redevelopment Authority -					
Commercial and industrial development	172,606	-	-	-	(172,606)
Total governmental activities	14,280,413	-	176,654	2,239,225	(11,864,534)
<b>Business-type Activities</b>					
Pontiac Silverdome	9,921,403	2,839,883	-	-	(7,081,520)
Pontiac Hospital Finance Authority	2,593,800	-	-	-	(2,593,800)
Total business-type activities	12,515,203	2,839,883	-	-	(9,675,320)
Total component units	<u>\$ 26,795,616</u>	<u>\$ 2,839,883</u>	<u>\$ 176,654</u>	<u>\$ 2,239,225</u>	<u>\$ (21,539,854)</u>

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Activities (Continued) Year Ended June 30, 2005

	Governmental Activities				Business-type Activities		Total
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Pontiac Silverdome	Pontiac Hospital Finance Authority	
Net revenue (expense) from previous page	\$ (12,376,411)	\$ (1,499,873)	\$ 2,184,356	\$ (172,606)	\$ (7,081,520)	\$ (2,593,800)	\$ (21,539,854)
General revenues:							
Property taxes	7,764,184	680,705	-	63,295	-	-	8,508,184
Rental income	-	-	-	-	-	2,593,800	2,593,800
Unrestricted investment earnings	188,773	(4,261)	19,535	2,767	184,980	-	391,794
Miscellaneous	9,135	15,710	174,898	-	35,203	-	234,946
Total general revenues	<u>7,962,092</u>	<u>692,154</u>	<u>194,433</u>	<u>66,062</u>	<u>220,183</u>	<u>2,593,800</u>	<u>11,728,724</u>
<b>Change in Net Assets (Deficit)</b>	(4,414,319)	(807,719)	2,378,789	(106,544)	(6,861,337)	-	(9,811,130)
<b>Net Assets (Deficit) - Beginning of year,</b> as restated (Note 13)	<u>(53,046,517)</u>	<u>(281,874)</u>	<u>4,444,043</u>	<u>580,128</u>	<u>29,031,569</u>	<u>-</u>	<u>(19,272,651)</u>
<b>Net Assets (Deficit) - End of year</b>	<u><b>\$ (57,460,836)</b></u>	<u><b>\$ (1,089,593)</b></u>	<u><b>\$ 6,822,832</b></u>	<u><b>\$ 473,584</b></u>	<u><b>\$ 22,170,232</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (29,083,781)</b></u>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Pontiac (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Pontiac:

### **Reporting Entity**

The City of Pontiac was incorporated on March 15, 1861 and currently operates under a Council-Strong Mayor form of government. Major operations include police and fire protection, parks, library and recreation, public works, and general administrative services. In addition, the City owns and operates a water supply and sewage treatment system. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

### **Blended Component Units**

The General Building Authority consists of five members: one member being the mayor by virtue of his office and four members to be appointed by the mayor subject to confirmation by the City Council. No member of the Pontiac City Council shall be eligible to appointment or membership on the Authority. No Authority member shall be financially interested in any contract with the Authority. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City’s public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **Blended Component Units (Continued)**

The General Employees' Retirement System has been blended into the City's financial statements. The governing body consists of 11 trustees as follows: The mayor of the City of Pontiac, the finance director of the City of Pontiac, a City Council member, three active members of the retirement system (elected), an employee representative, an elected retiree representative, three citizen trustees, and one deferred vested member of the retirement system formally employed by Pontiac General Hospital. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retirement System is reported as a Pension Fiduciary Fund.

The Police and Fire Retirement System has been blended into the City's financial statements. The system is governed by five members as follows: The mayor of the City; the finance director of the City; two additional members, one of whom shall be an active member of and elected by members of the Fire Department, and one of whom shall be an active member of and elected by members of the Police Department; and a fifth trustee elected by the other four trustees. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the Police and Fire Retirement System is reported as a Pension Fiduciary Fund.

The General Employees' Retiree VEBA Trust has been blended into the City's financial statements. The governing body consists of five trustees as follows: The mayor of the City of Pontiac or his/her designee, the finance director of the City of Pontiac or his/her designee, a City Council member or its citizen designee, an employee representative, and a retiree representative. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retiree Health System is reported as an Other Employee Benefits Fiduciary Fund.

The Police and Fire Retirement System VEBA System has been blended into the City's financial statements. The governing body consists of five trustees: the mayor, the finance director, a fire trustee, a police trustee, and a fifth

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Blended Component Units (Continued)**

trustee elected by the other four trustees. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the Police and Fire Retirement System VEBA System is reported as an Other Employee Benefits Fiduciary Fund.

### **Discretely Presented Component Units**

- a. The Pontiac Silverdome component unit was created to account for the operations of the Pontiac Silverdome facilities. The Silverdome's governing body consists of three (3) members. One member shall be appointed by the mayor of the City of Pontiac. One member shall be appointed by the City Council. The third member shall be appointed by the mayor subject to the approval by a majority vote of the member elect of the City Council. Internally prepared financial statements for the Pontiac Silverdome can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.
- b. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body consists of members appointed by the mayor, subject to approval by the Council. There can be not less than eight (8) or more than twelve (12) members and the chief executive officer (mayor) of the municipality. Not less than a majority of the members shall be persons having an interest in property located in the downtown district. Not less than one (1) of the members shall be a resident of the downtown district, if the downtown district has 100 or more persons residing in it. Internally prepared financial statements for the DDA can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **Discretely Presented Component Units (Continued)**

- c. The Economic Development Corporation (EDC) was created to provide a means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The EDC's governing body consists of a board of directors, which must consist of not less than nine (9) persons, not more than three (3) of whom shall be an officer or employee of the municipality. The chief executive officer and any member of the governing body of the municipality may serve on the board of directors. The chief executive officer (mayor), with the advice and consent of the governing body, shall appoint the members of the board of directors. Internally prepared financial statements for the EDC can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.
- d. The Tax Increment Financing Authority (TIFA) was created to promote economic growth and business development within the community. The TIFA's governing body consists of not less than seven (7) or more than thirteen (13) persons appointed by the mayor, subject to the approval of the City Council. A member shall hold office until the member's successor is appointed. An appointment to fill a vacancy shall be made by the mayor for the unexpired term only. Internally prepared financial statements for the TIFA can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.
- e. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City of Pontiac and to promote economic growth for these properties through the use of a state-approved revolving fund loan. The properties included are listed as contaminated by the Environmental Protection Agency. Each authority shall be under the supervision and control of a board chosen by the governing body (City Council). The governing body may be by majority vote designate the trustees of the board of the Tax Increment Financing Authority as the Brownfield Redevelopment Board, which City Council did by resolution on December 18, 1997. Internally prepared financial statements for the Brownfield Redevelopment Authority can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Discretely Presented Component Units, Continued**

- f. The Pontiac Hospital Finance Authority was created to account for the operations of the Pontiac General Hospital and Medical Center. The Authority's governing body is known as its "Commission" and consists of five members. The members of the Commission are the finance director of the City of Pontiac and four at-large members. The at-large members are appointed by the City Council for the City of Pontiac. No person can be appointed to or remain a member of the Commission who is not a resident of the City of Pontiac and/or who is an officer or member of the governing board of any hospital for which the Authority has issued, or is contemplating issuing, bonds. Internally prepared financial statements for the Pontiac Hospital Finance Authority can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

## **Note I - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage collection system. Funding is provided primarily through user charges.

**Parking Fund** - The Parking Fund accounts for the activities of City-owned parking structures and lots. Funding is provided primarily through user charges.

Additionally, the City reports the following internal service and fiduciary activities:

**Internal Service Funds** - Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pension and Other Post-Employment Benefits Trust Funds** - The Pension and Other Post-Employment Benefits Trust Funds account for the activities of the General Employees' Retirement System, Police and Fire Retirement System, General Employees' Retiree Health and Insurance Benefits Trust, and Police and Fire Retirement System VEBA, which accumulates resources for pension and other post-employment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31 and payable in two installments. Summer taxes are considered delinquent on August 1, at which time penalties and interest are assessed. Winter taxes are considered delinquent on February 15 of the following year, at which time a 3 percent penalty is assessed. Summer and winter taxes (including any penalty and interest) are turned over to Oakland County for collection.

The City of Pontiac 2004 tax is levied and collectible on July 1, 2004 and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the City of Pontiac totaled \$1.5 billion (a portion of which is abated and a portion of which is captured by the TIFA, DDA, and Brownfield), on which taxes levied consisted of 11.2737 mills for operating purposes, 0.6558 mills for drains, 2.8183 for refuse collection and disposal, 1.4091 mills for capital improvement, and 2.14 mills for debt service. This resulted in \$11.8 million for operating, \$.7 million for drains, \$2.9 million for refuse collection and disposal, \$1.5 million for capital improvement, and \$2.2 million for debt service. These amounts are recognized in the respective General Fund, Special Revenue Fund, Capital Project Fund, and Enterprise Fund financial statements as tax revenue.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average method.

**Receivables and Payables** - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that result from the allocation of available cash balances at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Supplies and Prepaid Items** - Supplies are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Water and Sewer Enterprise Funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Cemetery endowments received by the City are required to be set aside for cemetery operations. These amounts have been classified as restricted assets in the Cemetery Fund. The City has also set cash aside for the future closure and post-closure care for the landfill. These assets have been classified as restricted assets in the Sanitation Fund.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

GASB 34 requires the City to report and depreciate infrastructure assets effective in 2007. Infrastructure assets include roads, bridges, traffic signals, etc. The assets are the largest asset class of the City. The City plans to report these assets retroactively in the fiscal year ending June 30, 2007.

Buildings, land improvements, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Streets and bridges	10-20 years
Land improvements	10-50 years
Buildings and improvements	10-50 years
Machinery and equipment	5-20 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Water and sewer system	20-66 years
Street and traffic signs	10 years
Scoreboard	10-20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

**Comparative Data** - Comparative data is not included in the City's financial statements.

## **Note 2 - Stewardship, Compliance, and Accountability**

**Construction Code Fees** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The City is in the process of calculating a summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000.

**Noncompliance with Legal or Contractual Provisions** - The City was in noncompliance with legal provisions as follows:

- The City did not remit state education taxes to the State in a timely manner;
- The City is in violation of State Budget Act by incurring deficits and exceeding budgeted appropriations as discussed in the required supplemental information section of this report;
- The City's General Fund reported approximately \$22.3 million in amounts due to other funds of the City (including \$8.3 million from Trust and Agency Funds, which are classified as other liabilities on the balance sheet), and an additional \$6.4 million to the Silverdome Fund, a component unit, to provide cash flows for operations. There are no formal repayment terms or interest provisions in place; however, the City is planning to issue bonds during fiscal year 2006 to repay these borrowings.

## **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

**Fund Deficits** - The City has accumulated fund deficits in the following individual funds:

General Fund	\$ (31,697,547)
Nonmajor governmental funds:	
Major Roads	(2,889,323)
Local Roads	(826,203)
MDEQ Grant Pontiac Creek Stormwater Plan	(26,773)
University Drive Widening	(616,872)
ML King Construction	(34,110)
Clinton River Linear Park Trail	<u>(23,090)</u>
Total nonmajor governmental funds	<u>(4,416,371)</u>
Total	<u><u>\$ (36,113,918)</u></u>

A deficit elimination plan is being filed with the Local Audit and Finance Division of the State of Michigan.

## **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension and other employee benefit trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks for the deposit of its funds. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below. The following information excludes the General Employees' Retirement System, Police and Fire Retirement System, General City Employees' Retirement System VEBA, and Police and Fire Retirement System VEBA because, as disclosed in Notes 10 and 12, these funds are maintained on a calendar year basis and these disclosures were not required at December 31, 2004.

**Note 3 - Deposits and Investments (Continued)**

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$11,440,522 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City’s investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investments	Fair Value	Weighted Average Maturity
U.S. government obligations	\$ 299,343	42 days
Bank investment pool	6,809,916	75 days
Guaranteed investment contracts	3,340,343	1 year

## Note 3 - Deposits and Investments (Continued)

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investments	Fair Value	Rating	Rating Organization
U.S. government obligations	\$ 299,343	AAA	Standard & Poor's
Bank investment pool	1,098,543	AAA	Standard & Poor's
Bank investment pool	6,809,916	AAm	Standard & Poor's
Guaranteed investment contracts	3,340,343	A+	Standard & Poor's
Bank investment pool	4,058,312	Not Rated	N/A

### Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in guaranteed investment contracts; these investments are 21.4 percent of the City's total investments.

# City of Pontiac, Michigan

## Notes to Financial Statements June 30, 2005

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Major Funds					Total
	Governmental	Proprietary Funds			Nonmajor and Other Funds	
	Funds	Enterprise Fund - Water Fund	Enterprise Fund - Sewer Fund	Enterprise Fund - Parking Fund		
General Fund						
Receivables:						
Taxes	\$ 4,349,112	\$ -	\$ -	\$ 320,413	\$ 396,791	\$ 5,066,316
Accounts	-	2,572,237	2,502,730	-	-	5,074,967
Special assessments	582,241	20,825	76,975	-	-	680,041
Intergovernmental	3,895,901	-	-	-	6,496,167	10,392,068
Interest and other	1,001,400	6,600	42,641	6,222	2,371,907	3,428,770
Less allowance for uncollectibles	(655,000)	-	-	(240,000)	(298,000)	(1,193,000)
Net receivables	<u>\$ 9,173,654</u>	<u>\$ 2,599,662</u>	<u>\$ 2,622,346</u>	<u>\$ 86,635</u>	<u>\$ 8,966,865</u>	<u>\$ 23,449,162</u>

**Note 4 - Receivables (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities
	Unavailable	Unearned	Total	Unearned
Delinquent property taxes and payments in lieu of taxes	\$ 313,561	\$ -	\$ 313,561	\$ -
Income tax receivables	1,459,109	-	1,459,109	-
Weed cutting receivables	582,242	-	582,242	-
Sanitation receivables	571,816	-	571,816	-
Road maintenance receivables	121,415	-	121,415	-
Grant receivables	1,814,003	-	1,814,003	-
Other receivables	403,294	-	403,294	-
Capital lease receivable	-	10,943,266	10,943,266	10,943,266
Grant payments received prior to meeting all eligibility requirements	-	386,254	386,254	386,254
<b>Total</b>	<b>\$ 5,265,440</b>	<b>\$ 11,329,520</b>	<b>\$ 16,594,960</b>	<b>\$ 11,329,520</b>

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
<b>Governmental Activities</b>				
Other governmental capital assets:				
Capital assets not being depreciated:				
Land	\$ 16,044,565	\$ 25,406	\$ -	\$ 16,069,971
Construction in progress	33,977,643	9,255,614	(10,320,827)	32,912,430
Subtotal	50,022,208	9,281,020	(10,320,827)	48,982,401
Capital assets being depreciated:				
Streets and bridges	23,454,491	705,935	10,320,827	34,481,253
Land improvements	5,628,467	-	-	5,628,467
Buildings and improvements	24,060,716	420,441	(58,740)	24,422,417
Equipment	13,867,686	114,378	-	13,982,064
Vehicles	11,068,891	805,656	-	11,874,547
Furniture and fixtures	8,318,918	22,570	-	8,341,488
Subtotal	86,399,169	2,068,980	10,262,087	98,730,236
Accumulated depreciation:				
Streets and bridges	1,986,229	1,565,860	-	3,552,089
Land improvements	3,476,168	543,997	-	4,020,165
Buildings and improvements	21,188,087	877,552	(5,874)	22,059,765
Equipment	11,707,033	871,818	-	12,578,851
Vehicles	10,976,395	173,061	-	11,149,456
Furniture and fixtures	7,363,566	747,667	-	8,111,233
Subtotal	56,697,478	4,779,955	(5,874)	61,471,559
Net capital assets being depreciated	29,701,691	(2,710,975)	10,267,961	37,258,677
Net other governmental capital assets	\$ 79,723,899	\$ 6,570,045	\$ (52,866)	\$ 86,241,078

### Note 5 - Capital Assets (Continued)

Governmental Activities	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Internal Service Fund capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,022	\$ -	\$ -	\$ 7,022
Equipment	1,183,010	564,318	(2,558)	1,744,770
Vehicles	1,792,922	-	(94,000)	1,698,922
Furniture and fixtures	10,618	-	-	10,618
Subtotal	2,993,572	564,318	(96,558)	3,461,332
Accumulated depreciation:				
Equipment	422,819	145,590	(2,558)	565,851
Vehicles	1,299,819	86,394	(63,414)	1,322,799
Furniture and fixtures	664	1,327	-	1,991
Subtotal	1,723,302	233,311	(65,972)	1,890,641
Net capital assets being depreciated	1,270,270	331,007	(30,586)	1,570,691
Net Internal Service Fund capital assets	1,270,270	331,007	(30,586)	1,570,691
Governmental capital assets not being depreciated	50,022,208	9,281,020	(10,320,827)	48,982,401
Net governmental capital assets being depreciated	30,971,961	(2,379,968)	10,237,375	38,829,368
Net governmental activity capital assets	<u>\$ 80,994,169</u>	<u>\$ 6,901,052</u>	<u>\$ (83,452)</u>	<u>\$ 87,811,769</u>

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
<b>Water Fund:</b>				
Capital assets not being depreciated -				
Land	\$ 195,436	\$ -	\$ -	\$ 195,436
Capital assets being depreciated:				
Land improvements	258,104	15,923	-	274,027
Building and improvements	2,916,609	-	-	2,916,609
Machinery and equipment	3,080,918	127,294	-	3,208,212
Vehicles	1,680,223	41,496	-	1,721,719
Water systems	<u>16,289,721</u>	<u>2,160,396</u>	-	<u>18,450,117</u>
Subtotal	24,225,575	2,345,109	-	26,570,684
Accumulated depreciation:				
Land improvements	128,229	22,615	-	150,844
Building and improvements	1,426,978	48,208	-	1,475,186
Machinery and equipment	2,615,849	71,496	-	2,687,345
Vehicles	1,421,350	263,022	-	1,684,372
Water systems	<u>10,324,800</u>	<u>509,728</u>	-	<u>10,834,528</u>
Subtotal	<u>15,917,206</u>	<u>915,069</u>	-	<u>16,832,275</u>
Net capital assets being depreciated	<u>8,308,369</u>	<u>1,430,040</u>	-	<u>9,738,409</u>
Net Water Fund capital assets	<u>8,503,805</u>	<u>1,430,040</u>	-	<u>9,933,845</u>

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
<b>Sewer Fund:</b>				
Capital assets not being depreciated -				
Land	\$ 325,964	\$ -	\$ -	\$ 325,964
Capital assets being depreciated:				
Land improvements	157,352	-	-	157,352
Building and improvements	11,463,758	11,686	-	11,475,444
Machinery and equipment	5,693,148	11,449	-	5,704,597
Vehicles	1,651,672	257,757	-	1,909,429
Sewer systems	40,968,423	1,906,331	-	42,874,754
Subtotal	59,934,353	2,187,223	-	62,121,576
Accumulated depreciation:				
Land improvements	95,535	2,726	-	98,261
Building and improvements	8,175,536	140,076	-	8,315,612
Machinery and equipment	5,022,235	120,921	-	5,143,156
Vehicles	1,481,494	195,954	-	1,677,448
Sewer systems	25,027,156	1,461,529	-	26,488,685
Subtotal	39,801,956	1,921,206	-	41,723,162
Net capital assets being depreciated	20,132,397	266,017	-	20,398,414
Net Sewer Fund capital assets	20,458,361	266,017	-	20,724,378

# City of Pontiac, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
<b>Parking Fund:</b>				
Capital assets not being depreciated -				
Land	\$ 3,166,454	\$ -	\$ -	\$ 3,166,454
Capital assets being depreciated:				
Land improvements	646,676	-	-	646,676
Building and improvements	33,708,394	-	-	33,708,394
Machinery and equipment	78,976	-	-	78,976
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,751,266	-	-	34,751,266
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	19,338,490	534,036	-	19,872,526
Machinery and equipment	23,031	10,632	-	33,663
Vehicles	236,032	23,327	-	259,359
Traffic signs	57,859	-	-	57,859
Subtotal	20,302,088	567,995	-	20,870,083
Net capital assets being depreciated	14,449,178	(567,995)	-	13,881,183
Net Parking Fund capital assets	17,615,632	(567,995)	-	17,047,637

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
<b>Golf Course Fund:</b>				
Capital assets not being depreciated -				
Land	\$ 733,760	\$ -	\$ -	\$ 733,760
Capital assets being depreciated:				
Land improvements	4,526,155	-	-	4,526,155
Building and improvements	909,387	-	-	909,387
Machinery and equipment	421,672	40,669	(18,900)	443,441
Subtotal	5,857,214	40,669	(18,900)	5,878,983
Accumulated depreciation:				
Land improvements	2,023,440	240,034	-	2,263,474
Building and improvements	408,760	39,753	-	448,513
Machinery and equipment	360,607	19,660	(18,900)	361,367
Subtotal	2,792,807	299,447	(18,900)	3,073,354
Net capital assets being depreciated	3,064,407	(258,778)	-	2,805,629
Net Golf Course Fund capital assets	3,798,167	(258,778)	-	3,539,389
Business-type capital assets not being depreciated	4,421,614	-	-	4,421,614
Net business-type capital assets being depreciated	45,954,351	869,284	-	46,823,635
Net business-type activity capital assets	\$ 50,375,965	\$ 869,284	\$ -	\$ 51,245,249

### Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Pontiac's component units for the year was as follows:

Component Unit - Pontiac Silverdome	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated -				
Land	\$ 5,679,200	\$ -	\$ -	\$ 5,679,200
Capital assets being depreciated:				
Land improvements	7,075,695	-	-	7,075,695
Building and improvements	43,871,687	-	-	43,871,687
Equipment	20,197,441	-	-	20,197,441
Vehicles	555,372	-	-	555,372
Furniture and fixtures	4,652,649	-	-	4,652,649
Street and traffic signs	722,355	-	-	722,355
Scoreboard	4,397,725	-	-	4,397,725
Subtotal	81,472,924	-	-	81,472,924
Accumulated depreciation:				
Land improvements	6,103,352	521,366	-	6,624,718
Building and improvements	31,726,050	1,684,546	-	33,410,596
Equipment	18,913,119	521,584	-	19,434,703
Vehicles	555,372	-	-	555,372
Furniture and fixtures	4,652,649	-	-	4,652,649
Street and traffic signs	694,520	26,871	-	721,391
Scoreboard	3,410,862	219,886	-	3,630,748
Subtotal	66,055,924	2,974,253	-	69,030,177
Net capital assets being depreciated	15,417,000	(2,974,253)	-	12,442,747
Net capital assets - Silverdome	<u>\$ 21,096,200</u>	<u>\$ (2,974,253)</u>	<u>\$ -</u>	<u>\$ 18,121,947</u>
<b>Component Unit - Economic Development Corporation -</b>				
Capital assets not being depreciated - Construction in progress	<u>\$ 3,361,096</u>	<u>\$ 2,239,225</u>	<u>\$ -</u>	<u>\$ 5,600,321</u>

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 1,752,797
Public safety	917,300
Public works	2,109,858
Internal Service Funds	<u>233,311</u>
Total governmental activities	<u>\$ 5,013,266</u>

Business-type activities:

Water	\$ 915,069
Sewer	1,921,206
Parking	567,995
Golf course	<u>299,447</u>
Total business-type activities	<u>\$ 3,703,717</u>

GASB 34 requires the City to report and depreciate infrastructure assets effective in fiscal year ending June 30, 2007 for infrastructure acquired prior to fiscal year ended June 30, 2002. Infrastructure assets include roads, bridges, traffic signals, etc. The assets are the largest assets class of the City.

**Note 5 - Capital Assets (Continued)**

**Construction Commitments** - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Primary government:		
Governmental activities - Nonmajor funds		
Strand Theater	\$ 6,842,593	\$ 1,617,329
Oakland Plaza project	508,374	5,004,980
CVC infrastructure improvements	<u>5,049,290</u>	<u>780,800</u>
Total governmental activities - Nonmajor funds	12,400,257	7,403,109
Business-type activities:		
Water system improvements and repairs	2,483,571	1,037,434
Sewer system improvements and repairs	<u>3,023,627</u>	<u>464,891</u>
Total business-type activities	<u>5,507,198</u>	<u>1,502,325</u>
Total primary government	<u>\$ 17,907,455</u>	<u>\$ 8,905,434</u>
Component Unit - Tax Increment Financing Authority, District #2 - Downtown streetscape project	<u>\$ 1,213,521</u>	<u>\$ 756,479</u>

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances, which represent advances to provide cash flow for operations, is as follows:

Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 1,075,103
General Fund	Parking Fund	200,832
Total General Fund		<u>1,275,935</u>
Nonmajor governmental funds	General Fund	8,428,489
Nonmajor governmental funds	Nonmajor governmental funds	1,295,363
Total nonmajor governmental funds		<u>9,723,852</u>
Water Fund	Nonmajor governmental funds	1,165,280
Sewer Fund	Nonmajor governmental funds	6,184,952
Internal Service Funds	General Fund	6,228,465
Total Proprietary Funds		<u>13,578,697</u>
Total		<u>\$ 24,578,484</u>
Receivable Fund	Payable Fund	Amount
<b>Advances to/from Primary Government and Component Units</b>		
Primary government - Water Fund	Component unit - Tax Increment Financing Authority	\$ 9,050,075
Component unit - Pontiac Silverdome	Primary government - General Fund	\$ 6,418,142
Receivable Fund	Payable Fund	Amount
<b>Advances to/from Other Component Units</b>		
Component unit - Pontiac Silverdome	Component unit - Tax Increment Financing Authority	\$ 131,590
Component unit - Pontiac Silverdome	Component unit - Downtown Development Authority	1,062,230
Total		<u>\$ 1,193,820</u>

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
<b>Transfers to/from other funds</b>		
General Fund	Nonmajor governmental funds	\$ 3,965,283 *
General Fund	Nonmajor enterprise funds	37,969
Total General Fund		4,003,252
Nonmajor governmental funds	General Fund	50,000
Nonmajor governmental funds	Parking Fund	70,721
Nonmajor governmental funds	Nonmajor governmental funds	3,326,548 **
Total nonmajor governmental funds		3,447,269
Internal Service Funds	Nonmajor governmental funds	45,858
Water Fund	Nonmajor governmental funds	62,452
Sewer Fund	Nonmajor governmental funds	274,617
Parking Fund	Nonmajor governmental funds	5,404
Nonmajor enterprise funds	Nonmajor governmental funds	1,916
Total		\$ 7,840,768

\* Transfer of unrestricted resources to prefund employee sick and vacation liabilities, and to subsidize cemetery and district court operations.

\*\* Primarily transfers of general obligation debt service

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bonds:							
1993 Michigan Department of Transportation bonds:							
Amount of issue - \$3,100,000	5.25% -	\$275,000 -					
Maturing through 2008	5.35%	\$315,000	\$ 1,145,000	\$ -	\$ (260,000)	\$ 885,000	\$ 275,000
1995 Michigan Department of Transportation bonds:							
Amount of issue - \$1,450,000		\$105,000 -					
Maturing through 2011	5.00%	\$140,000	835,000	-	(100,000)	735,000	105,000
2000 Michigan Department of Transportation bonds:							
Amount of issue - \$3,200,000							
Maturing through 2006	4.50%	\$375,000	1,330,000	-	(955,000)	375,000	375,000
2000 Municipal Golf Course bonds							
Amount of issue - \$6,505,000	5.965%	\$500,000 -					
Maturing through 2012		\$710,000	4,680,000	-	(475,000)	4,205,000	500,000
Transportation Fund note payable to State of Michigan, due in annual interest-free installments of 75% of net revenue over expenses over a 40-year period.							
	0.00%	n/a	3,000,000	-	-	3,000,000	-

# City of Pontiac, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities (Continued):							
General obligation bonds (Continued):							
Building Authority Bonds #M043:							
Amount of issue - \$10,000,000	4.625% -	\$245,000 -					
Maturing through 2027	5.375%	\$2,635,000	\$ 9,650,000	\$ -	\$ (235,000)	\$ 9,415,000	\$ 245,000
Less unamortized bond discount			(284,681)	-	12,547	(272,134)	-
Obligations under Oakland County Drain Bonds:							
1993 Pontiac-Clinton Drainage bonds:							
Amount of issue - \$7,150,000							
Maturing through 2005	n/a	n/a	570,000	-	(570,000)	-	-
Capital lease obligations:	various	\$213,252 - \$422,237	1,374,923	531,193	(884,272)	1,021,844	422,237
Other obligations:							
Land contract payable	n/a	n/a	14,126	-	(14,126)	-	-
Pending litigation			1,000,000	-	-	1,000,000	-
Compensated absences, separation, and longevity accrual			11,545,935	2,493,803	(3,900,820)	10,138,918	3,081,660
Landfill closure and postclosure costs			<u>1,914,167</u>	<u>-</u>	<u>-</u>	<u>1,914,167</u>	<u>-</u>
Total governmental activities			<u>36,774,470</u>	<u>3,024,996</u>	<u>(7,381,671)</u>	<u>32,417,795</u>	<u>5,003,897</u>

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:							
General obligation bonds:							
Parking Fund:							
1997 Building Authority Bonds							
Amount of issue - \$10,160,000							
Maturing through 2006							
	6.00%	\$2,000,000	\$ 4,000,000	\$ -	\$ (2,000,000)	\$ 2,000,000	\$ 2,000,000
Revenue bonds:							
Water Fund:							
1995 Water Supply System:							
Amount of issue - \$3,675,000							
Maturing through 2015							
	6.10% - 6.35%	\$180,000 - \$300,000	2,535,000	-	(170,000)	2,365,000	180,000
2002 Water Supply System:							
Amount of issue - \$1,375,000							
Maturing through 2022							
	5.00% - 5.80%	\$50,000 - \$105,000	1,270,000	-	(45,000)	1,225,000	50,000
Less unamortized bond discount			(129,093)	-	8,685	(120,408)	-
Water Fund Total			3,675,907	-	(206,315)	3,469,592	230,000

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities (Continued)							
Sewerage Fund:							
1995 Sewage Disposal System:							
Amount of issue - \$2,100,000	6.10% -	\$160,000 -					
Maturing through 2010	6.35%	\$205,000	\$ 1,060,000	\$ -	\$ (155,000)	\$ 905,000	\$ 160,000
2002 Sewage Disposal System:							
Amount of issue - \$5,000,000	4.75% -	\$175,000 -					
Maturing through 2022	5.85%	\$385,000	4,615,000	-	(170,000)	4,445,000	175,000
Less unamortized bond discount			(172,077)	-	11,643	(160,434)	-
Sewerage Fund Total			5,502,923	-	(313,357)	5,189,566	335,000
Total business-type activities			13,178,830	-	(2,519,672)	10,659,158	2,565,000
Total governmental and business-type activities			\$ 49,953,300	\$ 3,024,996	\$ (9,901,343)	\$ 43,076,953	\$ 7,568,897

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt:							
Revenue bonds:							
Tax Increment Finance Authority Area #2:							
1996 TIFA Bonds #6330:							
Amount of issue - \$1,800,000	9.00%	\$60,000 - \$180,000	\$ 1,485,000	\$ -	\$ (65,000)	\$ 1,420,000	\$ 70,000
Maturing through 2017							
1999 TIFA Bonds #M070:							
Amount of issue - \$3,655,000	9.00%	\$65,000 - \$295,000	3,425,000	-	(70,000)	3,355,000	75,000
Maturing through 2024							
2002 TIFA Bonds #M0005:							
Amount of issue - \$11,245,000	3.00% - 5.20%	\$215,000 - \$1,180,000	9,345,000	-	(995,000)	8,350,000	1,035,000
Maturing through 2022							
Less unamortized bond discount			(453,419)	-	25,745	(427,674)	-
Other obligations -							
Lease payable - City of Pontiac General Building Authority	4.625% - 5.375%	\$245,000 - \$2,635,000	9,650,000	-	(235,000)	9,415,000	245,000
Tax Increment Finance Authority Area #2 Total			23,451,581	-	(1,339,255)	22,112,326	1,425,000

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt (Continued):							
Revenue bonds:							
Tax Increment Finance Authority Area #3:							
2002 TIFA Bonds #M006							
Amount of issue - \$28,675,000	3.00% -	\$530,000 -					
Maturing through 2031	6.38%	\$1,625,000	\$ 27,585,000	\$ -	\$ (590,000)	\$ 26,995,000	\$ 385,000
Less unamortized bond discount			(1,439,237)	-	52,305	(1,386,932)	-
Tax Increment Finance Authority Area #3 Total			26,145,763	-	(537,695)	25,608,068	385,000
General obligation bonds:							
Tax Increment Finance Authority Area #4:							
1996 TIFA Bonds #5758:							
Amount of issue - \$995,000	5.625%	\$175,000 -					
Maturing through 2006		\$195,000	375,000	-	(180,000)	195,000	195,000
Revenue bonds:							
Pontiac Hospital Finance Authority:							
1993 Hospital Revenue Bonds:							
Amount of issue - \$51,810,000		\$1,175,000 -					
Maturing through 2023	6.00%	\$3,560,000	43,230,000	-	(1,175,000)	42,055,000	1,245,000
Total component unit debt			\$ 93,202,344	\$ -	\$ (3,231,950)	\$ 89,970,394	\$ 3,250,000

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,922,237	\$ 860,053	\$ 2,782,290	\$ 2,565,000	\$ 731,851	\$ 3,296,851	\$ 3,250,000	\$ 5,487,007	\$ 8,737,007
2007	1,571,355	771,041	2,342,396	590,000	481,081	1,071,081	3,195,000	5,309,807	8,504,807
2008	1,473,252	688,553	2,161,805	625,000	448,416	1,073,416	3,410,000	5,142,138	8,552,138
2009	995,000	619,262	1,614,262	655,000	413,916	1,068,916	3,595,000	4,959,488	8,554,488
2010	1,055,000	564,551	1,619,551	690,000	378,059	1,068,059	2,805,000	4,762,431	7,567,431
2011-2015	3,185,000	2,083,629	5,268,629	2,880,000	1,368,079	4,248,079	17,120,000	21,112,372	38,232,372
2016-2020	2,180,000	1,494,931	3,674,931	1,980,000	629,998	2,609,998	23,130,000	15,251,763	38,381,763
2021-2025	1,620,000	969,380	2,589,380	955,000	83,243	1,038,243	23,335,000	7,567,511	30,902,511
2026-2030	2,635,000	283,262	2,918,262	-	-	-	10,325,000	2,278,319	12,603,319
2031-2032	-	-	-	-	-	-	1,620,000	103,275	1,723,275
Total	<u>\$ 16,636,844</u>	<u>\$ 8,334,662</u>	<u>\$ 24,971,506</u>	<u>\$ 10,940,000</u>	<u>\$ 4,534,643</u>	<u>\$ 15,474,643</u>	<u>\$ 91,785,000</u>	<u>\$ 71,974,111</u>	<u>\$ 163,759,111</u>

The Transportation Center debt of \$3,000,000, a governmental activity debt, has no fixed maturity date. See Note 16 regarding subsequent event related to this debt. Compensated absences and separation accruals of \$10,138,918 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and postclosure cost accrual of \$1,914,167 and the pending litigation accrual of \$1,000,000 have no fixed maturity dates and therefore they have been excluded from the above summary.

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the Debt Service Funds. Lease payments are made directly from the fund incurring the expenditure. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The landfill closure and post-closure costs represent the cumulative amount of closure and postclosure care costs reported to date based on the use of 95 percent of the estimated capacity of the landfill. The claims and judgments liability will be generally liquidated through the City's Insurance Internal Service Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

**Note 7 - Long-term Debt (Continued)**

**No Commitment Debt** - The Economic Development Corporation, a component unit, issues tax-exempt revenue bonds and notes under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities which are leased to industrial and commercial enterprises under contracts which provide for sufficient revenue to pay principal and interest obligations of the bond issues and which further provide that the property be transferred to the lessee at the time that the indebtedness is paid in full. The debt instruments specifically indicate that the lender looks to the lessee for payment of the debt and that the Corporation and its officers are held harmless except to the extent of rentals they collect. The lease property and the bonds and notes are not considered to be assets or general obligations of the Corporation and, therefore, are not recognized in the financial statements of the City. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of June 30, 2005, the amount of commitment debt outstanding has not been determined.

**Note 8 - Restricted Assets**

The balances of the restricted asset accounts are as follows:

	Governmental Activities			Business-type Activities		
	Sanitation Fund	Cemetery Fund	Total Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities
Cash and investments:						
Landfill closure and postclosure care	\$ 2,674,839	\$ -	\$ 2,674,839	\$ -	\$ -	\$ -
Cemetery endowments	-	812,549	812,549	-	-	-
Bond reserves	-	-	-	899,460	1,119,285	2,018,745
<b>Total restricted assets</b>	<b>\$ 2,674,839</b>	<b>\$ 812,549</b>	<b>\$ 3,487,388</b>	<b>\$ 899,460</b>	<b>\$ 1,119,285</b>	<b>\$ 2,018,745</b>

## **Note 8 - Restricted Assets (Continued)**

### **Landfill - Closure and Postclosure Care Costs**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an expense in the government-wide statements in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$1,914,167 reported as landfill closure and postclosure liability at June 30, 2005 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2006. On a volume basis versus site acreage basis, approximately 95 percent of landfill capacity is used as of June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements and, at June 30, 2005, investments of \$2,674,839 are held for these purposes. These are reported as restricted assets on the balance sheet. Fund balance has been reserved by the same amount. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City is partially self-insured for workers' compensation and medical and dental expenses claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for medical and dental, workers' compensation, and general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Medical and Dental	Workers' Compensation	General Liability
Unpaid claims - June 30, 2003	\$ 1,087,575	\$ 4,200,000	\$ 2,500,000
Incurred claims	21,352,803	834,799	985,503
Claims paid	<u>(21,422,313)</u>	<u>(834,799)</u>	<u>(985,503)</u>
Unpaid claims - June 30, 2004	1,018,065	4,200,000	2,500,000
Incurred claims	23,241,863	911,051	390,479
Claims paid	<u>(23,221,830)</u>	<u>(911,051)</u>	<u>(390,479)</u>
Unpaid claims - June 30, 2005	<u>\$ 1,038,098</u>	<u>\$ 4,200,000</u>	<u>\$ 2,500,000</u>

## **Note 10 - Defined Benefit Pension Plan**

### **General Employees' Retirement System**

**Plan Description** - The General Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Pontiac General Employees' Retirement System; this plan covers substantially all employees of the City, except police and fire employees. The system provides retirement benefits, as well as death and disability benefits. Employees may receive cost-of-living adjustments as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 47450 Woodward, City of Pontiac, Michigan 48342.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by City ordinance and negotiation with the employees' collective bargaining units. Plan members are not required to contribute. The City is required to make periodic contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

**Annual Pension Cost** - For the year ended December 31, 2004, the City's annual pension cost of \$13,613 was equal to the City's actual contribution. The annual required contribution of \$2,767 was determined as part of an actuarial valuation at December 31, 2003, the latest actuarial valuation, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent to 9.4 percent per year, and (c) 2 percent (2.5 percent Court/MAPE) per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 12 to 20 years.

**Note 10 - Defined Benefit Pension Plan (Continued)**

**Reserves** - As of December 31, 2004, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 4,432,400
Reserved for retired benefit payments	140,874,375

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2002	2003	2004
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 46,888	\$ 10,608	\$ 2,767
Percentage of APC contributed	166%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

**Police and Fire Retirement System**

**Plan Description** - The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Pontiac Police and Fire Retirement System; this plan covers all police and fire employees of the City. The system provides retirement benefits, as well as death and disability benefits. Employees may receive a cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 47450 Woodward, City of Pontiac, Michigan 48342.

**Note 10 - Defined Benefit Pension Plan (Continued)**

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by City ordinance and negotiation with the employees' collective bargaining units. Plan members are required to contribute 2.5 percent of their annual salaries. The City is required to make periodic contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

**Annual Pension Cost** - For the year ended December 31, 2004, the City's annual pension cost of \$2,141,247 was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, the latest actuarial valuation, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.5 percent to 14.1 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 21 to 34 years.

**Reserves** - As of December 31, 2004, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 3,267,313
Reserved for retired benefit payments	137,001,492

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2002	2003	2004
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,809,736	\$ 2,008,947	\$ 2,141,247
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

## **Note 11 - Defined Contribution Pension Plan**

**Defined Contribution Plan** - The City provides pension benefits to its full-time non-union employees and elected officials through a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council, the City contributes 9 percent of the employees' gross earnings and employees are required to contribute 3 percent. Employer contributions for each employee plus interest allocated to the employees' account are immediately vested. Due to delays in finalizing the start-up of the plan, the City contributed 18 percent for certain employees who were participating prior to the City making contributions.

The City's total payroll during the current year was \$45,729,431. The current year contribution was calculated based on covered payroll of \$311,533, resulting in an employer contribution of \$48,043 and employee contributions of \$16,015.

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

## **Note 12 - Other Postemployment Benefits**

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries through the following three plans:

**General Employees' Retiree Health and Insurance Benefits Trust** - The General Employees' Retiree Health and Insurance Benefits Trust (the "Trust") was established as an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the General Employees' Retirement System of the City of Pontiac. The Trust is currently accumulating assets to generate investment earnings and there are no benefits currently being paid. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Trust at 47450 Woodward, Pontiac, Michigan 48342.

The Trust is funded by employer contributions. The City is required to make minimum contributions in the amount of 3 percent of valuation payroll unless a lesser amount is actuarially determined to be necessary to actuarially fund the Trust. The ordinance that established the Trust requires annual funding of the actuarial rate or 3 percent of valuation payroll. The City contributed approximately \$722,000 to the Trust for the year ended December 31, 2004.

## **Note 12 - Other Postemployment Benefits (Continued)**

**Police and Fire Retiree Prefunded Group Health and Insurance Trust** - The Police and Fire Retiree Prefunded Group Health and Insurance Trust was established as an irrevocable prefunded group health and insurance trust fund (the "Trust") for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac, and who retired on or after August 22, 1996. Currently, 99 retirees are eligible for benefits under this plan. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Trust at 47450 Woodward, Pontiac, Michigan 48342.

The Trust is funded by employer contributions. An actuarial valuation was performed as of December 31, 2003, which arrived at a required employer contribution rate of 21.49 percent of police and fire wages. The City contributed approximately \$3,400,000 to the Trust for the year ended December 31, 2004.

**Pay-as-You-Go** - For all retirees not eligible for the Police and Fire Retiree Prefunded Group Health and Insurance Trust noted above, the City pays the cost of health care benefits in accordance with various bargaining contracts. Currently, 450 retirees are eligible for postemployment health benefits. The City is self-insured for health care coverage.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2008.

**Note 13 - Accounting and Reporting Changes**

During the current year, the following accounting changes and corrections were made to the government-wide statements:

The following accounting changes and corrections were made to governmental activities and to the Tax Increment Financing Authority (TIFA), a component unit:

- General Building Authority bonds payable had previously been reported as long-term debt of the TIFA; however, the bonds are general obligation debt of the City. The bonds have been reclassified as long-term debt of the governmental activities.
- There is an agreement between the City and the TIFA obligating TIFA to make the debt service payments on the bonds payable noted above. A long-term lease receivable has been recorded in the governmental activities and a long-term lease payable has been recorded in TIFA in the amount of the bonds.

As a result of the above changes, net assets have been restated as follows:

	Primary Government	Component Unit
	Governmental Activities	Tax Increment Financing Authority
<b>Net Assets - June 30, 2004</b>	\$ 57,693,700	\$ (52,761,836)
Prior period adjustments:		
Reclassify bonds payable and related unamortized bond discount of the City of Pontiac's General Building Authority from component unit debt to primary government debt	(9,365,319)	9,365,319
Record long-term lease receivable/(payable )	9,650,000	(9,650,000)
<b>Net Assets - July 1, 2004, as restated</b>	<u>\$ 57,978,381</u>	<u>\$ (53,046,517)</u>

## **Note 14 - Contingent Liabilities**

**Litigation** - There are various claims and legal actions pending against the City and its various operating units, many of which are either partially or fully covered by insurance. The City is defending against these actions. In the opinion of City management, the ultimate amount of loss, if any, resulting from these claims and legal actions will not be material to the financial position of the City.

**Property Tax Appeal** - In September 1991, a settlement was reached between the City of Pontiac and General Motors Corporation ("GM") pursuant to claims relating to the assessed valuation of General Motors property located within the City for fiscal years 1986 through 1992. Under the terms of the settlement, the City was potentially obligated to refund to General Motors the aggregate sum of \$23,770,500 relating to such fiscal years.

This potential refund was to be applied as a credit against future property tax obligations of General Motors related to increases in the General Motors tax base over its tax base at December 31, 1991, for up to a 15-year period beginning with fiscal year 1993 and ending with fiscal year 2007. The expired credit for each year will be the greater of \$1,584,700 or the actual credit used, with a portion of the total credit to expire each year whether used or not.

As of June 30, 2002, the final balance of the credit due to GM had been determined. The total due and payable to GM totaled \$15,302,737, with the balance of \$8,467,763 being forgiven. The City has not made any payments to GM related to this agreement. The amount due to GM is recorded as an accrued liability in the financial statements as follows; \$6,274,122 General Fund, \$1,530,274 Sanitation Fund, \$4,590,821 Parking Fund, \$1,989,356 Chapter 20 Drain Fund, and \$918,164 in the Capital Improvement Fund.

See Note 16 related to the restructuring of this agreement subsequent to year end.

**Cost Settlements** - The City receives grants from the State of Michigan and various federal agencies to fund specific projects. Final determination of grant amounts is subject to audit by the responsible agencies. The City does not believe that disallowed costs will exceed amounts provided for disallowances by an amount material to the financial statements.

## **Note 14 - Contingent Liabilities (Continued)**

**Undistributed Property Taxes** - During the prior year, the City received notice from the State of Michigan (the "State") regarding unpaid industrial facilities property tax collections due them for the tax years 1995 through 2002. The City had not filed the required annual reports so the State calculated a balance due totaling \$6,610,878 from information they had on file. The City completed the annual reports for all years noted above and has calculated a balance due totaling \$2,783,422. The City has forwarded the annual reports to the State and is awaiting their final approval of the amount due. A liability totaling \$2,783,422 is recorded in the Current Tax Collection-Winter Levy Agency Fund at June 30, 2005.

## **Note 15 - Transfer of North Oakland Medical Center Operations**

In 1993, the Pontiac Hospital Finance Authority ("PHFA"), a discretely presented component unit, was incorporated by City Council. Effective December 30, 1993, the City transferred the operations of the Pontiac General Hospital and Medical Center ("PGHMC"), a Michigan nonprofit corporation, to PHFA. The transfer of the hospital's operations from the City occurred through the completion of two principal transactions: (1) the transfer of the hospital buildings, equipment, and substantially all other tangible and intangible assets of the hospital from North Oakland Medical Center to PHFA, to be leased as a going concern by PHFA to PGHMC, and (2) a ground lease of the hospital land by the City to PGHMC. In consideration of the transfer of the hospital's operations, PHFA paid the City \$7,600,000 plus approximately \$803,000 to reimburse the City for their 1993 payments on the 1979 General Obligation Bonds and assumed an obligation to pay \$1,000,000 annually to the City for the next 30 years. PHFA also refunded the City's 1979 G. O. Hospital Bonds of \$5,450,000 and the 1979 Hospital Revenue Bonds of \$32,465,000, which were assumed by PHFA as part of the consideration for the transfer.

**Note 15 - Transfer of North Oakland Medical Center Operations (Continued)**

PHFA raised proceeds for the transfer of net assets by issuing \$51,810,000 in Pontiac Hospital Finance Authority Hospital Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). The 1993 Series Bonds and interest and premiums payable thereon are not obligations of the City and are only special limited obligations of PHFA. The base rent under the lease agreement between PHFA and PGHMC is for the principal, interest, and premiums or cost related to the Series 1993 Bonds, payable from PGHMC directly to the bond trustee. The lease of the hospital facilities and equipment is being accounted for as a direct financing lease by PHFA. The initial term of the going concern lease is 30 years. It contains an option provision for completing the privatization (purchase) of the facility during the lease term upon approval of PHFA and payment of funds according to a specified formula. The lease agreement also contains an automatic renewal clause for an additional 30-year term, if the privatization is not completed by the end of the 29th year of the initial lease term.

The components of the PHFA's net investment in the direct financing leases as of June 30, 2005 are as follows:

Minimum lease payments receivable	\$ 71,608,900
Estimated residual value of lease property *	<u>-</u>
Total	71,608,900
Less unearned income	<u>(29,553,900)</u>
Net investment in direct finance lease	<u>\$ 42,055,000</u>

\* If the going concern lease is terminated by PGHMC, the City would be entitled to receive all assets and liabilities of PGHMC. The net asset value of PGHMC is approximately \$5,000,000 at June 30, 2005. Based on the history of PGHMC's financial condition and an estimate of the value of the hospital facility and equipment, the City believes there will be no net asset value at the end of the current lease term.

**Note 15 - Transfer of North Oakland Medical Center Operations (Continued)**

The components of the City’s long-term lease receivable as of June 30, 2005 are as follows:

Minimum lease payments receivable	\$ 18,000,000
Less unearned income	<u>(7,056,734)</u>
Long-term lease receivable	<u>\$ 10,943,266</u>

Under the ground lease, PGHMC will pay the City a base rent of \$50,000 annually during the 30-year term. In addition, PGHMC will pay a percentage rent of 10 percent of the amount, if any, by which annual net profits of the hospital attributable to periods occurring during the term of the ground lease exceeds \$5,000,000. The terms of the ground lease is coterminous with the hospital facilities lease agreement, and will also be automatically renewed in the event the lease agreement is automatically renewed for 30 years. Annual rent during the renewal term will be \$50,000, adjusted for inflation. Upon termination of the ground lease, PGHMC, if it continues to operate the hospital, will be required to renegotiate the purchase or lease of PGHMC land with the City. Payment of rent under the ground lease is payable on a par with payments due under the lease agreement. The ground lease also includes covenants of PGHMC regarding affirmative action, Pontiac residency preference for employees, indigent care, community service, and community economic development. The City is accounting for this lease as an operating lease.

**Note 16 - Subsequent Event**

Subsequent to year end, the City entered into an agreement with the State of Michigan Department of Transportation related to the City’s Transportation Center (the “Center”). The agreement provides that the City will transfer title of the Center to the State and the State will develop a new transportation terminal. At the time that all sections of the property are transferred to the State, the repayment provisions of \$3 million stemming from the original construction of the Center will be waived.

## **Note 16 - Subsequent Event (Continued)**

In December 2005, the City and General Motors (GM) signed an agreement to restructure the \$15 million obligation related to the 1991 property tax appeal (see Note 14). The agreement calls for annual payments of \$2 million for the next two fiscal years; all remaining payments are contingent upon property tax growth on all GM properties. The result of this agreement will be to reclassify the contingent portion of the liability to long-term obligations instead of current liabilities during fiscal year 2006.

## **Note 17 - Going Concern/Management's Plans**

As a result of recurring operating deficits and a significant unreserved, undesignated fund deficit in the General Fund, there is substantial doubt about the City's ability to continue as a going concern.

The City prepared a formal deficit reduction plan and submitted it to the State of Michigan Department of Treasury (the "State") in September 2005; the State approved the City's plan in November 2005. The plan included many items including:

- Renegotiation of \$15 million obligation due to a taxpayer, which would convert current payables into long-term obligations. Of the total obligation, \$6.3 million is currently recorded in the General Fund.
- Use of budget stabilization fund balance of \$2.8 million
- Mandatory budget cuts in each department
- Early retirement incentives and layoffs
- Issuing deficit elimination bonds

## **Note 17 - Going Concern/Management's Plans (Continued)**

In addition to the formal deficit elimination plan filed with the State, the following measures are currently proposed or underway to reduce city-wide expenditures:

- Budget approval, by the City Council, for administration of essential services only
- Citywide freeze on salary increases and promotions, except as provided for within union contract provisions
- Review, by the City Council, of all professional services contracts to determine necessity and affect on City services
- Departmental reorganization/elimination
- Proposed change to employee health insurance plans to include partial payment of monthly premiums and increase in drug co-pays, for non-union management personnel
- Proposed reductions in longevity benefits, with complete elimination by 2008
- Change the monitoring system for vacation time accumulation to eliminate overruns

In addition, The Tax Increment Financing Authority (TIFA), a component unit of the City, also has a significant deficit as of June 30, 2005. The \$9.7 million deficit is expected to be eliminated during fiscal year 2006 through the issuance of debt.

## **Required Supplemental Information**

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# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Revenue</b>				
Taxes	\$ 27,409,000	\$ 27,409,000	26,561,425	\$ (847,575)
Licenses and permits	2,453,000	2,453,000	2,051,525	(401,475)
Federal sources	150,500	150,500	110,101	(40,399)
State sources	13,016,276	13,016,276	12,675,769	(340,507)
Charges for services	2,648,736	2,873,736	2,119,864	(753,872)
Fines and forfeitures	104,500	104,500	100,252	(4,248)
Investment income	600,000	600,000	543,578	(56,422)
Other	1,313,026	1,349,026	1,346,825	(2,201)
Rental income	1,006,500	1,006,500	299,255	(707,245)
Charges to other funds for administrative services and reimbursements	6,800,849	6,800,849	5,986,910	(813,939)
Transfers in	-	50,000	50,000	-
Contribution from component unit	3,127,605	3,127,605	3,127,605	-
<b>Total revenue</b>	<b>58,629,992</b>	<b>58,940,992</b>	<b>54,973,109</b>	<b>(3,967,883)</b>

(Continued on next page)

# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Expenditures</b>				
General government:				
City council	\$ 858,734	\$ 858,734	\$ 803,433	\$ 55,301
City clerk	581,287	581,287	625,495	(44,208)
Attorney	1,182,414	1,182,414	1,178,759	3,655
Finance	5,502,151	5,502,151	5,362,329	139,822
Executive office	1,036,363	1,036,363	868,658	167,705
Personnel	981,901	981,901	804,903	176,998
Total general government	<u>10,142,850</u>	<u>10,142,850</u>	<u>9,643,577</u>	<u>499,273</u>
Public safety:				
Police	17,962,244	17,937,281	20,263,591	(2,326,310)
Fire	11,605,622	11,605,622	13,189,086	(1,583,464)
Total public safety	<u>29,567,866</u>	<u>29,542,903</u>	<u>33,452,677</u>	<u>(3,909,774)</u>
Public works and utilities	7,720,742	7,720,742	6,836,066	884,676
Community development	3,185,782	3,460,782	3,400,963	59,819
Community and human services	3,306,923	3,342,923	3,292,652	50,271
General and special programs	3,606,792	3,606,792	5,195,500	(1,588,708)
Transfers out	1,157,252	1,182,215	4,003,252	(2,821,037)
Total expenditures	<u>58,688,207</u>	<u>58,999,207</u>	<u>65,824,687</u>	<u>(6,825,480)</u>
<b>Excess of Expenditures Over (Under) Revenue</b>	(58,215)	(58,215)	(10,851,578)	(10,793,363)
<b>Fund Balances (Deficit) - Beginning of year</b>	<u>(20,845,969)</u>	<u>(20,845,969)</u>	<u>(20,845,969)</u>	<u>-</u>
<b>Fund Balances (Deficit) - End of year</b>	<u><b>\$ (20,904,184)</b></u>	<u><b>\$ (20,904,184)</b></u>	<u><b>\$ (31,697,547)</b></u>	<u><b>\$ (10,793,363)</b></u>

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b><u>General Employees' Retirement System</u></b>						
12/31/98	\$ 315,420,281	\$ 194,984,577	\$ (120,435,704)	161.8	\$ 18,362,384	-
12/31/99 *	350,846,897	209,172,136	(141,674,761)	167.7	18,747,510	-
12/31/00 *	378,063,942	217,942,909	(160,121,033)	173.5	18,728,688	-
12/31/01 #	395,743,819	227,901,435	(167,842,384)	173.6	19,887,803	-
12/31/02 *	393,214,033	235,422,367	(157,791,666)	167.0	20,039,136	-
12/31/03	394,367,065	247,396,857	(146,970,208)	159.4	20,807,612	-
<b><u>Police and Fire Retirement System</u></b>						
12/31/98	199,564,679	173,110,779	(26,453,900)	115.3	12,176,366	-
12/31/99	221,634,281	181,139,103	(40,495,178)	122.4	12,851,614	-
12/31/00	239,667,248	191,594,863	(48,072,385)	125.1	13,462,955	-
12/31/01	245,966,812	203,166,600	(42,800,212)	121.1	13,710,467	-
12/31/02	239,657,864	204,588,488	(35,069,376)	117.1	13,528,501	-
12/31/03 *	234,029,363	215,949,176	(18,080,187)	108.4	15,308,134	-

\* Plan amended

# Certain assumptions revised

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2005

The schedule of employer contributions is as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution*</u>	<u>Percentage Contributed</u>
<b><u>General Employees' Retirement System</u></b>			
06/30/00	12/31/99	\$ 133,572	218.90
06/30/01	12/31/00	175,021	100.00
06/30/02	12/31/01	139,583	119.00
06/30/03	12/31/02	46,888	166.00
06/30/04	12/31/03	10,608	100.00
06/30/05	12/31/04	2,767	392.90
<b><u>Police and Fire Retirement System</u></b>			
06/30/00	12/31/99	3,072,341	116.90
06/30/01	12/31/00	2,231,028	106.70
06/30/02	12/31/01	2,168,043	100.00
06/30/03	12/31/02	1,809,736	100.00
06/30/04	12/31/03	2,008,947	100.00
06/30/05	12/31/04	2,141,247	100.00

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation, follows:

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2005

### General Employees' Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, closed periods
Amortization period (perpetual)	12 - 20 years
Asset valuation method	Market value with five-year smoothing of gains and losses
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5% - 9.4%
*Includes inflation at	4.5%
Cost of living adjustments	2% (2.5% Court/MAPE) of original amount, subject to a maximum that varies by group

### Police and Fire Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, closed periods
Amortization period (perpetual)	21 - 34 years
Asset valuation method	Market value with four-year smoothing of changes in security prices
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases**	5.5 % to 14.1%
**Includes inflation at	4.5%
Cost of living adjustments	2%

# City of Pontiac, Michigan

## Note to Required Supplemental Information June 30, 2005

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as an “other financing sources (uses)”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenses.

The budgetary comparison schedule is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the operating statement (statement of revenue, expenditures, and changes in fund balance):

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 48,936,199	\$ 55,834,525
Operating transfers	50,000	4,003,252
Reimbursements from other funds recorded as revenue	5,986,910	5,986,910
Amounts per budgetary comparison schedule	<u>\$ 54,973,109</u>	<u>\$ 65,824,687</u>

**Note - Budgetary Information (Continued)**

Department heads submit a budget request for their department by March 1 each year. The budget requests are reviewed by the budget department, finance department, and executive office. The resulting budget request, the mayor's recommended budget, is presented to City Council for review by June 1. City Council makes edits, if necessary, and adopts the final budget request by June 30 each year.

The budget document presents information by fund, department, and control accounts. The legal level of budgetary control adopted by the governing body is the department level. Transfers of less than \$10,000 between control accounts within departments can be made at the discretion of the finance director. Transfers between control accounts in excess of \$10,000 shall be made by passage of a resolution of the City Council.

All annual appropriations lapse at fiscal year end except those approved for carryforward through encumbrances. Encumbrances (e.g., purchase orders, contracts) do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

# City of Pontiac, Michigan

## Note to Required Supplemental Information June 30, 2005

### Note - Budgetary Information (Continued)

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Pontiac, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
<b>General Fund:</b>		
City Clerk	\$ 581,287	\$ 625,495
Police	17,937,281	20,263,591
Fire	11,605,622	13,189,086
General and special programs	3,606,792	5,195,500
Transfers out	1,182,215	4,003,252

## **Other Supplemental Information**

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# City of Pontiac, Michigan

## Other Supplemental Information Summary Combining Balance Sheet Nonmajor Governmental Fund Types June 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 3,185,686	\$ 9,947,068	\$ 207,600	\$ 13,340,354
Receivables - Net:				
Property taxes	71,569	27,222	-	98,791
Other receivables	571,816	-	181,118	752,934
Due from other funds - Advances	7,679,066	2,044,786	-	9,723,852
Due from other governmental units	5,132,040	1,364,127	-	6,496,167
Other assets	19,382	-	-	19,382
Restricted assets	2,674,839	-	812,549	3,487,388
Total assets	<u>\$ 19,334,398</u>	<u>\$ 13,383,203</u>	<u>\$ 1,201,267</u>	<u>\$ 33,918,868</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 953,714	\$ 524,508	\$ 27,448	\$ 1,505,670
Other accrued liabilities	3,597,171	918,164	740	4,516,075
Due to other funds - Advances	9,234,746	1,058,505	-	10,293,251
Deferred revenue	2,096,205	851,733	181,119	3,129,057
Total liabilities	15,881,836	3,352,910	209,307	19,444,053
<b>Fund Balances</b>				
Reserved:				
Endowment	-	-	991,960	991,960
City-wide park improvements	-	2,000,000	-	2,000,000
Unreserved, reported in:				
Special Revenue Funds	3,452,562	-	-	3,452,562
Capital Projects Fund	-	8,030,293	-	8,030,293
Total fund balances	3,452,562	10,030,293	991,960	14,474,815
Total liabilities and fund balance	<u>\$ 19,334,398</u>	<u>\$ 13,383,203</u>	<u>\$ 1,201,267</u>	<u>\$ 33,918,868</u>

# City of Pontiac, Michigan

## Other Supplemental Information Summary Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2005

			Permanent Fund		Total Nonmajor Governmental Funds
	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Cemetery Care	
<b>Revenue</b>					
Taxes	\$ 3,482,800	\$ 1,406,791	\$ -	\$ -	\$ 4,889,591
Federal grants	4,535,689	1,424,141	-	-	5,959,830
State grants	4,881,281	512,394	-	-	5,393,675
Charges for services	1,150,131	-	-	335,428	1,485,559
Fines and forfeitures	2,132,578	-	-	-	2,132,578
Investment income	108,225	178,612	-	11,293	298,130
Contribution from component units	38,768	337,400	1,483,800	-	1,859,968
Other	667,876	197,746	-	326,485	1,192,107
	<u>16,997,348</u>	<u>4,057,084</u>	<u>1,483,800</u>	<u>673,206</u>	<u>23,211,438</u>
Total revenue					
<b>Expenditures</b>					
Current:					
General government	-	63,057	-	-	63,057
District court	3,861,389	-	-	-	3,861,389
Public safety	813,719	359,862	-	-	1,173,581
Public works and utilities	9,287,523	4,173,211	-	1,005,712	14,466,446
Community development	3,119,951	8,059	-	-	3,128,010
Community and human services	24,029	8,059	-	-	32,088
General and special programs	1,818,009	-	-	-	1,818,009
Commercial and industrial development	56,190	3,614,918	-	-	3,671,108
Debt service	583,679	-	4,277,272	-	4,860,951
	<u>19,564,489</u>	<u>8,227,166</u>	<u>4,277,272</u>	<u>1,005,712</u>	<u>33,074,639</u>
Total expenditures					
<b>Excess of Expenditures Over Revenue</b>	(2,567,141)	(4,170,082)	(2,793,472)	(332,506)	(9,863,201)
<b>Other Financing Sources (Uses)</b>					
Transfers in	4,077,147	456,201	2,793,472	355,258	7,682,078
Transfers out	(1,291,067)	(2,146,026)	-	(10,176)	(3,447,269)
	<u>2,786,080</u>	<u>(1,689,825)</u>	<u>2,793,472</u>	<u>345,082</u>	<u>4,234,809</u>
Total other financing sources (uses)					
<b>Net Change in Fund Balances</b>	218,939	(5,859,907)	-	12,576	(5,628,392)
<b>Fund Balances - Beginning of year</b>	3,233,623	15,890,200	-	979,384	20,103,207
<b>Fund Balances - End of year</b>	<u>\$ 3,452,562</u>	<u>\$ 10,030,293</u>	<u>\$ -</u>	<u>\$ 991,960</u>	<u>\$ 14,474,815</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2005

	Major Roads	Local Roads	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events	Local Law Enforcement Block Grant
<b>Assets</b>							
Cash and investments	\$ 5,408	\$ -	\$ 1,202,011	\$ 105,782	\$ -	\$ 60,829	\$ 83,415
Receivables - Net:							
Property taxes	-	-	54,450	-	17,119	-	-
Other receivables	-	-	571,816	-	-	-	-
Due from other funds - Advances	1,867,916	-	125,906	-	2,835,515	-	-
Due from other governmental units	1,582,632	442,508	-	-	-	-	-
Other assets	19,382	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	2,674,839	-	-	-	-
<b>Total assets</b>	<b>\$ 3,475,338</b>	<b>\$ 442,508</b>	<b>\$ 4,629,022</b>	<b>\$ 105,782</b>	<b>\$ 2,852,634</b>	<b>\$ 60,829</b>	<b>\$ 83,415</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 91,471	\$ 70,254	\$ 352,967	\$ 28,241	\$ -	\$ 15,916	\$ 30,990
Other accrued liabilities	-	-	1,530,274	77,541	1,989,356	-	-
Due to other funds - Advances	6,151,775	1,198,457	-	-	-	-	-
Deferred revenue	121,415	-	626,266	-	-	-	52,425
<b>Total liabilities</b>	<b>6,364,661</b>	<b>1,268,711</b>	<b>2,509,507</b>	<b>105,782</b>	<b>1,989,356</b>	<b>15,916</b>	<b>83,415</b>
<b>Fund Balances (Deficit) - Unreserved, undesignated</b>	<b>(2,889,323)</b>	<b>(826,203)</b>	<b>2,119,515</b>	<b>-</b>	<b>863,278</b>	<b>44,913</b>	<b>-</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 3,475,338</b>	<b>\$ 442,508</b>	<b>\$ 4,629,022</b>	<b>\$ 105,782</b>	<b>\$ 2,852,634</b>	<b>\$ 60,829</b>	<b>\$ 83,415</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2005

	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund
<b>Assets</b>							
Cash and investments	\$ 386,254	\$ 100	\$ 173,477	\$ -	\$ -	\$ 68,729	\$ 396,427
Receivables - Net:							
Property taxes	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	-	-	-	-
Due from other governmental units	189,151	200,108	-	26,773	1,683,072	-	-
Other assets	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 575,405</b>	<b>\$ 200,208</b>	<b>\$ 173,477</b>	<b>\$ 26,773</b>	<b>\$ 1,683,072</b>	<b>\$ 68,729</b>	<b>\$ 396,427</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 55,404	\$ 160,148	\$ 14,708	\$ 17,362	\$ -	\$ -	\$ -
Other accrued liabilities	-	-	-	-	-	-	-
Due to other funds - Advances	133,747	39,960	-	9,411	800,000	-	-
Deferred revenue	386,254	-	-	26,773	883,072	-	-
<b>Total liabilities</b>	<b>575,405</b>	<b>200,108</b>	<b>14,708</b>	<b>53,546</b>	<b>1,683,072</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Unreserved, undesignated</b>	<b>-</b>	<b>100</b>	<b>158,769</b>	<b>(26,773)</b>	<b>-</b>	<b>68,729</b>	<b>396,427</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 575,405</b>	<b>\$ 200,208</b>	<b>\$ 173,477</b>	<b>\$ 26,773</b>	<b>\$ 1,683,072</b>	<b>\$ 68,729</b>	<b>\$ 396,427</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2005

	Budget Stabilization	Neighborhood Revitalization	CERT Grant Fund	CURVE Grant Fund	Food Fund	Computer Purchase Control Fund	Targeted Capacity Expansion Grant	Cable Fund
<b>Assets</b>								
Cash and investments	\$ -	\$ 158,817	\$ -	\$ -	\$ 2,222	\$ 7,217	\$ -	\$ 446,520
Receivables - Net:								
Property taxes	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Due from other funds - Advances	2,849,729	-	-	-	-	-	-	-
Due from other governmental units	-	-	5,645	10,194	-	-	991,957	-
Other assets	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,849,729</b>	<b>\$ 158,817</b>	<b>\$ 5,645</b>	<b>\$ 10,194</b>	<b>\$ 2,222</b>	<b>\$ 7,217</b>	<b>\$ 991,957</b>	<b>\$ 446,520</b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,217	\$ 106,400	\$ -
Other accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds - Advances	-	-	5,645	10,194	-	-	885,557	-
Deferred revenue	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>5,645</b>	<b>10,194</b>	<b>-</b>	<b>7,217</b>	<b>991,957</b>	<b>-</b>
<b>Fund Balances (Deficit) - Unreserved, undesignated</b>	<b>2,849,729</b>	<b>158,817</b>	<b>-</b>	<b>-</b>	<b>2,222</b>	<b>-</b>	<b>-</b>	<b>446,520</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 2,849,729</b>	<b>\$ 158,817</b>	<b>\$ 5,645</b>	<b>\$ 10,194</b>	<b>\$ 2,222</b>	<b>\$ 7,217</b>	<b>\$ 991,957</b>	<b>\$ 446,520</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2005

	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
<b>Assets</b>		
Cash and investments	\$ 88,478	\$ 3,185,686
Receivables - Net:		
Property taxes	-	71,569
Other receivables	-	571,816
Due from other funds - Advances	-	7,679,066
Due from other governmental units	-	5,132,040
Other assets	-	19,382
Restricted cash and cash equivalents	-	2,674,839
	<b>\$ 88,478</b>	<b>\$ 19,334,398</b>
<b>Liabilities and Fund Balances (Deficit)</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,636	\$ 953,714
Other accrued liabilities	-	3,597,171
Due to other funds - Advances	-	9,234,746
Deferred revenue	-	2,096,205
	2,636	15,881,836
<b>Fund Balances (Deficit) - Unreserved, undesignated</b>	<b>85,842</b>	<b>3,452,562</b>
	<b>\$ 88,478</b>	<b>\$ 19,334,398</b>
Total liabilities and fund balances (deficit)	<b>\$ 88,478</b>	<b>\$ 19,334,398</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds Year Ended June 30, 2005

	Major Roads	Local Roads	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events	Local Law Enforcement Block Grant	Drug Awareness Grant DARE	Community Development Block Grant
<b>Revenue</b>									
Taxes	\$ -	\$ -	\$ 2,797,214	\$ -	\$ 685,586	\$ -	\$ -	\$ -	\$ -
Federal grants	249,000	-	-	-	-	-	293,405	-	1,996,282
State grants	3,776,779	1,060,854	-	-	-	-	-	-	-
Charges for services	-	-	453,871	-	-	-	-	-	-
Fines and forfeitures	-	-	-	2,132,578	-	-	-	-	-
Investment income (loss)	410	(2,430)	78,768	25,226	-	252	2,238	-	-
Contribution from component units	-	-	-	-	-	-	-	-	-
Other	3,749	-	432,703	18,096	-	24,900	-	-	-
Total revenue	4,029,938	1,058,424	3,762,556	2,175,900	685,586	25,152	295,643	-	1,996,282
<b>Expenditures</b>									
Current:									
District court	-	-	-	3,861,389	-	-	-	-	-
Public safety	-	-	-	-	-	-	328,244	227,044	-
Public works and utilities	3,449,258	2,182,501	3,495,894	-	60,182	-	-	-	-
Community development	-	-	-	-	-	-	-	-	2,031,539
Community and human services	-	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	56,190	-	-	-
Debt service	-	-	-	-	583,679	-	-	-	-
Total expenditures	3,449,258	2,182,501	3,495,894	3,861,389	643,861	56,190	328,244	227,044	2,031,539
<b>Excess of Revenue Over (Under) Expenditures</b>	580,680	(1,124,077)	266,662	(1,685,489)	41,725	(31,038)	(32,601)	(227,044)	(35,257)
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	52,906	-	1,818,201	-	-	32,601	231,045	44,731
Transfers out	(733,201)	(72,911)	(60,031)	(132,712)	-	-	-	(4,001)	(9,474)
Total other financing sources (uses)	(733,201)	(20,005)	(60,031)	1,685,489	-	-	32,601	227,044	35,257
<b>Net Change in Fund Balances (Deficit)</b>	(152,521)	(1,144,082)	206,631	-	41,725	(31,038)	-	-	-
<b>Fund Balances (Deficit) - Beginning of year</b>	(2,736,802)	317,879	1,912,884	-	821,553	75,951	-	-	-
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (2,889,323)</u>	<u>\$ (826,203)</u>	<u>\$ 2,119,515</u>	<u>\$ -</u>	<u>\$ 863,278</u>	<u>\$ 44,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2005

	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Police Training Grant Act 302	Sale of Land Fund	Budget Stabilization	Neighborhood Revitalization	CERT Grant Fund	CURVE Grant Fund
<b>Revenue</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	658,156	292,210	19,639	-	-	-	-	21,590	13,450
State grants	-	-	-	43,648	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Investment income (loss)	-	826	-	-	-	-	1,042	-	-
Contribution from component units	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	52,039	-	-	-	-
<b>Total revenue</b>	<b>658,156</b>	<b>293,036</b>	<b>19,639</b>	<b>43,648</b>	<b>52,039</b>	<b>-</b>	<b>1,042</b>	<b>21,590</b>	<b>13,450</b>
<b>Expenditures</b>									
Current:									
District court	-	-	-	-	-	-	-	-	-
Public safety	-	197,688	-	21,219	-	-	-	21,590	17,934
Public works and utilities	-	-	55,639	-	-	-	-	-	-
Community development	656,255	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	9,168	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>656,255</b>	<b>197,688</b>	<b>55,639</b>	<b>21,219</b>	<b>9,168</b>	<b>-</b>	<b>-</b>	<b>21,590</b>	<b>17,934</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,901</b>	<b>95,348</b>	<b>(36,000)</b>	<b>22,429</b>	<b>42,871</b>	<b>-</b>	<b>1,042</b>	<b>-</b>	<b>(4,484)</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	20,592	-	-	-	-	-	4,484
Transfers out	(1,901)	(10,000)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,901)</b>	<b>(10,000)</b>	<b>20,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,484</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>-</b>	<b>85,348</b>	<b>(15,408)</b>	<b>22,429</b>	<b>42,871</b>	<b>-</b>	<b>1,042</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>100</b>	<b>73,421</b>	<b>(11,365)</b>	<b>46,300</b>	<b>353,556</b>	<b>2,849,729</b>	<b>157,775</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 100</b>	<b>\$ 158,769</b>	<b>\$ (26,773)</b>	<b>\$ 68,729</b>	<b>\$ 396,427</b>	<b>\$ 2,849,729</b>	<b>\$ 158,817</b>	<b>\$ -</b>	<b>\$ -</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2005

	Food Fund	Employee Sick and Vacation Fund	Computer Purchase Control Fund	Targeted Capacity Expansion Grant	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
<b>Revenue</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,482,800
Federal grants	-	-	-	991,957	-	-	4,535,689
State grants	-	-	-	-	-	-	4,881,281
Charges for services	-	-	696,260	-	-	-	1,150,131
Fines and forfeitures	-	-	-	-	-	-	2,132,578
Investment income (loss)	-	-	-	-	2,002	(109)	108,225
Contribution from component units	-	38,768	-	-	-	-	38,768
Other	24,207	36,553	-	-	75,629	-	667,876
Total revenue	24,207	75,321	696,260	991,957	77,631	(109)	16,997,348
<b>Expenditures</b>							
Current:							
District court	-	-	-	-	-	-	3,861,389
Public safety	-	-	-	-	-	-	813,719
Public works and utilities	-	-	-	-	-	44,049	9,287,523
Community development	-	-	-	432,157	-	-	3,119,951
Community and human services	24,029	-	-	-	-	-	24,029
General and special programs	-	1,379,417	429,424	-	-	-	1,818,009
Commercial and industrial development	-	-	-	-	-	-	56,190
Debt service	-	-	-	-	-	-	583,679
Total expenditures	24,029	1,379,417	429,424	432,157	-	44,049	19,564,489
<b>Excess of Revenue Over (Under) Expenditures</b>	178	(1,304,096)	266,836	559,800	77,631	(44,158)	(2,567,141)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	1,304,096	-	69,602	368,889	130,000	4,077,147
Transfers out	-	-	(266,836)	-	-	-	(1,291,067)
Total other financing sources (uses)	-	1,304,096	(266,836)	69,602	368,889	130,000	2,786,080
<b>Net Change in Fund Balances (Deficit)</b>	178	-	-	629,402	446,520	85,842	218,939
<b>Fund Balances (Deficit) - Beginning of year</b>	2,044	-	-	(629,402)	-	-	3,233,623
<b>Fund Balances (Deficit) - End of year</b>	\$ 2,222	\$ -	\$ -	\$ -	\$ 446,520	\$ 85,842	\$ 3,452,562

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds June 30, 2005

	Capital Improvement	GM Pontiac North Complex Development 2001	University Drive Widening	North Telegraph Extension	Caesar Chavez Enhancements	TIFA 2 Major Street Improvement	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements
<b>Assets</b>								
Cash and investments	\$ -	\$ -	\$ -	\$ 1,171,179	\$ 291,933	\$ 199,069	\$ 891,821	\$ 780,789
Property taxes receivable	27,222	-	-	-	-	-	-	-
Due from other funds	2,044,786	-	-	-	-	-	-	-
Due from other governmental units	-	512,394	616,872	19,855	-	82,755	-	-
<b>Total assets</b>	<b>\$ 2,072,008</b>	<b>\$ 512,394</b>	<b>\$ 616,872</b>	<b>\$ 1,191,034</b>	<b>\$ 291,933</b>	<b>\$ 281,824</b>	<b>\$ 891,821</b>	<b>\$ 780,789</b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ 83,083	\$ -	\$ 44,319	\$ -	\$ -	\$ 13,235	\$ 19,028	\$ -
Other accrued liabilities	918,164	-	-	-	-	-	-	-
Due to other funds - Advances	-	438,189	572,553	-	-	-	-	-
Deferred revenue	-	-	616,872	19,855	-	82,755	-	-
<b>Total liabilities</b>	<b>1,001,247</b>	<b>438,189</b>	<b>1,233,744</b>	<b>19,855</b>	<b>-</b>	<b>95,990</b>	<b>19,028</b>	<b>-</b>
<b>Fund Balances (Deficit)</b>								
Reserved for City-wide park improvements	2,000,000	-	-	-	-	-	-	-
Unreserved	(929,239)	74,205	(616,872)	1,171,179	291,933	185,834	872,793	780,789
<b>Total fund balances (deficit)</b>	<b>1,070,761</b>	<b>74,205</b>	<b>(616,872)</b>	<b>1,171,179</b>	<b>291,933</b>	<b>185,834</b>	<b>872,793</b>	<b>780,789</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 2,072,008</b>	<b>\$ 512,394</b>	<b>\$ 616,872</b>	<b>\$ 1,191,034</b>	<b>\$ 291,933</b>	<b>\$ 281,824</b>	<b>\$ 891,821</b>	<b>\$ 780,789</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds (Continued) June 30, 2005

	Pontiac Woods Development	Phoenix Plaza Renovations	Oakland Plaza Construction	Highwood East and Blvd. Improvements	Strand Theater Project	Golf Course Construction	GM Project	ML King Construction
<b>Assets</b>								
Cash and investments	\$ 121,913	\$ 1,011,691	\$ 5,004,981	\$ 17,105	\$ 455,583	\$ 450	\$ 554	\$ -
Property taxes receivable	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	34,110
<b>Total assets</b>	<b>\$ 121,913</b>	<b>\$ 1,011,691</b>	<b>\$ 5,004,981</b>	<b>\$ 17,105</b>	<b>\$ 455,583</b>	<b>\$ 450</b>	<b>\$ 554</b>	<b>\$ 34,110</b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ 2,972	\$ -	\$ 340,880	\$ 10,000	\$ 550	\$ 450	\$ 554	\$ 9,344
Other accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds - Advances	-	-	-	-	-	-	-	24,766
Deferred revenue	-	-	-	-	-	-	-	34,110
<b>Total liabilities</b>	<b>2,972</b>	<b>-</b>	<b>340,880</b>	<b>10,000</b>	<b>550</b>	<b>450</b>	<b>554</b>	<b>68,220</b>
<b>Fund Balances (Deficit)</b>								
Reserved for City-wide park improvements	-	-	-	-	-	-	-	-
Unreserved	118,941	1,011,691	4,664,101	7,105	455,033	-	-	(34,110)
<b>Total fund balances (deficit)</b>	<b>118,941</b>	<b>1,011,691</b>	<b>4,664,101</b>	<b>7,105</b>	<b>455,033</b>	<b>-</b>	<b>-</b>	<b>(34,110)</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 121,913</b>	<b>\$ 1,011,691</b>	<b>\$ 5,004,981</b>	<b>\$ 17,105</b>	<b>\$ 455,583</b>	<b>\$ 450</b>	<b>\$ 554</b>	<b>\$ 34,110</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds (Continued) June 30, 2005

	Clinton River Linear Park Trail	Total Nonmajor Capital Project Funds
<b>Assets</b>		
Cash and investments	\$ -	\$ 9,947,068
Property taxes receivable	-	27,222
Due from other funds	-	2,044,786
Due from other governmental units	98,141	1,364,127
Total assets	<b>\$ 98,141</b>	<b>\$ 13,383,203</b>
<b>Liabilities and Fund Balances (Deficit)</b>		
<b>Liabilities</b>		
Accounts payable	\$ 93	\$ 524,508
Other accrued liabilities	-	918,164
Due to other funds - Advances	22,997	1,058,505
Deferred revenue	98,141	851,733
Total liabilities	121,231	3,352,910
<b>Fund Balances (Deficit)</b>		
Reserved for City-wide park improvements	-	2,000,000
Unreserved	(23,090)	8,030,293
Total fund balances (deficit)	(23,090)	10,030,293
Total liabilities and fund balances (deficit)	<b>\$ 98,141</b>	<b>\$ 13,383,203</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds Year Ended June 30, 2005

	GM Pontiac North Complex					TIFA 2 Major	MTF Bond	Kennett Road
	Capital	Development	University Drive	North Telegraph	Caesar Chavez	Street	Construction	Bridge
	Improvement	2001	Widening	Extension	Enhancements	Improvement	2000	Reconstruction
<b>Revenue</b>								
Taxes	\$ 1,406,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	608,331	51,277	-	79,826	-	-
State grants	-	512,394	-	-	-	-	-	-
Investment income	17,813	-	-	5,822	1,655	2,410	61,746	4,633
Contribution from component units	-	-	-	-	-	37,400	-	-
Other	21,401	-	-	-	-	-	-	-
Total revenue	1,446,005	512,394	608,331	57,099	1,655	119,636	61,746	4,633
<b>Expenditures</b>								
General government	63,057	-	-	-	-	-	-	-
Public safety	359,862	-	-	-	-	-	-	-
Public works and utilities	377,272	528,004	1,563,073	29,333	36,576	855,402	1,178	225,943
Community development	8,059	-	-	-	-	-	-	-
Community and human services	8,059	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-	-
Total expenditures	816,309	528,004	1,563,073	29,333	36,576	855,402	1,178	225,943
<b>Excess of Revenue Over (Under)</b>								
Expenditures	629,696	(15,610)	(954,742)	27,766	(34,921)	(735,766)	60,568	(221,310)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	337,870	-	-	-	-	-
Transfers out	(1,132,585)	-	-	-	-	-	(1,013,441)	-
Total other financing sources (uses)	(1,132,585)	-	337,870	-	-	-	(1,013,441)	-
<b>Net Change in Fund Balances (Deficit)</b>								
	(502,889)	(15,610)	(616,872)	27,766	(34,921)	(735,766)	(952,873)	(221,310)
<b>Fund Balances (Deficit) - Beginning of year</b>	1,573,650	89,815	-	1,143,413	326,854	921,600	952,873	1,094,103
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 1,070,761</b>	<b>\$ 74,205</b>	<b>\$ (616,872)</b>	<b>\$ 1,171,179</b>	<b>\$ 291,933</b>	<b>\$ 185,834</b>	<b>\$ -</b>	<b>\$ 872,793</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds (Continued) Year Ended June 30, 2005

	CVC Infrastructure Improvements	Pontiac Woods Development	Phoenix Plaza Renovations	Oakland Plaza Construction	Highwood East and Blvd. Improvements	Strand Theater Project	Golf Course Construction	GM Project
<b>Revenue</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	-	601,250	-	-
State grants	-	-	-	-	-	-	-	-
Investment income	18,200	-	13,365	51,837	-	1,131	-	-
Contribution from component units	-	-	-	-	300,000	-	-	-
Other	-	-	92,345	-	-	-	-	-
Total revenue	<u>18,200</u>	<u>-</u>	<u>105,710</u>	<u>51,837</u>	<u>300,000</u>	<u>602,381</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works and utilities	-	51,720	-	-	292,895	-	88,937	22,933
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial and industrial development	875,893	-	-	860,351	-	1,878,674	-	-
Total expenditures	<u>875,893</u>	<u>51,720</u>	<u>-</u>	<u>860,351</u>	<u>292,895</u>	<u>1,878,674</u>	<u>88,937</u>	<u>22,933</u>
<b>Excess of Revenue Over (Under)</b>								
<b>Expenditures</b>	(857,693)	(51,720)	105,710	(808,514)	7,105	(1,276,293)	(88,937)	(22,933)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	-	86,137	22,933
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,137</u>	<u>22,933</u>
<b>Net Change in Fund Balances (Deficit)</b>	(857,693)	(51,720)	105,710	(808,514)	7,105	(1,276,293)	(2,800)	-
<b>Fund Balances (Deficit) - Beginning of year</b>	1,638,482	170,661	905,981	5,472,615	-	1,731,326	2,800	-
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 780,789</u>	<u>\$ 118,941</u>	<u>\$ 1,011,691</u>	<u>\$ 4,664,101</u>	<u>\$ 7,105</u>	<u>\$ 455,033</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds (Continued) Year Ended June 30, 2005

	ML King Construction	Clinton River Linear Park Trail	Total Nonmajor Capital Projects Funds
<b>Revenue</b>			
Taxes	\$ -	\$ -	\$ 1,406,791
Federal grants	83,457	-	1,424,141
State grants	-	-	512,394
Investment income	-	-	178,612
Contribution from component units	-	-	337,400
Other	-	84,000	197,746
Total revenue	<u>83,457</u>	<u>84,000</u>	<u>4,057,084</u>
<b>Expenditures</b>			
General government	-	-	63,057
Public safety	-	-	359,862
Public works and utilities	43,371	56,574	4,173,211
Community development	-	-	8,059
Community and human services	-	-	8,059
General and special programs	-	-	-
Commercial and industrial development	-	-	3,614,918
Total expenditures	<u>43,371</u>	<u>56,574</u>	<u>8,227,166</u>
<b>Excess of Revenue Over (Under)</b>			
<b>Expenditures</b>	40,086	27,426	(4,170,082)
<b>Other Financing Sources (Uses)</b>			
Transfers in	9,261	-	456,201
Transfers out	-	-	(2,146,026)
Total other financing sources (uses)	<u>9,261</u>	<u>-</u>	<u>(1,689,825)</u>
<b>Net Change in Fund Balances (Deficit)</b>	49,347	27,426	(5,859,907)
<b>Fund Balances (Deficit) - Beginning of year</b>	<u>(83,457)</u>	<u>(50,516)</u>	<u>15,890,200</u>
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (34,110)</u>	<u>\$ (23,090)</u>	<u>\$ 10,030,293</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Debt Service Funds Year Ended June 30, 2005

	1993 State of Michigan Bond Loan	Capitalized Lease Fund	Land Contract Fund	1995 Michigan Transportation Bonds	2000 Michigan Transportation Bonds	Refinanced Golf Course Bonds	GBA Bonds	Total Nonmajor Debt Service Funds
<b>Revenue</b> - Contribution from component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 756,312	\$ 727,488	\$ 1,483,800
<b>Expenditures</b> - Debt service	317,855	1,326,898	14,743	140,213	993,763	756,312	727,488	4,277,272
<b>Excess of Expenditures Over Revenue</b>	(317,855)	(1,326,898)	(14,743)	(140,213)	(993,763)	-	-	(2,793,472)
<b>Other Financing Sources</b> - Transfers in	317,855	1,326,898	14,743	140,213	993,763	-	-	2,793,472
<b>Net Change in Fund Balances</b>	-	-	-	-	-	-	-	-
<b>Fund Balances</b> - Beginning of year	-	-	-	-	-	-	-	-
<b>Fund Balances</b> - End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Equipment Revolving Fund	Self-insurance Workers' Compensation	Dental Insurance Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 46,501	\$ -	\$ -	\$ 3,485	\$ 32,475	\$ 82,461
Accounts receivable	-	1,500	185,622	10,199	1,421,652	1,618,973
Due from other funds	-	4,199,561	-	-	2,028,904	6,228,465
Inventory	31,901	-	-	-	-	31,901
Total current assets	78,402	4,201,061	185,622	13,684	3,483,031	7,961,800
Noncurrent assets - Depreciable capital assets - Net	1,570,691	-	-	-	-	1,570,691
Total assets	1,649,093	4,201,061	185,622	13,684	3,483,031	9,532,491
<b>Liabilities - Current liabilities</b>						
Accounts payable	80,971	1,061	-	13,684	23,556	119,272
Accrued liabilities	-	4,200,000	111,098	-	3,427,000	7,738,098
Total liabilities	80,971	4,201,061	111,098	13,684	3,450,556	7,857,370
<b>Net Assets</b>						
Invested in capital assets	1,570,691	-	-	-	-	1,570,691
Unrestricted	(2,569)	-	74,524	-	32,475	104,430
Total net assets	<u>\$ 1,568,122</u>	<u>\$ -</u>	<u>\$ 74,524</u>	<u>\$ -</u>	<u>\$ 32,475</u>	<u>\$ 1,675,121</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Internal Service Funds Year Ended June 30, 2005

	Equipment Revolving Fund	Self-insurance Workers' Compensation	Dental Insurance Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
<b>Operating Revenue - Charges for services</b>	\$ 2,203,084	\$ 891,916	\$ 1,166,292	\$ 95,793	\$ 21,877,213	\$ 26,234,298
<b>Operating Expenses</b>						
Operations and maintenance	1,433,597	-	-	-	-	1,433,597
Insurance	-	911,051	1,257,167	107,116	21,380,909	23,656,243
Administration	166,800	-	-	-	476,638	643,438
Depreciation	233,311	-	-	-	-	233,311
Total operating expenses	<u>1,833,708</u>	<u>911,051</u>	<u>1,257,167</u>	<u>107,116</u>	<u>21,857,547</u>	<u>25,966,589</u>
<b>Operating Income (Loss)</b>	369,376	(19,135)	(90,875)	(11,323)	19,666	267,709
<b>Nonoperating Income (Expenses)</b>						
Investment income	-	19,135	-	3	20,288	39,426
Loss on disposal of fixed assets	<u>(33,145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,145)</u>
Total nonoperating income (expenses)	<u>(33,145)</u>	<u>19,135</u>	<u>-</u>	<u>3</u>	<u>20,288</u>	<u>6,281</u>
<b>Transfers to Other Funds</b>	<u>(38,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,479)</u>	<u>(45,858)</u>
<b>Change in Net Assets</b>	297,852	-	(90,875)	(11,320)	32,475	228,132
<b>Net Assets - Beginning of year</b>	<u>1,270,270</u>	<u>-</u>	<u>165,399</u>	<u>11,320</u>	<u>-</u>	<u>1,446,989</u>
<b>Net Assets - End of year</b>	<u><b>\$ 1,568,122</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 74,524</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 32,475</b></u>	<u><b>\$ 1,675,121</b></u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2005

	Equipment Revolving Fund	Communications Revolving	Self-insurance Workers' Compensation	Insurance Dental Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
<b>Cash Flows from Operating Activities</b>							
Receipts from customers	\$ 2,203,084	\$ -	\$ 890,416	\$ 1,146,069	\$ 96,914	\$ 21,526,257	\$ 25,862,740
Payments to suppliers	(893,114)	(8,755)	(910,591)	(1,237,134)	(93,432)	(21,576,599)	(24,719,625)
Payments to employees	(667,611)	-	-	-	-	(261,509)	(929,120)
Net cash provided by (used in) operating activities	642,359	(8,755)	(20,175)	(91,065)	3,482	(311,851)	213,995
<b>Cash Flows from Noncapital Financing Activities</b>							
Transfers to other funds	(38,379)	-	-	-	-	(7,479)	(45,858)
Interfund loans - Proceeds and collections	-	-	(4,199,561)	-	-	(2,028,904)	(6,228,465)
Net cash used in noncapital financing activities	(38,379)	-	(4,199,561)	-	-	(2,036,383)	(6,274,323)
<b>Cash Flows from Capital and Related Financing Activities - Acquisition of capital assets</b>	(566,877)	-	-	-	-	-	(566,877)
<b>Cash Flows from Investing Activities</b>							
Proceeds from investments	-	-	1,220,030	-	-	2,360,421	3,580,451
Investment income	-	-	19,135	-	3	20,288	39,426
Net cash provided by investing activities	-	-	1,239,165	-	3	2,380,709	3,619,877
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	37,103	(8,755)	(2,980,571)	(91,065)	3,485	32,475	(3,007,328)
<b>Cash and Cash Equivalents - July 1, 2004</b>	9,398	8,755	2,980,571	91,065	-	-	3,089,789
<b>Cash and Cash Equivalents - June 30, 2005</b>	<u>\$ 46,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,485</u>	<u>\$ 32,475</u>	<u>\$ 82,461</u>

(Continued on next page)

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows (Continued) Internal Service Funds Year Ended June 30, 2005

	Equipment Revolving Fund	Communications Revolving	Self-insurance Workers' Compensation	Insurance Dental Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
Reconciliation of operating income (loss) to net cash from operating activities:							
Operating income (loss)	\$ 369,376	\$ -	\$ (19,135)	\$ (90,875)	\$ (11,323)	\$ 19,666	\$ 267,709
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	233,311	-	-	-	-	-	233,311
Changes in assets and liabilities:							
Accounts receivable	-	-	(1,500)	(20,223)	1,121	(350,956)	(371,558)
Inventory and supplies	32,603	-	-	-	-	-	32,603
Accounts payable	7,069	(8,755)	460	-	13,684	19,439	31,897
Accrued liabilities	-	-	-	20,033	-	-	20,033
Net cash provided by (used in) operating activities	<u>\$ 642,359</u>	<u>\$ (8,755)</u>	<u>\$ (20,175)</u>	<u>\$ (91,065)</u>	<u>\$ 3,482</u>	<u>\$ (311,851)</u>	<u>\$ 213,995</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2005

Pension Trust Funds - December 31, 2004

	General City		General City		Totals
	Employees' Retirement System	Police and Fire Retirement System	Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	
<b>Assets</b>					
Cash and cash equivalents	\$ 103,869	\$ 103,869	\$ -	\$ -	\$ 207,738
Cash and investments held as collateral for securities lending	46,743,999	19,362,887	-	-	66,106,886
Investments:					
Money markets and mutual funds	11,557,104	7,051,160	3,216,575	21,639,960	43,464,799
Preferred securities	211,460	-	-	-	211,460
Convertible securities	111,201	-	-	-	111,201
U.S. government obligations	21,515,816	7,790,148	-	-	29,305,964
Corporate and other bonds	72,292,461	42,726,744	-	-	115,019,205
Equities	255,601,299	158,426,448	-	-	414,027,747
U.S. government agency mortgage pools	52,665,574	12,561,479	-	-	65,227,053
Real estate	14,100,998	12,333,409	-	-	26,434,407
Interest in CAP Commercial Mortgage, LLC	-	5,190,487	-	-	5,190,487
Due from broker pending transactions	1,771	-	-	-	1,771
Accrued interest receivable	1,902,029	388,620	-	-	2,290,649
Receivables - Other	23,510	233,761	24,251	-	281,522
Total assets	<u>476,831,091</u>	<u>266,169,012</u>	<u>3,240,826</u>	<u>21,639,960</u>	<u>767,880,889</u>
<b>Liabilities</b>					
Accounts payable	657,582	214,038	38,475	1,741,009	2,651,104
Amount due broker under securities lending agreement	46,743,999	19,362,887	-	-	66,106,886
Total liabilities	<u>47,401,581</u>	<u>19,576,925</u>	<u>38,475</u>	<u>1,741,009</u>	<u>68,757,990</u>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<u>\$ 429,429,510</u>	<u>\$ 246,592,087</u>	<u>\$ 3,202,351</u>	<u>\$ 19,898,951</u>	<u>\$ 699,122,899</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds (Continued) June 30, 2005

	Agency Funds							Totals	
	District Court	Current Tax Collection Fund - Summer Levy	Current Tax Collection Fund - Winter Levy	Payroll Fund	Fire Insurance Trust Fund	Pontiac Growth Group Administration	Retirement System Administration		Housing Commission Administration
<b>Assets</b>									
Cash and cash equivalents	\$ 243,667	\$ -	\$ 304,382	\$ 467,696	\$ 479,967	\$ 2,873	\$ -	\$ -	\$ 1,498,585
Investments	-	-	-	-	-	-	-	-	-
Receivables - Other	-	6,255,704	-	2,188,654	-	-	688,600	50,337	9,183,295
<b>Total assets</b>	<b>\$ 243,667</b>	<b>\$ 6,255,704</b>	<b>\$ 304,382</b>	<b>\$ 2,656,350</b>	<b>\$ 479,967</b>	<b>\$ 2,873</b>	<b>\$ 688,600</b>	<b>\$ 50,337</b>	<b>\$ 10,681,880</b>
<b>Liabilities</b>									
Due to other governmental units	\$ -	\$ 6,255,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,337	\$ 6,306,041
Accrued and other liabilities	-	-	304,382	2,656,350	479,967	2,873	688,600	-	4,132,172
Deposits	243,667	-	-	-	-	-	-	-	243,667
<b>Total liabilities</b>	<b>\$ 243,667</b>	<b>\$ 6,255,704</b>	<b>\$ 304,382</b>	<b>\$ 2,656,350</b>	<b>\$ 479,967</b>	<b>\$ 2,873</b>	<b>\$ 688,600</b>	<b>\$ 50,337</b>	<b>\$ 10,681,880</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2005

Pension Trust Funds - December 31, 2004

	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Totals
<b>Additions</b>					
Investment income:					
Interest and dividends	\$ 11,640,152	\$ 5,132,127	\$ 77,785	\$ 325,292	\$ 17,175,356
Net increase in fair value of investments	23,853,447	12,542,986	178,637	2,846,662	39,421,732
Less investment expenses	(1,770,944)	(1,200,064)	-	(13,750)	(2,984,758)
Litigation settlement	-	75,146	-	-	75,146
Net investment income	33,722,655	16,550,195	256,422	3,158,204	53,687,476
Securities lending income:					
Interest and fees	683,921	256,567	-	-	940,488
Less borrower rebates and bank fees	(604,525)	(231,988)	-	-	(836,513)
Net securities lending income	79,396	24,579	-	-	103,975
Contributions:					
Employer	13,613	2,141,247	721,866	3,411,061	6,287,787
Employee	9,709	392,791	-	-	402,500
Total contributions	23,322	2,534,038	721,866	3,411,061	6,690,287
Total additions	33,825,373	19,108,812	978,288	6,569,265	60,481,738
<b>Deductions</b>					
Retiree pension benefit payments	14,546,774	12,114,123	-	-	26,660,897
Retiree health benefit payments	-	-	-	1,227,096	1,227,096
Member refunds and withdrawals	-	47,626	-	-	47,626
Other expenses	97,929	73,172	21,527	17,171	209,799
Administrative expenses	128,769	63,160	-	-	191,929
Total deductions	14,773,472	12,298,081	21,527	1,244,267	28,337,347
<b>Net Increase in Net Assets</b>	19,051,901	6,810,731	956,761	5,324,998	32,144,391
<b>Net Assets Held in Trust for Pension Benefits</b>					
Beginning of year	410,377,609	239,781,356	2,245,590	14,573,953	666,978,508
End of year	<b>\$ 429,429,510</b>	<b>\$ 246,592,087</b>	<b>\$ 3,202,351</b>	<b>\$ 19,898,951</b>	<b>\$ 699,122,899</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Governmental Fund Component Units June 30, 2005

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
<b>Assets</b>							
Cash and investments	\$ -	\$ 449,519	\$ -	\$ 200	\$ 1,633,845	\$ 473,920	\$ 2,557,484
Receivables - Net:							
Property taxes	10,914	5,270	1,445	32,028	-	-	49,657
Other receivables	74,407	-	-	-	219,250	-	293,657
	<u>74,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,250</u>	<u>-</u>	<u>293,657</u>
Total assets	<b><u>\$ 85,321</u></b>	<b><u>\$ 454,789</u></b>	<b><u>\$ 1,445</u></b>	<b><u>\$ 32,228</u></b>	<b><u>\$ 1,853,095</u></b>	<b><u>\$ 473,920</u></b>	<b><u>\$ 2,900,798</u></b>
<b>Liabilities and Fund Balance (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 650,183	\$ -	\$ -	\$ 59,591	\$ -	\$ 336	\$ 710,110
Due to other component units - Advances	-	-	131,590	1,062,230	-	-	1,193,820
Due to primary government	9,050,075	-	-	-	-	-	9,050,075
Deposits	7,716	-	-	-	10,870	-	18,586
Deferred revenue	74,407	-	-	-	649,649	-	724,056
	<u>74,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,649</u>	<u>-</u>	<u>724,056</u>
Total liabilities	9,782,381	-	131,590	1,121,821	660,519	336	11,696,647
<b>Fund Balance (Deficit)</b>							
Reserved	-	-	-	-	997,937	-	997,937
Unreserved - Undesignated	(9,697,060)	454,789	(130,145)	(1,089,593)	194,639	473,584	(9,793,786)
	<u>(9,697,060)</u>	<u>454,789</u>	<u>(130,145)</u>	<u>(1,089,593)</u>	<u>1,192,576</u>	<u>473,584</u>	<u>(8,795,849)</u>
Total fund balance (deficit)	(9,697,060)	454,789	(130,145)	(1,089,593)	1,192,576	473,584	(8,795,849)
Total liabilities and fund balance (deficit)	<b><u>\$ 85,321</u></b>	<b><u>\$ 454,789</u></b>	<b><u>\$ 1,445</u></b>	<b><u>\$ 32,228</u></b>	<b><u>\$ 1,853,095</u></b>	<b><u>\$ 473,920</u></b>	<b><u>\$ 2,900,798</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance Governmental Fund Component Units Year Ended June 30, 2005

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
<b>Revenue</b>							
Taxes	\$ 4,752,433	\$ 2,477,686	\$ 534,065	\$ 680,705	\$ -	\$ 63,295	\$ 8,508,184
Federal grants	-	-	-	-	176,654	-	176,654
Investment income (loss)	40,975	140,087	7,711	(4,261)	19,535	2,767	206,814
Other	11,479	100	-	15,710	144,963	-	172,252
Total revenue	4,804,887	2,617,873	541,776	692,154	341,152	66,062	9,063,904
<b>Expenditures</b>							
Commercial and industrial development	8,521,375	667,327	781,760	1,499,873	231,523	172,606	11,874,464
Debt service	2,038,863	2,231,206	202,844	-	-	-	4,472,913
Total expenditures	10,560,238	2,898,533	984,604	1,499,873	231,523	172,606	16,347,377
<b>Excess of Revenue Over (Under)</b>							
Expenditures	(5,755,351)	(280,660)	(442,828)	(807,719)	109,629	(106,544)	(7,283,473)
<b>Fund Balances (Deficit) - Beginning of year</b>	(3,941,709)	735,449	312,683	(281,874)	1,082,947	580,128	(1,512,376)
<b>Fund Balance (Deficit) - End of year</b>	\$ (9,697,060)	\$ 454,789	\$ (130,145)	\$ (1,089,593)	\$ 1,192,576	\$ 473,584	\$ (8,795,849)