

# **City of Pontiac, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# City of Pontiac, Michigan

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## Independent Auditors' Report

To the Honorable Mayor Clarence E. Phillips  
and Members of the City Council of the  
City of Pontiac, Michigan

We have audited the accompanying basic 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 (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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 \$787,206,864 as of December 31, 2005 and total additions of \$46,241,865 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 and the reports of other auditors provide 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 as of June 30, 2006 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'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 16, an adjustment was made to the beginning net assets in the government-wide financial statements to correct the long term liability for compensated absences. The impact of these changes is summarized in Note 16.

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 combining individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors 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.

*Alan C. Young; Assoc.*

Detroit, Michigan

December 22, 2006



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, 2006. 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, 2006:

- The City issued \$21.49 million in fiscal stabilization bonds to eliminate a portion of the General Fund deficit from prior year.
- The General Fund's cumulative deficit decreased from \$31.7 million to \$4.1 million, a decrease of \$27.6 million from June 30, 2005. The annual operating deficit has been reduced from \$10.9 million to \$6.2 million as a result of the continued efforts of the mayor and City Council to balance the budget. The City will be required to file a deficit elimination plan with the State of Michigan in February 2007 for the remaining deficit; see Note 15 for additional details.
- A significant liability to General Motors ("GM") related to a property tax appeal was restructured during the current year. The effect was the forgiveness of approximately \$302,000 of the liability and reclassification of the liability from current to long-term. See Note 7 for additional details.
- A Michigan Department of Transportation loan was received in the amount of \$937,500 related to the University Drive widening project.
- Expenses of governmental activities decreased \$6.1 million from prior year, an 8.1 percent reduction. The decrease is primarily attributable to the public works function. The Major and Local Street expenses decreased a total of \$2.3 million due to significant cutbacks in street projects because of the financial condition of those funds. In addition, there was \$1.9 million of nonrecurring project expenditures in the prior year related to the Strand Theater, which is owned by the Economic Development Corporation. Another factor in the decrease in total expenses is city-wide layoffs and attrition.

### Financial Highlights (Continued)

- Medical insurance premiums for City employees and retirees increased approximately \$436,000 over prior year.
- On the government-wide financial statements, a prior period adjustment of approximately \$3.2 million was made to reduce the beginning balance of the compensated absence accrual. In the prior year, the liability was overstated due to accruing 100 percent of accumulated employee sick leave. The actual percentage of sick leave that vests varies by union, but on average, only 50 percent of the sick bank is paid out upon separation of service. This adjustment does not affect the fund financial statements.

### 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 such as 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, such as 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.

# City of Pontiac, Michigan

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## Management's Discussion and Analysis (Continued)

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.

### 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 (such as construction projects) or to show that it is properly using certain taxes and grants (i.e., 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.
- 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.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### 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					
	2006	2005	2006	2005	2006	2005
	Governmental Activities		Business-type Activities		Total	
<b>Assets</b>						
Current and other	\$ 50.4	\$ 48.5	\$ 20.5	\$ 24.0	\$ 70.9	\$ 72.5
Capital assets	<u>84.8</u>	<u>87.8</u>	<u>51.2</u>	<u>51.2</u>	<u>136.0</u>	<u>139.0</u>
Total assets	135.2	136.3	71.7	75.2	206.9	211.5
<b>Liabilities</b>						
Current liabilities	30.1	50.9	1.9	8.4	32.0	59.3
Long-term liabilities	<u>53.5</u>	<u>29.2</u>	<u>10.9</u>	<u>10.7</u>	<u>64.4</u>	<u>39.9</u>
Total liabilities	<u>83.6</u>	<u>80.1</u>	<u>12.8</u>	<u>19.1</u>	<u>96.4</u>	<u>99.2</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	75.3	68.2	42.8	40.6	118.1	108.8
Restricted	14.7	17.0	2.1	2.0	16.8	19.0
Unrestricted (deficit)	<u>(38.4)</u>	<u>(29.0)</u>	<u>14.0</u>	<u>13.5</u>	<u>(24.4)</u>	<u>(15.5)</u>
Total net assets	<u>\$ 51.6</u>	<u>\$ 56.2</u>	<u>\$ 58.9</u>	<u>\$ 56.1</u>	<u>\$ 110.5</u>	<u>\$ 112.3</u>

## **City of Pontiac, Michigan**

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### **Management's Discussion and Analysis (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 \$38.4 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 \$14.0 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 1.6 percent from a year ago - decreasing from \$112.3 million to \$110.5 million. Looking at only the governmental activities, the net assets decreased 8.1 percent, or \$4.6 million from last year. The business-type activities added \$2.8 million of net assets, increasing it by 5.0 percent. The increase in net assets is primarily due to an increase in the property taxes levied by the Parking Fund.

# 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							
	2006		2005		2006		2005	
	Governmental Activities		Business-type Activities		Total			
<b>Revenue</b>								
Program revenue:								
Charges for services	\$ 5.2	\$ 5.5	\$ 25.0	\$ 23.8	\$ 30.2	\$ 29.3		
Operating grants and contributions	9.2	9.1	-	-	9.2	9.1		
Capital grants and contributions	1.0	7.1	-	-	1.0	7.1		
General revenue:								
Property taxes	18.6	17.1	4.6	2.1	23.2	19.2		
Income taxes	14.9	14.4	-	-	14.9	14.4		
State-shared revenue	12.4	12.6	-	-	12.4	12.6		
Rental income	0.3	0.3	-	-	0.3	0.3		
Unrestricted investment earnings	1.5	0.9	0.4	0.3	1.9	1.2		
Unrestricted cable revenue	0.5	0.5	-	-	0.5	0.5		
Contribution from component units	0.7	4.3	-	0.2	0.7	4.5		
Miscellaneous	0.5	1.2	0.4	0.1	0.9	1.3		
Total revenue	64.8	73.0	30.4	26.5	95.2	99.5		
<b>Program Expenses</b>								
General government	16.7	16.2	-	-	16.7	\$ 16.2		
Public safety	32.3	29.4	-	-	32.3	29.4		
Public works	13.3	22.2	-	-	13.3	22.2		
Community and human services	4.9	6.5	-	-	4.9	6.5		
Interest on long-term debt	1.7	0.7	-	-	1.7	0.7		
Water	-	-	13.3	12.8	13.3	12.8		
Sewer	-	-	11.0	11.9	11.0	11.9		
Parking	-	-	2.0	2.4	2.0	2.4		
Golf course	-	-	1.0	1.2	1.0	1.2		
Total program expenses	68.9	75.0	27.3	28.3	96.2	103.3		
<b>Excess of Revenue Over (Under) Expenses Before Transfers</b>	(4.1)	(2.0)	3.1	(1.8)	(1.0)	(3.8)		
<b>Transfers</b>	0.2	0.2	(0.2)	(0.2)	-	-		
<b>Special Items</b>	(0.8)	-	-	-	(0.8)	-		
<b>Change in Net Assets</b>	<b>\$ (4.7)</b>	<b>\$ (1.8)</b>	<b>\$ 2.9</b>	<b>\$ (2.0)</b>	<b>\$ (1.0)</b>	<b>\$ (3.8)</b>		

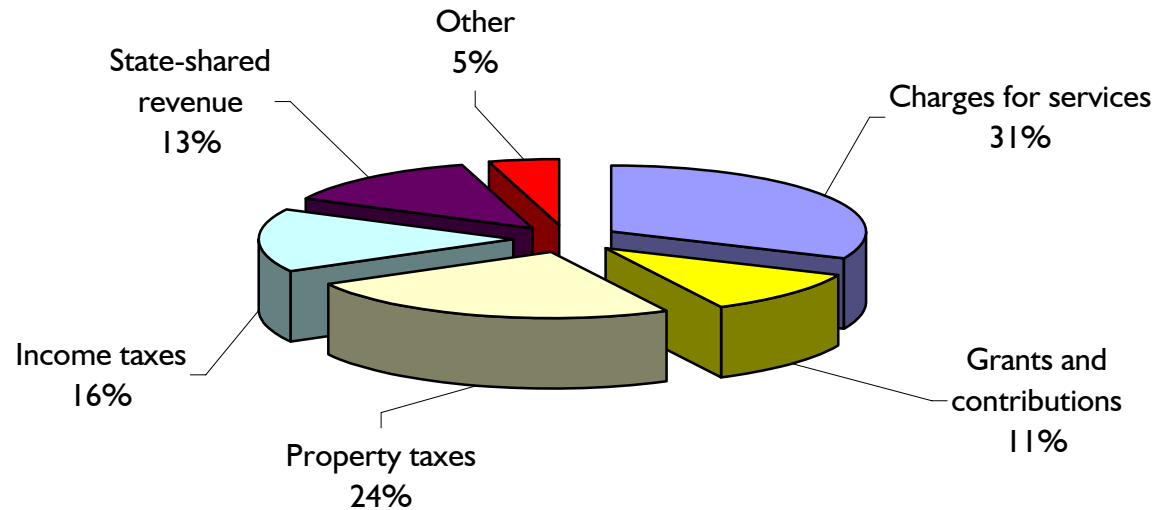
# City of Pontiac, Michigan

## 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, income taxes, state-shared revenue, and grants and contributions, respectively.

Figure I  
**CITY OF PONTIAC, MICHIGAN**  
Sources of Revenue - Government-wide  
Year Ended June 30, 2006





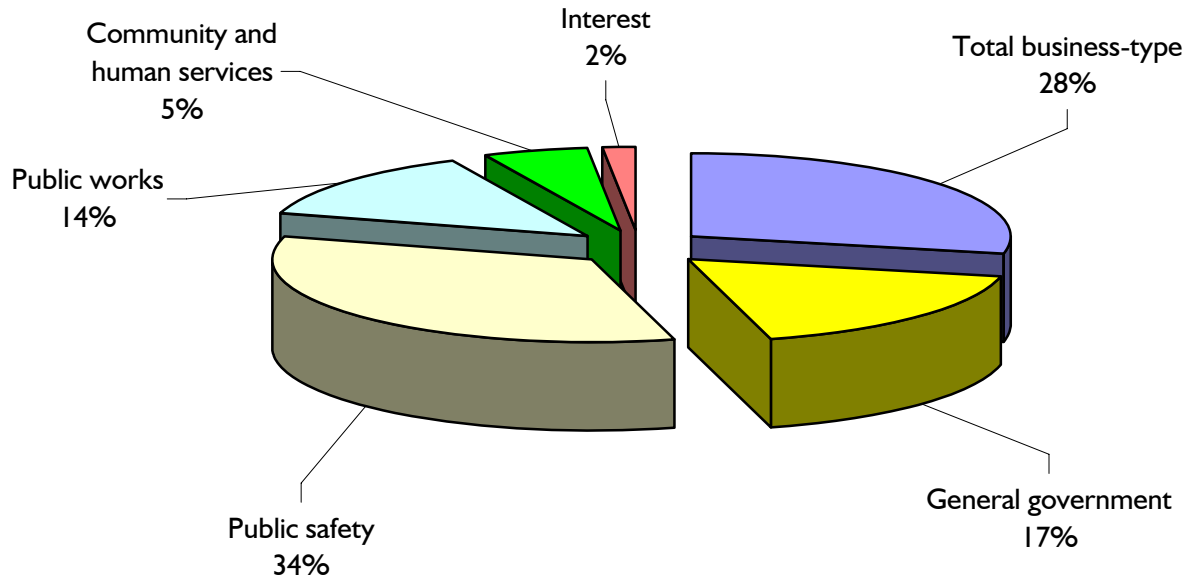
# City of Pontiac, Michigan

## 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, 2006**



# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

Expenses for the City's governmental activities totaled \$68.9 million, which is an 8.1 percent decrease from last year's total of \$75.0 million.

Although the expenses of governmental activities decreased from prior year, revenue decreased as well. Revenues totaled \$64.8 million for the year ended June 30, 2006, which is a decrease of \$8.2 million from last year's total of \$73 million. The contribution from component units decreased \$3.6 million, grant revenue was down \$6.2 million, while property taxes were up \$1.6 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 \$106,000, which includes \$2.7 million of depreciation expense. The funds had an operating loss of \$2.2 million in the prior year, including \$2.8 million of depreciation. The primary reason for the fluctuation of operating results is that water revenue increased \$1.9 million while operating expenses decreased approximately \$569,000.

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 2006 was approximately \$860,000, compared to \$841,000 in 2005. Depreciation expense contributed approximately \$568,000 and \$547,000 to these losses each year, respectively.

The City-owned golf course sustained an operating loss in the current year totaling approximately \$208,000. Depreciation expense contributed approximately \$297,000 to the loss. The City's General Fund provided an operating subsidy of \$119,000 to eliminate cash flow shortfalls, which is an increase from last year's subsidy of \$38,000.

# 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, 2006 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 \$30.9 million during the year ended June 30, 2006. These two service areas represent 62 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 \$47.3 million and total expenses of \$50.1 million. In addition, the fund realized net other financing sources of \$30.3 million, resulting in a net increase in fund balance of \$27.6 million. The proceeds from the issuance of the fiscal stabilization bonds was the most significant of the other financing sources.

The General Fund transferred a total of \$3.5 million to other funds, including operating subsidies to the District Court, Cemetery, and Golf Course Funds totaling \$1,577,241, \$368,964, and \$118,601, respectively. The actual subsidies needed by these funds exceeded the budgeted subsidies by \$647,412.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

The General Fund deficit decreased by approximately \$27.6 million during the year ended June 30, 2006, reducing the cumulative deficit to \$4.1 million. Actual revenue exceeded the budget by \$29.3 million. The most significant component of this variance is the fiscal stabilization bonds that were issued during June 2006 and were not budgeted. Excluding the debt issuance activity, the favorable revenue variance is \$437,000.

Total expenditures exceeded the budget by approximately \$1.1 million. The expenditure overages primarily relate to the police department, community and human services, debt service, and operating transfers to other funds. The police department and community and human services functions exceeded budget due to budgeting vacancy savings that did not materialize. The debt service category was over budget due to incurring unbudgeted bond issuance costs. Finally, the overrun in the operating transfer line item is primarily the result of the operating subsidies to the District Court and Golf Course Fund being approximately \$391,000 and \$118,600 more, respectively, than expected and the contribution to the sick and vacation Special Revenue Fund being \$552,000 more than planned.

### Capital Asset and Debt Administration

At the end of 2006, the City had invested \$135.9 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 decrease (including additions and deductions) of \$3.2 million. The value of infrastructure assets, net of depreciation, included in this report is \$29.5 million. In addition, the value of the water and sewer distribution systems, net of depreciation, is \$31.4 million.

### Capital Asset and Debt Administration (Continued)

Significant projects during the year included numerous infrastructure improvement projects, Phoenix Plaza renovations, and Strand Theatre renovations. The Phoenix Plaza project was completed during the current year and was reclassified from construction in progress to buildings and improvements in the amount of \$21.1 million. The other projects were still in progress as of June 30, 2006 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 have limited new capital outlay projects.

The City had the following new debt issues during the year:

- 2006 Fiscal Stabilization Bonds of \$21,490,000, with interest rates ranging from 3.70 percent to 5.0 percent, payable through 2021
- Michigan Department of Transportation Infrastructure Loan of \$937,500, with an interest rate of 3 percent, payable through 2008
- Restructuring of a current liability for property tax refunds due to a taxpayer into a long-term obligation; repayment terms are based on an economic formula (see Note 7 for details). The total liability converted into long-term debt is \$15,000,000.
- Oakland County issued \$8,160,000 of bonds on behalf of the Tax Increment Financing Authority (TIFA); there is a contractual agreement with the county that the TIFA will make the bond payments. The bonds carry interest rates ranging from 3.25 percent to 4.25 percent and are payable through 2023. The bonds were issued to partially defease the City's Building Authority bonds.
- Oakland County issued \$11,500,000 of bonds on behalf of the Tax Increment Financing Authority (TIFA); there is a contractual agreement with the county that the TIFA will make the bond payments. The bonds carry interest rates ranging from 5.00 percent to 5.40 percent and are payable through 2024. The bonds were issued to eliminate the cumulative deficit of the TIFA.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

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

As previously discussed, the General Fund deficit has been reduced from \$31.7 million to \$4.1 million for the year ended June 30, 2006. The City will file a revised deficit elimination plan with the State of Michigan in February 2007, which will include the following plan to eliminate the deficit:

- 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 effect 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 nonunion management personnel
- Proposed reductions in longevity benefits, with complete elimination by 2008
- Change the monitoring system for vacation time accumulation to eliminate overruns
- Property tax increases to fund police, senior activities, library operations, and recreation (voter approved November 2006)
- Use of Sanitation Fund fund balance from landfill operating fees to fund General Fund expenditures
- Personnel reductions from layoffs and attrition

Balancing the budget and eliminating the deficit is the highest priority of the mayor and council for the upcoming year.

### 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, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 23,259,058	\$ 5,419,599	\$ 28,678,657	\$ 4,298,281
Receivables - Net:				
Property and income taxes	3,855,370	75,441	3,930,811	57,452
Customer receivables	-	6,467,503	6,467,503	-
Special assessments receivable	681,869	91,685	773,554	-
Other receivables	3,242,914	13,948	3,256,862	238,515
Internal balances	(6,328,305)	6,328,305	-	-
Due from primary government	-	-	-	4,315,638
Due from other governmental units	8,263,975	-	8,263,975	-
Prepaid and other assets	1,421,057	-	1,421,057	-
Restricted assets (Note 8)	3,731,449	2,147,786	5,879,235	-
Long-term lease receivable (Note 15)	12,312,220	-	12,312,220	40,810,000
Capital assets (Note 5):				
Nondepreciable capital assets	29,428,585	4,421,614	33,850,199	12,683,844
Depreciable capital assets - Net	55,326,992	46,729,302	102,056,294	10,568,916
Total assets	135,195,184	71,695,183	206,890,367	72,972,646

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Net Assets (Continued) June 30, 2006

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Liabilities</b>				
Accounts payable	\$ 4,960,182	\$ 1,198,527	\$ 6,158,709	\$ 93,081
Other accrued liabilities	8,041,663	408,654	8,450,317	309,577
Deposits	1,232,524	23,867	1,256,391	114,328
Due to component units	4,315,638	-	4,315,638	-
Due to other governmental units	565,482	-	565,482	-
Accrued interest payable	-	243,355	243,355	-
Deferred revenue	11,020,324	-	11,020,324	612,606
Long-term liabilities (Note 7):				
Due within one year	4,832,005	2,000,000	6,832,005	3,635,000
Due within one year - Payable from restricted assets	-	590,000	590,000	-
Due in more than one year	48,613,467	8,285,000	56,898,467	95,228,444
Total liabilities	<u>83,581,285</u>	<u>12,749,403</u>	<u>96,330,688</u>	<u>99,993,036</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	75,264,458	42,775,916	118,040,374	23,252,760
Restricted for:				
Streets	403,237	-	403,237	-
Sanitation	1,598,329	-	1,598,329	-
Drains	836,285	-	836,285	-
Grants	1,341,515	-	1,341,515	-
Capital projects	9,056,709	-	9,056,709	-
Cemetery endowment	991,960	-	991,960	-
Cable television	532,309	-	532,309	-
Water and sewer bond reserves	-	2,147,786	2,147,786	-
Revolving loan program	-	-	-	1,097,313
Unrestricted (deficit)	(38,410,903)	14,022,078	(24,388,825)	(51,370,463)
Total net assets	<u>\$ 51,613,899</u>	<u>\$ 58,945,780</u>	<u>\$ 110,559,679</u>	<u>\$ (27,020,390)</u>



# City of Pontiac, Michigan

## Statement of Activities Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 16,726,065	\$ 259,332	\$ -	\$ -	\$ (16,466,733)
Public safety	32,247,640	2,501,486	390,369	-	(29,355,785)
Public works	13,286,998	2,256,197	5,500,240	953,717	(4,576,844)
Community and human services	4,935,355	164,262	3,346,251	-	(1,424,842)
Interest on long-term debt	1,654,131	-	-	-	(1,654,131)
Total governmental activities	68,850,189	5,181,277	9,236,860	953,717	(53,478,335)
Business-type activities:					
Water	13,296,328	12,621,988	-	-	(674,340)
Sewer	10,987,933	10,543,005	-	-	(444,928)
Parking	1,988,971	1,034,154	-	-	(954,817)
Golf course	1,030,322	820,905	-	-	(209,417)
Total business-type activities	27,303,554	25,020,052	-	-	(2,283,502)
Total primary government	<u>\$ 96,153,743</u>	<u>\$ 30,201,329</u>	<u>\$ 9,236,860</u>	<u>\$ 953,717</u>	<u>\$ (55,761,837)</u>
Component units:					
Tax Increment Financing Authority	\$ 7,226,618	\$ -	\$ -	\$ -	(7,226,618)
Downtown Development Authority	657,796	-	-	-	(657,796)
Economic Development Corporation	130,115	-	22,732	1,404,323	1,296,940
Brownfield Redevelopment Authority	165,996	-	-	-	(165,996)
Pontiac Silverdome	4,554,395	2,860,105	-	-	(1,694,290)
Pontiac Hospital Finance Authority	2,523,300	-	-	-	(2,523,300)
Total component units	<u>\$ 15,258,220</u>	<u>\$ 2,860,105</u>	<u>\$ 22,732</u>	<u>\$ 1,404,323</u>	<u>\$ (10,971,060)</u>

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Activities (Continued) Year Ended June 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net expense from previous page	\$ (53,478,335)	\$ (2,283,502)	\$ (55,761,837)	\$ (10,971,060)
General revenues:				
Property taxes	18,647,635	4,613,809	23,261,444	9,263,853
Income taxes	14,893,186	-	14,893,186	-
State-shared revenues	12,459,975	-	12,459,975	-
Rental income	320,546	-	320,546	2,523,300
Unrestricted investment earnings	1,468,606	361,843	1,830,449	192,250
Unrestricted cable revenue	480,571	-	480,571	-
Contribution from component units	665,335	-	665,335	-
Miscellaneous	554,692	323,103	877,795	211,755
Total general revenues	49,490,546	5,298,755	54,789,301	12,191,158
Transfers	163,968	(163,968)	-	-
Special item - Transfer from primary government to component units for return of unspent contributions (Note 17)	(843,293)	-	(843,293)	843,293
Total general revenues, transfers, and special items	48,811,221	5,134,787	53,946,008	13,034,451
<b>Change in Net Assets</b>	(4,667,114)	2,851,285	(1,815,829)	2,063,391
<b>Net Assets - Beginning of year, as restated (Note 16)</b>	56,281,013	56,094,495	112,375,508	(29,083,781)
<b>Net Assets - End of year</b>	<b>\$ 51,613,899</b>	<b>\$ 58,945,780</b>	<b>\$ 110,559,679</b>	<b>\$ (27,020,390)</b>

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 10,292	\$ 17,897,376	\$ 17,907,668
Receivables - Net (Note 4):			
Property and income taxes	3,767,337	88,033	3,855,370
Special assessments receivable	681,869	-	681,869
Other receivables	1,375,540	329,349	1,704,889
Due from other governmental units	3,922,007	4,341,968	8,263,975
Inventory	1,740	19,382	21,122
Due from other funds - Advances (Note 6)	1,531,618	83,507	1,615,125
Lease receivable (Note 15)	10,627,220	-	10,627,220
Restricted cash and cash equivalents (Note 8)	-	3,731,449	3,731,449
<b>Total assets</b>	<b>\$ 21,917,623</b>	<b>\$ 26,491,064</b>	<b>\$ 48,408,687</b>

(Continued on next page)

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet (Continued) June 30, 2006

	Major Fund		Nonmajor Governmental Funds		Total Governmental Funds
	General Fund				Funds
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,935,344	\$	1,885,298	\$	4,820,642
Other accrued liabilities	-		584		584
Deposits	1,232,524		-		1,232,524
Due to other funds	-		834,479		834,479
Due to other funds - Advances	3,104,165		4,004,786		7,108,951
Due to component units - Advances	4,315,638		-		4,315,638
Due to other governmental units	500,802		64,680		565,482
Deferred revenue	13,942,353		2,273,091		16,215,444
Total liabilities	26,030,826		9,062,918		35,093,744
<b>Fund Balances (Deficit)</b>					
Reserved for:					
Endowment	-		991,960		991,960
Landfill postclosure costs	-		2,891,092		2,891,092
Special projects	64,000		-		64,000
Unreserved, reported in:					
General Fund	(4,177,203)		-		(4,177,203)
Special Revenue Funds	-		4,400,968		4,400,968
Capital Projects Funds	-		9,144,126		9,144,126
Total fund balances (deficit)	(4,113,203)		17,428,146		13,314,943
Total liabilities and fund balances (deficit)	\$ 21,917,623	\$	26,491,064	\$	48,408,687

# City of Pontiac, Michigan

## Governmental Funds Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities Year Ended June 30, 2006

<b>Fund Balance - Total Governmental Funds</b>	\$	13,314,943
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		83,516,046
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		1,685,000
Accrued interest on long-term debt is not included in the governmental funds but is included in the government-wide statement		(315,658)
Long-term liabilities are not due and payable in the current period and are not reported in the funds		(53,445,472)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds		5,195,120
Internal Service Funds are included as part of governmental activities		1,663,920
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b>51,613,899</b>

# City of Pontiac, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	Major Fund - General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Taxes	\$ 28,510,813	\$ 4,569,347	\$ 33,080,160
Licenses and permits	1,851,041	-	1,851,041
Federal sources	95,306	4,091,721	4,187,027
State sources	13,039,744	5,632,324	18,672,068
Charges for services	1,600,742	1,559,242	3,159,984
Fines and forfeitures	90,289	1,916,794	2,007,083
Investment income	925,568	471,739	1,397,307
Rental income	320,546	-	320,546
Contribution from component units	-	9,421,094	9,421,094
Other	927,847	919,466	1,847,313
Total revenue	47,361,896	28,581,727	75,943,623
<b>Expenditures</b>			
Current:			
General government	2,921,608	53,538	2,975,146
District court	-	3,408,657	3,408,657
Public safety	30,917,218	590,869	31,508,087
Public works and utilities	4,008,768	8,781,141	12,789,909
Community development	1,986,765	2,965,276	4,952,041
Community and human services	1,958,065	21,763	1,979,828
General and special programs	7,758,783	1,956,354	9,715,137
Commercial and industrial development	-	317,712	317,712
Debt service	559,411	2,848,253	3,407,664
Total expenditures	50,110,618	20,943,563	71,054,181
<b>Excess of Revenue Over (Under) Expenditures</b>	(2,748,722)	7,638,164	4,889,442
<b>Other Financing Sources (Uses)</b>			
Issuance of debt	27,640,000	5,287,500	32,927,500
Bond premium	1,068,700	-	1,068,700
Forgiveness of debt	124,122	87,794	211,916
Transfers in	4,952,761	5,367,858	10,320,619
Transfers out	(3,452,517)	(6,557,215)	(10,009,732)
Deposit with escrow agent for bond defeasance	-	(8,027,477)	(8,027,477)
Total other financing sources (uses)	30,333,066	(3,841,540)	26,491,526
<b>Special Item</b> - Return of unspent contributions to component units (Note 17)	-	(843,293)	(843,293)
<b>Net Change in Fund Balances</b>	27,584,344	2,953,331	30,537,675
<b>Fund Balances</b> - Beginning of year	(31,697,547)	14,474,815	(17,222,732)
<b>Fund Balances</b> - End of year	<b>\$ (4,113,203)</b>	<b>\$ 17,428,146</b>	<b>\$ 13,314,943</b>

# 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, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 30,537,675
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	2,374,430
Depreciation reported in the statement of activities	(4,795,275)
Loss on disposal of fixed assets	(480,387)
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	176,200
Certain revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	(70,320)
Proceeds from the issuance of debt is recorded as other financing sources in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(34,195,212)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,677,237
Amortization of bond discount is not recorded in governmental funds; in the statement of activities, this is recorded as an adjustment to interest expense	(272,134)
Interest expense is recorded when incurred in the statement of activities	(379,854)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	771,727
Internal Service Funds are also included as governmental activities	(11,201)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (4,667,114)</u></b>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2006

	Major Funds			Nonmajor Fund		Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund			
<b>Assets</b>							
Current assets:							
Cash and cash equivalents (Note 3)	\$ 4,310,453	\$ 1,097,943	\$ 4,684	\$ 6,519	\$ 5,419,599	\$ 5,351,390	
Receivables - Net (Note 4):							
Customer receivables	3,384,287	3,083,216	-	-	6,467,503	-	
Taxes receivable	-	-	75,441	-	75,441	-	
Other receivables	-	-	13,948	-	13,948	1,538,025	
Due from other funds	-	19,354	-	-	19,354	-	
Prepaid and other assets	-	-	-	-	-	1,399,935	
Special assessments receivable	17,339	74,346	-	-	91,685	-	
Total current assets	<u>7,712,079</u>	<u>4,274,859</u>	<u>94,073</u>	<u>6,519</u>	<u>12,087,530</u>	<u>8,289,350</u>	
Noncurrent assets:							
Restricted cash and cash equivalents	893,480	1,254,306	-	-	2,147,786	-	
Due from other funds - Advances (Note 6)	3,104,165	3,204,786	-	-	6,308,951	-	
Nondepreciable capital assets (Note 5)	195,436	325,964	3,166,454	733,760	4,421,614	-	
Depreciable capital assets - Net (Note 5)	9,956,789	20,911,041	13,353,095	2,508,377	46,729,302	1,239,531	
Total noncurrent assets	<u>14,149,870</u>	<u>25,696,097</u>	<u>16,519,549</u>	<u>3,242,137</u>	<u>59,607,653</u>	<u>1,239,531</u>	
Total assets	21,861,949	29,970,956	16,613,622	3,248,656	71,695,183	9,528,881	

(Continued on next page)



# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets (Continued) June 30, 2006

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 836,873	\$ 342,878	\$ 12,373	\$ 6,403	\$ 1,198,527	\$ 139,540
Accrued and other liabilities	95,253	285,078	28,207	116	408,654	7,725,421
Deposits	-	-	23,867	-	23,867	-
Current portion of long-term debt	-	-	2,000,000	-	2,000,000	-
Total current liabilities	932,126	627,956	2,064,447	6,519	3,631,048	7,864,961
Noncurrent liabilities (Note 7):						
Payable from restricted assets:						
Accrued interest on long-term debt	102,565	140,790	-	-	243,355	-
Current portion of long-term debt	240,000	350,000	-	-	590,000	-
Long-term debt - Net of current portion	3,120,000	4,665,000	500,000	-	8,285,000	-
Total liabilities	4,394,691	5,783,746	2,564,447	6,519	12,749,403	7,864,961
<b>Net Assets</b>						
Investment in capital assets - Net of related debt	6,792,225	16,222,005	16,519,549	3,242,137	42,775,916	1,239,531
Restricted	893,480	1,254,306	-	-	2,147,786	-
Unrestricted	9,781,553	6,710,899	(2,470,374)	-	14,022,078	424,389
Total net assets	<b>\$ 17,467,258</b>	<b>\$ 24,187,210</b>	<b>\$ 14,049,175</b>	<b>\$ 3,242,137</b>	<b>\$ 58,945,780</b>	<b>\$ 1,663,920</b>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2006

	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	\$ 12,621,988	\$ 10,543,005	\$ 1,034,154	\$ 820,905	\$ 25,020,052	\$ 24,279,832
Other	32,894	195,208	4,180	-	232,282	-
Total operating revenue	12,654,882	10,738,213	1,038,334	820,905	25,252,334	24,279,832
<b>Operating Expenses</b>						
Purchased water	6,521,539	-	-	-	6,521,539	-
Operations and maintenance	2,853,424	7,343,104	1,257,549	663,311	12,117,388	1,328,458
Insurance	-	-	-	-	-	21,680,542
Administrative expenses	2,913,000	1,169,007	94,000	68,700	4,244,707	577,258
Depreciation	675,287	2,024,171	546,722	297,251	3,543,431	447,347
Total operating expenses	12,963,250	10,536,282	1,898,271	1,029,262	26,427,065	24,033,605
<b>Operating Income (Loss)</b>	(308,368)	201,931	(859,937)	(208,357)	(1,174,731)	246,227
<b>Nonoperating Revenue (Expenses)</b>						
Property taxes	-	-	4,613,809	-	4,613,809	-
Interest revenue	187,708	127,172	46,963	-	361,843	71,299
Interest expense	(333,078)	(451,651)	(90,700)	(1,060)	(876,489)	-
Forgiveness of debt	-	-	90,821	-	90,821	-
Other	-	-	-	-	-	(181,808)
Total nonoperating revenue (expenses)	(145,370)	(324,479)	4,660,893	(1,060)	4,189,984	(110,509)
<b>Income (Loss) - Before transfers</b>	(453,738)	(122,548)	3,800,956	(209,417)	3,015,253	135,718
<b>Transfers</b>						
Transfers in	-	-	82,156	118,601	200,757	-
Transfers out	(64,516)	(163,461)	(5,851)	(130,897)	(364,725)	(146,919)
Total transfers in (out)	(64,516)	(163,461)	76,305	(12,296)	(163,968)	(146,919)
<b>Change in Net Assets</b>	(518,254)	(286,009)	3,877,261	(221,713)	2,851,285	(11,201)
<b>Net Assets - Beginning of year</b>	17,985,512	24,473,219	10,171,914	3,463,850	56,094,495	1,675,121
<b>Net Assets - End of year</b>	<u>\$ 17,467,258</u>	<u>\$ 24,187,210</u>	<u>\$ 14,049,175</u>	<u>\$ 3,242,137</u>	<u>\$ 58,945,780</u>	<u>\$ 1,663,920</u>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Major Funds			Nonmajor Fund		Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 11,849,432	\$ 10,200,368	\$ 1,030,608	\$ 820,905	\$ 23,901,313	\$ 24,360,780
Payments to employees	(3,886,608)	(5,125,879)	(301,240)	(214,087)	(9,527,814)	(922,167)
Payments to suppliers	(9,702,742)	(3,868,161)	(1,131,895)	(591,239)	(15,294,037)	(24,024,534)
Net cash provided by (used in) operating activities	(1,739,918)	1,206,328	(402,527)	15,579	(920,538)	(585,921)
<b>Cash Flows from Non-capital Financing Activities</b>						
Transfers from other funds	-	-	82,156	118,601	200,757	-
Transfers to other funds	(64,516)	(163,461)	(5,851)	(130,897)	(364,725)	(146,919)
Interfund loans - proceeds and collections	(1,938,885)	2,960,812	(200,832)	-	821,095	6,228,465
Component unit loans - proceeds and collections	9,050,075	-	-	-	9,050,075	-
Property taxes	-	-	4,618,781	-	4,618,781	-
Net cash provided by (used in) non-capital financing activities	7,046,674	2,797,351	4,494,254	(12,296)	14,325,983	6,081,546
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(893,667)	(2,536,798)	(18,634)	-	(3,449,099)	(349,827)
Proceeds from sale of capital assets	-	-	-	-	-	51,832
Proceeds from special assessments	3,486	2,629	-	-	6,115	-
Principal and interest paid on capital debt	(449,410)	(635,481)	(4,120,700)	-	(5,205,591)	-
Net cash provided by (used in) capital and related financing activities	(1,339,591)	(3,169,650)	(4,139,334)	-	(8,648,575)	(297,995)
<b>Cash Flows from Investing Activities -</b>						
Investment income (loss)	187,708	127,172	46,963	(1,060)	360,783	71,299
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4,154,873	961,201	(644)	2,223	5,117,653	5,268,929
<b>Cash and Cash Equivalents - Beginning of year</b>	1,049,060	1,391,048	5,328	4,296	2,449,732	82,461
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,203,933</b>	<b>\$ 2,352,249</b>	<b>\$ 4,684</b>	<b>\$ 6,519</b>	<b>\$ 7,567,385</b>	<b>\$ 5,351,390</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>						
Cash and cash equivalents	\$ 4,310,453	\$ 1,097,943	\$ 4,684	\$ 6,519	\$ 5,419,599	\$ 5,351,390
Restricted cash and cash equivalents (Note 8)	893,480	1,254,306	-	-	2,147,786	-
Total cash and cash equivalents	<b>\$ 5,203,933</b>	<b>\$ 2,352,249</b>	<b>\$ 4,684</b>	<b>\$ 6,519</b>	<b>\$ 7,567,385</b>	<b>\$ 5,351,390</b>

(Continued on next page)

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2006

	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)	\$ (308,368)	\$ 201,931	\$ (859,937)	\$ (208,357)	\$ (1,174,731)	\$ 246,227
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	675,287	2,024,171	546,722	297,251	3,543,431	447,347
Changes in assets and liabilities:						
Accounts receivable	(805,450)	(537,845)	(7,726)	-	(1,351,021)	80,948
Inventory and supplies	-	-	-	-	-	(1,368,034)
Accounts payable	(1,183,466)	(542,376)	(78,609)	(23,878)	(1,828,329)	20,268
Accrued liabilities	(117,921)	60,447	7,395	(49,437)	(99,516)	(12,677)
Deposits	-	-	(10,372)	-	(10,372)	-
Net cash provided by (used in) operating activities	<u>\$ (1,739,918)</u>	<u>\$ 1,206,328</u>	<u>\$ (402,527)</u>	<u>\$ 15,579</u>	<u>\$ (920,538)</u>	<u>\$ (585,921)</u>

**Noncash Transactions:** During the year the City restructured a current liability into long-term debt. The liability is spread over several funds, one of which is the Parking Fund. As part of the restructuring, \$90,821 of the liability recorded in the Parking Fund was forgiven and \$4,500,000 was converted into long-term debt.

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2006

	Pension and Other Employee Benefits Trust	
	Funds (1)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 201,119	\$ 4,834,312
Cash and investments held as collateral for securities lending	72,067,517	-
Investments:		
Money markets and mutual funds	43,747,774	-
Preferred securities	145,677	-
Convertible securities	75,000	-
U.S. government obligations	38,220,516	-
Corporate and other bonds	109,674,778	-
Equities	419,176,898	-
U.S. government agency mortgage pools	65,736,706	-
Real estate	30,690,401	-
Interest in CAP Commercial Mortgage, LLC	4,734,972	-
Due from broker pending transactions	278,930	-
Accrued interest receivable	2,286,643	-
Receivables - Other	169,933	868,378
	787,206,864	<b>\$ 5,702,690</b>
<b>Liabilities</b>		
Accounts payable	1,817,058	\$ -
Amount due broker under securities lending agreement	72,067,517	-
Due to other governmental units	-	2,761,223
Accrued liabilities	-	2,705,255
Deposits	-	236,212
	73,884,575	<b>\$ 5,702,690</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 713,322,289</b>	

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2005.

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2006

	Pension and Other Employee Benefits Trust Funds (1)
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 16,857,759
Net increase in fair value of investments	25,702,693
Less investment expenses	<u>(2,974,902)</u>
Net investment income	39,585,550
Securities lending income:	
Interest and fees	2,285,245
Less borrower rebates and bank fees	<u>(2,167,011)</u>
Net securities lending income	118,234
Contributions:	
Employer	6,133,437
Employee	<u>404,644</u>
Total contributions	<u>6,538,081</u>
Total additions	46,241,865
<b>Deductions</b>	
Retiree pension benefit payments	29,090,679
Retiree health benefit payments	1,466,072
Member refunds and withdrawals	355,021
Other expenses	624,251
Administrative expenses	<u>506,452</u>
Total deductions	<u>32,042,475</u>
<b>Net Increase in Net Assets Held in Trust</b>	14,199,390
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>699,122,899</u>
End of year	<b><u>\$ 713,322,289</u></b>

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2005.

# City of Pontiac, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2006

	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	\$ 1,917,794	\$ 200	\$ 1,728,655	\$ 384,291	\$ 267,341	\$ -	\$ 4,298,281
Receivables - Net:							
Property taxes	20,328	37,124	-	-	-	-	57,452
Other receivables	71,155	-	160,336	-	7,024	-	238,515
Due from primary government	-	-	-	-	4,315,638	-	4,315,638
Total current assets	2,009,277	37,324	1,888,991	384,291	4,590,003	-	8,909,886
Noncurrent assets:							
Due from other component units - Advances	1,066,287	-	-	-	-	-	1,066,287
Long-term lease receivable (Note 15)	-	-	-	-	-	40,810,000	40,810,000
Nondepreciable capital assets	-	-	7,004,644	-	5,679,200	-	12,683,844
Depreciable capital assets - Net	-	-	-	-	10,568,916	-	10,568,916
Total noncurrent assets	1,066,287	-	7,004,644	-	16,248,116	40,810,000	65,129,047
Total assets	3,075,564	37,324	8,893,635	384,291	20,838,119	40,810,000	74,038,933

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Net Assets (Deficit) (Continued) June 30, 2006

	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	\$ -	\$ 4,475	\$ 283	\$ 168	\$ 88,155	\$ -	\$ 93,081
Accrued liabilities	309,577	-	-	-	-	-	309,577
Deposits	-	5,500	8,828	-	100,000	-	114,328
Due to other component units - Advances	-	1,066,287	-	-	-	-	1,066,287
Deferred revenue	-	-	612,606	-	-	-	612,606
Total current liabilities	309,577	1,076,262	621,717	168	188,155	-	2,195,879
Noncurrent liabilities:							
Due within one year	2,315,000	-	-	-	-	1,320,000	3,635,000
Due in more than one year	55,738,444	-	-	-	-	39,490,000	95,228,444
Total noncurrent liabilities	58,053,444	-	-	-	-	40,810,000	98,863,444
Total liabilities	58,363,021	1,076,262	621,717	168	188,155	40,810,000	101,059,323
<b>Net Assets (Deficit)</b>							
Invested in capital assets - Net of related debt	-	-	7,004,644	-	16,248,116	-	23,252,760
Restricted for revolving loans	-	-	1,097,313	-	-	-	1,097,313
Unrestricted	(55,287,457)	(1,038,938)	169,961	384,123	4,401,848	-	(51,370,463)
Total net assets (deficit)	<b>\$ (55,287,457)</b>	<b>\$ (1,038,938)</b>	<b>\$ 8,271,918</b>	<b>\$ 384,123</b>	<b>\$ 20,649,964</b>	<b>\$ -</b>	<b>\$ (27,020,390)</b>



# City of Pontiac, Michigan

## Component Units Statement of Activities Year Ended June 30, 2006

	Program Revenues				Net Revenue (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental activities:					
Tax Increment Financing Authority:					
Commercial and industrial development	\$ 3,188,407	\$ -	\$ -	\$ -	\$ (3,188,407)
Interest on long-term debt	4,038,211	-	-	-	(4,038,211)
Total Tax Increment Financing Authority	7,226,618	-	-	-	(7,226,618)
Downtown Development Authority -					
Commercial and industrial development	657,796	-	-	-	(657,796)
Economic Development Corporation -					
Commercial and industrial development	130,115	-	22,732	1,404,323	1,296,940
Brownfield Redevelopment Authority -					
Commercial and industrial development	165,996	-	-	-	(165,996)
Total governmental activities	8,180,525	-	22,732	1,404,323	(6,753,470)
Business-type activities:					
Pontiac Silverdome	4,554,395	2,860,105	-	-	(1,694,290)
Pontiac Hospital Finance Authority	2,523,300	-	-	-	(2,523,300)
Total business-type activities	7,077,695	2,860,105	-	-	(4,217,590)
Total component units	<b>\$ 15,258,220</b>	<b>\$ 2,860,105</b>	<b>\$ 22,732</b>	<b>\$ 1,404,323</b>	<b>\$ (10,971,060)</b>

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Activities (Continued) Year Ended June 30, 2006

	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	\$ (7,226,618)	\$ (657,796)	\$ 1,296,940	\$ (165,996)	\$ (1,694,290)	\$ (2,523,300)	\$ (10,971,060)
General revenues:							
Property taxes	8,480,170	715,991	-	67,692	-	-	9,263,853
Rental income	-	-	-	-	-	2,523,300	2,523,300
Unrestricted investment earnings	(3,084)	(14,953)	40,008	8,843	161,436	-	192,250
Miscellaneous	79,618	7,413	112,138	-	12,586	-	211,755
Total general revenues	8,556,704	708,451	152,146	76,535	174,022	2,523,300	12,191,158
Special item - Transfer from primary government to component unit for return of unspent contributions	843,293	-	-	-	-	-	843,293
<b>Change in Net Assets (Deficit)</b>	2,173,379	50,655	1,449,086	(89,461)	(1,520,268)	-	2,063,391
<b>Net Assets (Deficit) - Beginning of year</b>	(57,460,836)	(1,089,593)	6,822,832	473,584	22,170,232	-	(29,083,781)
<b>Net Assets (Deficit) - End of year</b>	<b>\$ (55,287,457)</b>	<b>\$ (1,038,938)</b>	<b>\$ 8,271,918</b>	<b>\$ 384,123</b>	<b>\$ 20,649,964</b>	<b>\$ -</b>	<b>\$ (27,020,390)</b>

## **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 12 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 the mayor's 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 they 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.

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

### **Blended Component Units, Continued**

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 of the City of Pontiac, the finance director of the City of Pontiac, a fire trustee, a police trustee, 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 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 one 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 I - 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 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 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 that the Authority has issued, or is contemplating issuing, bonds for their benefit. 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 2005 tax is levied and collectible on July 1, 2005 and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 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, 2.8183 mills for refuse collection and disposal, 1.4091 mills for capital improvement, and 4.3 mills for debt service. This resulted in \$12.1 million for operating, \$3.0 million for refuse collection and disposal, \$1.5 million for capital improvement, and \$4.6 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 not in compliance 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 \$7.4 million in amounts due to other funds and component units of the City related to cash flows for operations. There are no formal repayment terms or interest provisions in place as of June 30, 2006; however, there are plans to execute agreements subsequent to year end.

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

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

Major governmental fund - General Fund	\$ (4,113,203)
Nonmajor governmental funds:	
Major Roads	(1,411,638)
Local Roads	(1,026,003)
MDEQ Grant Pontiac Creek Stormwater Plan	(17,266)
Targeted Capacity Expansion Grant	(48,856)
ML King Construction	<u>(93,126)</u>
Total nonmajor governmental funds	(2,596,889)
Major business-type fund - Parking Fund	<u>(2,470,374)</u>
Total	<u>\$ (9,180,466)</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 Police and Fire Retirement System (PFRS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 314 of 1965, as amended. The PFRS's deposits and investment policies are in accordance with statutory authority.

The General Employees' Retirement System (GERS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 314 of 1965, as amended. The GERS's deposits and investment policies are in accordance with statutory authority.

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

The Police and Fire Retirement System VEBA (PFVEBA) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in mutual or commingled funds, but not the remainder of state statutory authority as listed above. The PFVEBA deposits and investment policies are in accordance with statutory authority.

The General City Employees' Retirement System VEBA (GEVEBA) has designated one bank for the deposit of its funds. The System's deposits and investments are in accordance with statutory authority.

The City, pension funds, and other employee benefit trust funds' cash and investments are subject to several types of risk, which are examined in more detail below. The following information includes the Police and Fire Retirement System, General Employees' Retirement System, Police and Fire Retirement System VEBA, and General City Employees' Retirement System VEBA balances as of December 31, 2005 because, as disclosed in Notes 10 and 12, these funds are maintained on a calendar year basis.

### **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.

**City** - The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$12,500,000 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.

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

**Police and Fire Retirement System** - The PFRS does not have a deposit policy for custodial credit risk. At year end, the system had approximately \$1,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The PFRS 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 PFRS 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.

**General Employees' Retirement System** - The GERS does not have a deposit policy for custodial credit risk. At year end, the GERS had approximately \$1,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The GERS 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 GERS 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.

**Police and Fire Retirement System VEBA** - The PFVEBA does not have a deposit policy for custodial credit risk. At year end, the PFVEBA had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

**General City Employees' Retirement System VEBA** - The GEVEBA does not have a deposit policy for custodial credit risk. At year end, the PFVEBA had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

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

**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.

**City** - 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
Bank investment pool	\$ 6,743,275	60 days
Guaranteed investment contracts	3,340,343	1 year

**Police and Fire Retirement System** - The PFRS's investment policy restricts the average duration of an actively managed portfolio to not differ from the benchmark duration by more than 30 percent. At year end, the average maturities of investments are as follows:

Investment	Fair Market Value	Weighted Average Maturity
U.S. government agency bonds	\$ 12,022,215	10.69 years
Corporate bonds	7,254,496	3.29 years
U.S. agency mortgage pools	12,337,150	27.11 years
Other	6,158,254	.08 years

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

**General Employees' Retirement System** - The GERS's investment policy restricts the average duration of an actively managed portfolio not to exceed seven years. At year end, the average maturities of investments are as follows:

Investment	Fair Market Value	Weighted Average Maturity
Asset-backed securities	\$ 2,966,645	4.47 years
CMBS	2,492,750	22.73 years
CMO Corporate	5,640,729	29.94 years
CMO government agencies	9,512,867	18.41 years
Commercial mortgages	523,145	25.47 years
Corporate	49,163,828	7.52 years
Government	44,634,978	9.72 years
Other	9,089,281	0.08 years
U.S. government mortgages	31,216,706	25.60 years
U.S. private placements	2,149,535	8.31 years

**Police and Fire Retirement System VEBA** - The PFVEBA's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual fund	\$ 3,901,494	5.7 years

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

**General City Employees' Retirement System VEBA** - The System does not have an investment policy that restricts investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual fund	\$ 1,553,331	7.1 years

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

**City** - 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
Bank investment pool	\$ 1,263,022	AAA	Standard & Poor's
Bank investment pool	6,743,275	AAA <sub>m</sub>	Standard & Poor's
Guaranteed investment contracts	3,340,343	A+	Standard & Poor's
Bank investment pool	21,160,343	Not Rated	N/A

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

**Police and Fire Retirement System** - The PFRS's investment policy limits investments in domestic fixed-income securities to not less than a B rating for an overall average quality of each high-yield portfolio; the overall quality rating of each high-grade portfolio must be AA or an equivalent rating; for domestic equity investments, the securities must be the equivalent of Standard & Poor's A1 or Moody's P-1; for global bonds, the overall average quality must be AA or higher. As of year end, the credit quality ratings of debt securities are as follows:

Investment Type	Fair Market Value	Moody's Rating
Corporates and other credit	\$ 32,692,356	Unrated
Corporates and other credit	2,706,283	A1
Corporates and other credit	992,407	A2
Corporates and other credit	1,050,266	AA1
Corporates and other credit	1,919,490	AA3
Corporates and other credit	686,261	AAA
Government	11,150,057	UST
Government	1,054,169	AA2
U.S. fixed income funds	5,016,700	Unrated
U.S. government mortgages	12,398,010	AGY

**General Employees' Retirement System** - The GERS's investment policy limits investments in domestic fixed-income securities to not less than a B rating for an overall average quality of each high-yield portfolio; the overall quality rating of each high-grade portfolio must be AA or an equivalent rating; for domestic equity investments, the securities must be the equivalent of Standard & Poor's A1 or Moody's P-1; for global bonds, the overall average quality must be AA or higher. As of year end, the credit quality ratings of debt securities are as follows:

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

Investment Type	Fair Market Value	Moody's Rating
Asset-backed securities	\$ 2,521,341	AAA
Asset-backed securities	323,391	B1
Asset-backed securities	139,604	AGY
CMBS	2,510,407	AAA
CMO Corporate	2,901,050	Unrated
CMO Corporate	2,756,724	AAA
CMO government agencies	9,555,276	AGY
Commercial mortgages	526,038	A2
Corporates and other credit	6,619,606	A1
Corporates and other credit	4,757,098	A2
Corporates and other credit	1,560,371	A3
Corporates and other credit	4,564,941	AA1
Corporates and other credit	5,504,523	AA3
Corporates and other credit	4,123,557	AAA
Corporates and other credit	1,983,695	AGY
Corporates and other credit	3,262,161	B1
Corporates and other credit	2,593,701	B2
Corporates and other credit	531,581	B3
Corporates and other credit	1,455,198	BA1
Corporates and other credit	3,756,717	BA2
Corporates and other credit	4,900,609	BA3



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

Investment Type	Fair Market Value	Moody's Rating
Corporates and other credit	\$ 695,841	BAA1
Corporates and other credit	806,954	BAA2
Corporates and other credit	1,682,024	BAA3
Corporates and other credit	1,361,509	WR
Government	2,360,027	AA2
Government	9,099,474	AGY
Government	33,730,598	UST
Multinational Fixed Income Fund	33,333,963	Unrated
U.S. government mortgages	32,072,570	AGY
U.S. private placements	56,810	Unrated
U.S. private placements	615,336	B1
U.S. private placements	654,453	B2
U.S. private placements	58,836	B3
U.S. private placements	35,640	BA1
U.S. private placements	359,450	BA2
U.S. private placements	496,470	BA3

**Police and Fire Retirement System VEBA** - The PFVEBA 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:

Investment	Fair Value	Rating	Rating Organization
Mutual fund	\$ 23,409	AAA	S&P
Mutual fund	42,916	AA	S&P
Mutual fund	152,158	A	S&P
Mutual fund	495,490	BBB	S&P
Mutual fund	468,179	BB	S&P
Mutual fund	35,113	B	S&P
Mutual fund	89,734	Not rated	N/A

## Note 3 - Deposits and Investments (Continued)

**General City Employees' Retirement System VEBA** - The GEVEBA has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual fund	\$ 1,198,395	AAA	S&P
Mutual fund	79,065	AA	S&P
Mutual fund	139,644	A	S&P
Mutual fund	134,052	BBB	S&P
Mutual fund	2,175	Unrated	N/A

### Concentration of Credit Risk

**City** - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in guaranteed investment contracts; these investments are 10.28 percent of the City's total investments.

**Police and Fire Retirement System** - The PFRS's investment policy states that an investment manager may not have an investment in one single issuer in excess of 5 percent of that manager's total assets without written consent of the board. The investment in CAPROC, totaling approximately \$14,681,000, represents more than 5 percent of the Retirement System's net assets. Two of the 12 members on the CAPROC board are police and fire trustees.

**General Employees' Retirement System** - The GERS places no limit on the amount it may invest in any one issuer. The investment in CAPROC, totaling approximately \$11,693,000, represents approximately 2.7 percent of the GERS's net assets. Two of the 12 members on the CAPROC board are General Employees' Retirement System trustees.

**Police and Fire Retirement System VEBA** - The PFVEBA places no limit on the amount the district may invest in any one issuer; there is no concentration of credit risk to disclose.

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

**General City Employees' Retirement System VEBA** - The GEVEBA places no limit on the amount the district may invest in any one issuer; there is no concentration of credit risk to disclose.

### **Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates.

**City** - The City does not have any securities subject to foreign currency risk.

**Police and Fire Retirement System** - The PFRS limits total assets in international equities and mutual funds to 14 percent of the total pension systems market value. The internal equities and mutual funds of the police and fire pension plan were denominated in U.S. currency. Accordingly, there were no securities subject to foreign currency risk.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the PFRS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The PFRS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2006, only United States currency was received as collateral.

The PFRS did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

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

The PFRS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2005 was 56 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2005, the PFRS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the PFRS as of December 31, 2005 was \$19,209,862 and \$18,614,101, respectively.

**General Employees' Retirement System** - The GERS limits total assets in international equities and fixed income funds to 19 percent of the total pension systems' market value. The following securities are subject to foreign currency risk:

	Fair Market Value	Mutual Funds	Equity
Australian Dollar	\$ 1,097,665	\$ 1,943	\$ 1,095,722
Brazil Real	48,670	469	48,201
British Pound Sterling	6,511,828	14,913	6,496,915
Bulgarian Lev	12,834	-	12,834
Canadian Dollar	96,753	118	96,635
Czech Koruna	122,923	-	122,923
Danish Krone	423,880	41	423,839
Estonia Kroon	36,744	-	36,744
Euro Currency Unit	17,628,568	11,082	17,617,486
Hong Kong Dollar	404,966	-	404,966
Hungarian Forint	260,244	1,125	259,119
Indonesian Rupian	187,867	-	187,867
Japanese Yen	8,083,879	2,012	8,081,867

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

	Fair Market Value	Mutual Funds	Equity
Mexican New Peso	\$ 219,543	\$ 1,378	\$ 218,165
New Turkish Lira	2,243,316	-	2,243,316
New Zealand Dollar	68,797	6,291	62,506
Norwegian Krone	964,600	-	964,600
Philippines Peso	98,764	1,061	97,703
Polish Zloty	2,033,202	-	2,033,202
Romanian Leu	266,777	-	266,777
Russian Rubel (New)	92,762	-	92,762
S. African Comm Rand	1	1	-
Singapore Dollar	42,380	1,692	40,688
South Korean Won	551,103	-	551,103
Swedish Krona	1,794,561	-	1,794,561
Swiss Franc	3,648,464	114,996	3,533,468

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the GERS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The GERS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2006, only United States currency was received as collateral.

The GERS did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

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

The GERS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2005 was 56 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2005, the GERS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the GERS as of December 31, 2005 was \$52,857,655 and \$51,084,831, respectively.

**Police and Fire Retirement System VEBA** - The PFVEBA does not have any securities subject to foreign currency risk.

**General City Employees' Retirement System VEBA** - The GEVEBA does not have any securities subject to foreign currency risk.

**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	Enterprise	Enterprise		
	General Fund	Fund - Water Fund	Fund - Sewer Fund	Fund - Parking Fund		
Receivables:						
Taxes	\$ 4,367,337	\$ -	\$ -	\$ 305,441	\$ 358,033	\$ 5,030,811
Accounts	-	3,384,287	3,083,216	-	-	6,467,503
Special assessments	681,869	17,339	74,346	-	-	773,554
Intergovernmental	3,922,007	-	-	-	4,341,968	8,263,975
Other	1,375,540	-	-	13,948	1,867,374	3,256,862
Less allowance for uncollectibles	(600,000)	-	-	(230,000)	(270,000)	(1,100,000)
Net receivables	<u>\$ 9,746,753</u>	<u>\$ 3,401,626</u>	<u>\$ 3,157,562</u>	<u>\$ 89,389</u>	<u>\$ 6,297,375</u>	<u>\$ 22,692,705</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
	Unavailable	Unearned	Total	Activities
				Unearned
Delinquent property taxes and payments in lieu of taxes	\$ 328,558	\$ -	\$ 328,558	\$ -
Income tax receivables	1,904,773	-	1,904,773	-
Weed cutting receivables	681,869	-	681,869	-
Sanitation receivables	158,059	-	158,059	-
Road maintenance receivables	90,457	-	90,457	-
Grant receivables	1,460,133	-	1,460,133	-
Other receivables	571,271	-	571,271	-
Capital lease receivable	-	10,627,220	10,627,220	10,627,220
Grant payments received prior to meeting all eligibility requirements	-	393,104	393,104	393,104
<b>Total</b>	<b>\$ 5,195,120</b>	<b>\$ 11,020,324</b>	<b>\$ 16,215,444</b>	<b>\$ 11,020,324</b>



### Note 5 - Capital Assets

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

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Governmental Activities</b>				
Other governmental capital assets:				
Capital assets not being depreciated:				
Land	\$ 16,069,971	\$ 215,149	\$ (96,289)	\$ 16,188,831
Construction in progress	32,912,430	1,433,790	(21,106,466)	13,239,754
Subtotal	48,982,401	1,648,939	(21,202,755)	29,428,585
Capital assets being depreciated:				
Streets and bridges	34,481,253	501,216	-	34,982,469
Land improvements	5,628,467	-	-	5,628,467
Buildings and improvements	24,422,417	162,241	21,106,466	45,691,124
Equipment	13,982,064	16,065	(2,011,606)	11,986,523
Vehicles	11,874,547	222,169	(16,334)	12,080,382
Furniture and fixtures	8,341,488	-	-	8,341,488
Subtotal	98,730,236	901,691	19,078,526	118,710,453
Accumulated depreciation:				
Streets and bridges	3,552,089	1,884,239	-	5,436,328
Land improvements	4,020,165	517,325	-	4,537,490
Buildings and improvements	22,059,765	1,164,642	-	23,224,407
Equipment	12,578,851	623,342	(1,627,508)	11,574,685
Vehicles	11,149,456	375,472	(16,334)	11,508,594
Furniture and fixtures	8,111,233	230,255	-	8,341,488
Subtotal	61,471,559	4,795,275	(1,643,842)	64,622,992
Net capital assets being depreciated	<u>37,258,677</u>	<u>(3,893,584)</u>	<u>20,722,368</u>	<u>54,087,461</u>
Net other governmental capital assets	<u>\$ 86,241,078</u>	<u>\$ (2,244,645)</u>	<u>\$ (480,387)</u>	<u>\$ 83,516,046</u>

### Note 5 - Capital Assets (Continued)

Governmental Activities	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Internal Service Fund capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,022	\$ 37,580	\$ (7,022)	\$ 37,580
Equipment	1,744,770	312,247	(446,576)	1,610,441
Vehicles	1,698,922	-	(391,171)	1,307,751
Furniture and fixtures	10,618	-	-	10,618
Subtotal	3,461,332	349,827	(844,769)	2,966,390
Accumulated depreciation:				
Buildings and improvements	-	2,908	-	2,908
Equipment	565,851	218,196	(227,632)	556,415
Vehicles	1,322,799	224,916	(383,497)	1,164,218
Furniture and fixtures	1,991	1,327	-	3,318
Subtotal	1,890,641	447,347	(611,129)	1,726,859
Net capital assets being depreciated	1,570,691	(97,520)	(233,640)	1,239,531
Governmental capital assets not being depreciated	48,982,401	1,648,939	(21,202,755)	29,428,585
Net governmental capital assets being depreciated	38,829,368	(3,991,104)	20,488,728	55,326,992
Net governmental activity capital assets	\$ 87,811,769	\$ (2,342,165)	\$ (714,027)	\$ 84,755,577

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Water Fund:</b>				
Capital assets not being depreciated -				
Land	\$ 195,436	\$ -	\$ -	\$ 195,436
Capital assets being depreciated:				
Land improvements	274,027	-	-	274,027
Building and improvements	2,916,609	-	-	2,916,609
Machinery and equipment	3,208,212	893,667	629,274	4,731,153
Vehicles	1,721,719	-	-	1,721,719
Water systems	18,450,117	-	(629,274)	17,820,843
Subtotal	26,570,684	893,667	-	27,464,351
Accumulated depreciation:				
Land improvements	150,844	23,411	-	174,255
Building and improvements	1,475,186	48,208	-	1,523,394
Machinery and equipment	2,687,345	164,550	4,720	2,856,615
Vehicles	1,684,372	37,346	-	1,721,718
Water systems	10,834,528	401,772	(4,720)	11,231,580
Subtotal	16,832,275	675,287	-	17,507,562
Net capital assets being depreciated	9,738,409	218,380	-	9,956,789
Net Water Fund capital assets	9,933,845	218,380	-	10,152,225

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<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	11,475,444	-	-	11,475,444
Machinery and equipment	5,704,597	14,939	-	5,719,536
Vehicles	1,909,429	53,644	-	1,963,073
Sewer systems	42,874,754	2,468,215	-	45,342,969
Subtotal	62,121,576	2,536,798	-	64,658,374
Accumulated depreciation:				
Land improvements	98,261	2,726	-	100,987
Building and improvements	8,315,612	140,192	-	8,455,804
Machinery and equipment	5,143,156	116,779	-	5,259,935
Vehicles	1,677,448	237,326	-	1,914,774
Sewer systems	26,488,685	1,527,148	-	28,015,833
Subtotal	41,723,162	2,024,171	-	43,747,333
Net capital assets being depreciated	20,398,414	512,627	-	20,911,041
Net Sewer Fund capital assets	20,724,378	512,627	-	21,237,005

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<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	18,634	(47,500)	33,679,528
Machinery and equipment	78,976	-	-	78,976
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,751,266	18,634	(47,500)	34,722,400
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	19,872,526	536,091	(47,500)	20,361,117
Machinery and equipment	33,663	10,631	-	44,294
Vehicles	259,359	-	-	259,359
Traffic signs	57,859	-	-	57,859
Subtotal	20,870,083	546,722	(47,500)	21,369,305
Net capital assets being depreciated	13,881,183	(528,088)	-	13,353,095
Net Parking Fund capital assets	17,047,637	(528,088)	-	16,519,549

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Golf Course Fund</b>				
Capital assets not being depreciated -				
Land	\$ 733,760	\$ -	\$ -	\$ 733,760
Capital assets being depreciated:				
Land improvements	4,526,154	-	-	4,526,154
Building and improvements	909,387	-	-	909,387
Machinery and equipment	443,441	-	-	443,441
Subtotal	5,878,982	-	-	5,878,982
Accumulated depreciation:				
Land improvements	2,263,474	240,034	-	2,503,508
Building and improvements	448,513	39,753	-	488,266
Machinery and equipment	361,367	17,464	-	378,831
Subtotal	3,073,354	297,251	-	3,370,605
Net capital assets being depreciated	2,805,628	(297,251)	-	2,508,377
Net Golf Course Fund capital assets	3,539,388	(297,251)	-	3,242,137
Business-type capital assets not being depreciated	4,421,614	-	-	4,421,614
Net business-type capital assets being depreciated	46,823,634	(94,332)	-	46,729,302
Net business-type activity capital assets	\$ 51,245,248	\$ (94,332)	\$ -	\$ 51,150,916

### 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, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
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	-	(31,000)	20,166,441
Vehicles	555,372	-	(35,000)	520,372
Furniture and fixtures	4,652,649	148,800	-	4,801,449
Street and traffic signs	722,355	-	-	722,355
Scoreboard	4,397,725	-	-	4,397,725
Subtotal	81,472,924	148,800	(66,000)	81,555,724
Accumulated depreciation:				
Land improvements	6,624,718	403,201	-	7,027,919
Building and improvements	33,410,596	1,215,235	-	34,625,831
Equipment	19,434,703	175,906	(31,000)	19,579,609
Vehicles	555,372	-	(35,000)	520,372
Furniture and fixtures	4,652,649	7,440	-	4,660,089
Street and traffic signs	721,391	964	-	722,355
Scoreboard	3,630,748	219,885	-	3,850,633
Subtotal	69,030,177	2,022,631	(66,000)	70,966,808
Net capital assets being depreciated	12,442,747	(1,873,831)	-	10,568,916
Net capital assets - Silverdome	<u>\$ 18,121,947</u>	<u>\$ (1,873,831)</u>	<u>\$ -</u>	<u>\$ 16,248,116</u>
<b>Component Unit - Economic Development Corporation -</b>				
Capital assets not being depreciated - Construction in progress	<u>\$ 5,600,321</u>	<u>\$ 1,404,323</u>	<u>\$ -</u>	<u>\$ 7,004,644</u>

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

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

Governmental activities:

General government	\$ 1,468,639
Public safety	925,073
Public works	2,401,563
Internal Service Funds	<u>447,347</u>
Total governmental activities	<u>\$ 5,242,622</u>

Business-type activities:

Water	\$ 675,287
Sewer	2,024,171
Parking	546,722
Golf course	<u>297,251</u>
Total business-type activities	<u>\$ 3,543,431</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:		
Oakland Plaza project	\$ 628,174	\$ 4,885,180
CVC infrastructure improvements	<u>100,935</u>	<u>679,865</u>
Total governmental activities - Nonmajor funds	729,109	5,565,045
Business-type activities:		
Water system improvements and repairs	2,898,661	1,250,853
Sewer system improvements and repairs	<u>1,343,853</u>	<u>3,027,449</u>
Total business-type activities	<u>4,242,514</u>	<u>4,278,302</u>
Total primary government	<u>\$ 4,971,623</u>	<u>\$ 9,843,347</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	\$ 1,531,618
Nonmajor governmental funds	Nonmajor governmental funds	83,507
Water Fund	General Fund	3,104,165
Sewer Fund	Nonmajor governmental funds	<u>3,224,140</u>
Total Proprietary Funds		<u>6,328,305</u>
Total		<u>\$ 7,943,430</u>
Receivable Fund	Payable Fund	Amount
<b>Advances to/from Primary Government and Component Units</b>		
Component unit - Pontiac Silverdome	Primary government - General Fund	\$ 4,315,638
Receivable Fund	Payable Fund	Amount
<b>Advances to/from Other Component Units</b>		
Component unit - Tax Increment Financing Authority	Component unit - Downtown Development Authority	\$ 1,066,287

**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	\$ 3,333,916 *
General Fund	Nonmajor enterprise funds	118,601
Total General Fund		3,452,517
Nonmajor governmental funds	General Fund	4,829,729 ***
Nonmajor governmental funds	Parking Fund	82,156
Nonmajor governmental funds	Nonmajor governmental funds	1,645,330 **
Total nonmajor governmental funds		6,557,215
Internal Service Funds	Nonmajor governmental funds	146,919
Water Fund	Nonmajor governmental funds	64,516
Sewer Fund	Nonmajor governmental funds	163,461
Parking Fund	Nonmajor governmental funds	5,851
Nonmajor enterprise funds	Nonmajor governmental funds	130,897 **
Total		\$ 10,521,376

\* 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

\*\*\* Transfer of \$2.8 million of budget stabilization reserves and \$2 million of unrestricted funds for General Fund operations

### 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% -	\$295,000 -					
Maturing through 2008	5.35%	\$315,000	\$ 885,000	\$ -	\$ (275,000)	\$ 610,000	\$ 295,000
1995 Michigan Department of Transportation bonds							
Amount of issue - \$1,450,000		\$120,000 -					
Maturing through 2011	5.00%	\$140,000	735,000	-	(105,000)	630,000	110,000
2000 Michigan Department of Transportation bonds							
Amount of issue - \$3,200,000							
Maturing through 2006	n/a	n/a	375,000	-	(375,000)	-	-
2000 Municipal Golf Course bonds							
Amount of issue - \$6,505,000	5.965%	\$530,000 -					
Maturing through 2012		\$710,000	4,205,000	-	(500,000)	3,705,000	530,000
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, 2006

### 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% -	\$250,000 -					
Maturing through 2027	4.700%	\$315,000	\$ 9,415,000	\$ -	\$ (7,730,000)	\$ 1,685,000	\$ 250,000
Less: Unamortized Bond Discount			(272,134)	-	272,134	-	-
2006 Fiscal Stabilization Bonds							
Amount of issue - \$21,490,000	3.70% -	\$1,130,000 -					
Maturing through 2021	5.00%	\$2,050,000	-	21,490,000	-	21,490,000	-
Add: Unamortized Bond Premium			-	1,068,700	-	1,068,700	-
2006 Michigan Department of Transportation							
State Infrastructure Loan							
Amount of issue - \$937,500	3.00%	\$176,582 -					
Maturing through 2008		\$198,745	-	937,500	-	937,500	-
2006 General Motors Corporation Property Tax							
Reimbursement agreement							
Maturing in annual installments over a 10-year period, based on an economic formula	n/a	various	-	10,500,000	-	10,500,000	-
		\$53,067-					
Capital lease obligations	various	145,259	1,021,844	199,012	(422,237)	798,619	386,355
Other obligations:							
Pending litigation			1,000,000	-	-	1,000,000	-
Compensated absences, separation, and longevity accrual			6,878,213	-	(771,727)	6,106,486	3,260,650
Landfill closure and postclosure costs			1,914,167	-	-	1,914,167	-
Total governmental activities			29,157,090	34,195,212	(9,906,830)	53,445,472	4,832,005

### 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							
	n/a	n/a	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -	\$ -
2006 General Motors Corporation Property Tax Reimbursement Agreement							
Maturing in annual installments over a 10-year period, based on an economic formula							
	n/a	various	-	4,500,000	(2,000,000)	2,500,000	2,000,000
Parking Fund total			2,000,000	4,500,000	(4,000,000)	2,500,000	2,000,000
Revenue bonds:							
Water Fund:							
1995 Water Supply System							
Amount of issue - \$3,675,000							
Maturing through 2015							
	6.10% - 6.35%	\$190,000 - \$300,000	2,365,000	-	(180,000)	2,185,000	190,000
2002 Water Supply System							
Amount of issue - \$1,375,000							
Maturing through 2022							
	5.00% - 5.80%	\$50,000 - \$105,000	1,225,000	-	(50,000)	1,175,000	50,000
Less unamortized bond discount			(120,408)	-	120,408	-	-
Water Fund total			3,469,592	-	(109,592)	3,360,000	240,000

### 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%	\$170,000 -					
Maturing through 2010	6.35%	\$205,000	\$ 905,000	\$ -	\$ (160,000)	\$ 745,000	\$ 170,000
2002 Sewage Disposal System							
Amount of issue - \$5,000,000	4.75%	\$180,000 -					
Maturing through 2022	5.85%	\$385,000	4,445,000	-	(175,000)	4,270,000	180,000
Less unamortized bond discount			(160,434)	-	160,434	-	-
Sewerage Fund total			5,189,566	-	(174,566)	5,015,000	350,000
Total business-type activities			10,659,158	4,500,000	(4,284,158)	10,875,000	2,590,000
Total governmental and business-type activities			\$ 39,816,248	\$ 38,695,212	\$ (14,190,988)	\$ 64,320,472	\$ 7,422,005
Component unit debt:							
Revenue bonds:							
Tax Increment Finance Authority Area #2:							
1996 TIFA Bonds #6330							
Amount of issue - \$1,800,000	9.00%	\$75,000 -					
Maturing through 2017		\$180,000	\$ 1,420,000	\$ -	(70,000)	\$ 1,350,000	\$ 75,000
1999 TIFA Bonds #M070							
Amount of issue - \$3,655,000	9.00%	\$80,000 -					
Maturing through 2024		\$295,000	3,355,000	-	(75,000)	3,280,000	80,000
2002 TIFA Bonds #M0005							
Amount of issue - \$11,245,000	4.250%	\$215,000 -					
Maturing through 2022	5.6250%	\$1,180,000	8,350,000	-	(1,035,000)	7,315,000	1,085,000
Less unamortized bond discount			(427,674)	-	25,745	(401,929)	-

# City of Pontiac, Michigan

## Notes to Financial Statements June 30, 2006

### 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)							
Other obligations:							
Lease payable - City of Pontiac General Building Authority	4.625% - 4.700%	\$250,000 - \$315,000	\$ 9,415,000	\$ -	\$ (7,730,000)	\$ 1,685,000	\$ 295,000
County Contractual Agreement							
2006 County Building Authority Refunding Bonds Amount of issue - \$8,160,000 Maturing through 2023	3.250% - 4.250%	\$45,000 - \$2,850,000	-	8,160,000	(110,000)	8,050,000	45,000
County Contractual Agreement							
2006 County Building Authority Bonds Amount of issue - \$11,500,000 Maturing through 2026	5.00% - 5.40%	\$350,000 - \$900,000	-	11,500,000	-	11,500,000	350,000
Tax Increment Finance Authority Area #2 total							
			22,112,326	19,660,000	(8,994,255)	32,778,071	1,930,000
Revenue bonds:							
Tax Increment Finance Authority Area #3:							
2002 TIFA Bonds #M006 Amount of issue - \$28,675,000 Maturing through 2031	4.375% - 6.375%	\$385,000 - \$1,625,000	26,995,000	-	(385,000)	26,610,000	385,000
Less unamortized bond discount							
			(1,386,932)	-	52,305	(1,334,627)	-
Tax Increment Finance Authority Area #3 total							
			25,608,068	-	(332,695)	25,275,373	385,000



### 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):							
General obligation bonds:							
Tax Increment Finance Authority Area #4:							
1996 TIFA Bonds #5758							
Amount of issue - \$995,000							
Maturing through 2006							
	n/a	n/a	\$ 195,000	\$ -	\$ (195,000)	\$ -	\$ -
Revenue bonds:							
Pontiac Hospital Finance Authority:							
1993 Hospital Revenue Bonds							
Amount of issue - \$51,810,000							
Maturing through 2023							
	6.00%	\$1,320,000 - \$3,560,000	42,055,000	-	(1,245,000)	40,810,000	1,320,000
Total component unit debt			<u>\$ 89,970,394</u>	<u>\$ 19,660,000</u>	<u>\$ (10,766,950)</u>	<u>\$ 98,863,444</u>	<u>\$ 3,635,000</u>

**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
2007	\$ 1,571,355	\$ 1,579,912	\$ 3,151,267	\$ 590,000	\$ 481,081	\$ 1,071,081	\$ 3,590,000	\$ 6,013,309	\$ 9,603,309
2008	2,779,834	1,351,545	4,131,379	625,000	448,416	1,073,416	3,830,000	5,676,461	9,506,461
2009	2,351,880	1,231,757	3,583,637	655,000	413,916	1,068,916	4,020,000	5,473,544	9,493,544
2010	2,462,336	1,124,589	3,586,925	690,000	378,059	1,068,059	3,255,000	5,256,048	8,511,048
2011	2,577,956	1,006,136	3,584,092	515,000	339,227	854,227	3,490,000	5,069,874	8,559,874
2012-2016	8,583,746	3,471,594	12,055,340	2,720,000	1,197,985	3,917,985	23,365,000	21,753,147	45,118,147
2017-2021	9,529,012	1,444,500	10,973,512	2,090,000	515,880	2,605,880	27,690,000	14,641,142	42,331,142
2022-2026	-	-	-	490,000	28,228	518,228	23,540,000	5,999,645	29,539,645
2027-2031	-	-	-	-	-	-	7,820,000	1,504,819	9,324,819
Total	\$ 29,856,119	\$ 11,210,033	\$ 41,066,152	\$ 8,375,000	\$ 3,802,792	\$ 12,177,792	\$ 100,600,000	\$ 71,387,989	\$ 171,987,989

The Transportation Center debt of \$3,000,000, a governmental activity debt, has no fixed maturity date. According to an agreement with the State, 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 \$3 million liability stemming from the original construction of the Center will be waived.

Compensated absences and separation accruals of \$6,106,486 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.

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

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 99 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.

**GM Property Tax Reimbursement Agreement** - At June 30, 2005, the City had a property tax refund obligation to General Motors Corporation (GM) totaling \$15,302,737, which was recorded as a current liability. The refund obligation was a result of a 1991 settlement related to the assessed valuation of General Motors property located within the City for fiscal years 1986 through 1992. The City made no payments to GM related to this agreement through June 30, 2005.

In December 2005, the City entered into a reimbursement agreement with GM that restructured the outstanding property tax refund obligation. The agreement amended the total refund obligation to \$15,000,000, meaning that \$302,737 of the liability was forgiven. The new agreement requires an annual payment based on the following schedule:

- \$2,000,000 payable from the Parking Fund prior to January 31, 2006
- \$2,000,000 payable from the Parking Fund prior to December 10, 2006
- All future payments are payable 60 days after the receipt of the annual audit report and are based on an economic growth formula (the agreement requires no payment in any year the economic growth formula produces a negative amount)

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

The economic growth formula is determined by the increase in the sum of all property tax and income tax revenue to the City's General Fund over a baseline amount. The baseline amount will be established using the 2005/2006 audited financial statements. The amount due GM annually beginning in the City's 2007/2008 fiscal year will be the difference between the annual property tax and income tax collections and the base year multiplied by a percentage. The percentage amounts are as follows:

- 2007/2008 - 10 percent
- 2008/2009 - 15 percent
- 2009/2010 - 20 percent
- 2010 and after - 25 percent

The amount forgiven with the revised agreement was recorded as other financing sources in the following funds: \$124,122 General Fund, \$30,274 Sanitation Fund, \$90,821 Parking Fund, \$39,356 Chapter 20 Drain Fund, and \$18,164 in the Capital Improvement Fund. The agreement changes the classification of the liability from current to long-term. The change in classification is recorded in the fund-based statements as issuance of debt as follows: \$6,400,000 General Fund, \$1,500,000 Sanitation Fund, \$1,950,000 Chapter 20 Drain Fund, and \$900,000 in the Capital Improvement Fund. On the government-wide statements, the liability has been recorded as \$10,500,000 in the governmental activities and \$4,500,000 in the business-type activities. The \$2,000,000 payable from the Parking Fund by January 31, 2006 per the new agreement was paid on March 2, 2006.

## **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, 2006, no commitment debt outstanding has not been determined.

**Defeased Debt** - During the year, the City issued \$8,160,000 in contractual obligation debt with interest rates ranging from 3.25 percent to 4.25 percent; a portion of the proceeds was used to advance refund \$7,485,000 of outstanding general obligation bonds with interest rates ranging from 4.625 percent to 4.700 percent. The net proceeds of \$8,027,477 (after payment of \$132,523 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation bonds. As a result, the bonds are considered to be defeased and the liability for the bonds is not recorded in the statement of net assets. The advance refunding reduced total debt service payments over the next 21 years by approximately \$315,000, which represents an economic gain of approximately \$159,000.

### 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	\$ 2,891,092	\$ -	\$ 2,891,092	\$ -	\$ -	\$ -
Cemetery endowments	-	840,357	840,357	-	-	-
Bond reserves	-	-	-	893,480	1,254,306	2,147,786
<b>Total restricted assets</b>	<b>\$ 2,891,092</b>	<b>\$ 840,357</b>	<b>\$ 3,731,449</b>	<b>\$ 893,480</b>	<b>\$ 1,254,306</b>	<b>\$ 2,147,786</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, 2006 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. Effective October 15, 2006, the City closed the landfill. The Michigan Department of Environmental Quality is in the process of examining closure/postclosure costs. On a volume basis versus site acreage basis, approximately 99 percent of landfill capacity is used as of June 30, 2006. 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, 2006, investments of \$2,891,092 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, 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	1,038,098	4,200,000	2,500,000
Incurred claims	20,905,636	1,172,683	1,614,909
Claims paid	<u>(20,918,313)</u>	<u>(1,172,683)</u>	<u>(1,614,909)</u>
Unpaid claims - June 30, 2006	<u>\$ 1,025,421</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 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, 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, 2005, the City's annual pension cost of \$16,926 was equal to the City's actual contribution. The annual required contribution of \$16,926 was determined as part of an actuarial valuation at December 31, 2004, 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, 2005, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 4,039,718
Reserved for retired benefit payments	154,326,559

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 10,608	\$ 2,767	\$ 16,926
Percentage of APC contributed	100%	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, 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, 2005, the City's annual pension cost of \$2,246,000 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, 2004, 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 13.6 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 five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 20 years.

**Reserves** - As of December 31, 2005, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 3,297,174
Reserved for retired benefit payments	139,734,136

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2003	2004	2005
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,008,947	\$ 2,141,247	\$ 2,242,320
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 nonunion 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.

The City's total payroll during the current year was \$40,109,887. The current year contribution was calculated based on covered payroll of \$134,000, resulting in an employer contribution of \$12,060 and employee contributions of \$4,020.

**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 \$612,000 to the Trust for the year ended December 31, 2005.

## **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, 113 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, 2004 which arrived at a required employer contribution rate of 21.02 percent of police and fire wages. The City contributed approximately \$3,260,000 to the Trust for the year ended December 31, 2005.

**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, 794 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 - 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.

**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.

**Undistributed Property Taxes** - During a prior year, the City received notice from the State of Michigan (the "State") regarding unpaid industrial facilities property tax collections due them for 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. During the current year, the City and the State agreed to an amount due totaling \$2,631,648 that was paid in August 2006. The liability is recorded in the Current Tax Collection-Winter Levy Agency Fund at June 30, 2006.

## **Note 14 - 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.

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.



**Note 14 - Transfer of North Oakland Medical Center Operations (Continued)**

The components of the PHFA’s net investment in the direct financing leases as of June 30, 2006 are as follows:

Minimum lease payments receivable	\$ 67,840,600
Estimated residual value of lease property *	<u>-</u>
Total	67,840,600
Less unearned income	<u>(27,030,600)</u>
Net investment in direct finance lease	<u>\$ 40,810,000</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 \$0 at June 30, 2006. 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.

The components of the City’s long-term lease receivable as of June 30, 2006 are as follows:

Minimum lease payments receivable	\$ 17,000,000
Less unearned income	<u>(6,372,780)</u>
Long-term lease receivable	<u>\$ 10,627,220</u>

## **Note 14 - Transfer of North Oakland Medical Center Operations (Continued)**

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 exceed \$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 15 - Management's Plans**

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 and called for the General Fund deficit to be eliminated by June 30, 2006. The following items were accomplished:

- Renegotiation of \$15 million obligation due to a taxpayer, which converted current payables into long-term obligations. The result was other financing sources revenue totaling \$6.3 million 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
- Issuance of \$21,490,000 of deficit elimination bonds

The items noted above resulted in a decrease in the cumulative General Fund deficit from \$31,697,547 at June 30, 2005 to \$4,113,203 at June 30, 2006. The annual operating deficit also decreased from approximately \$10.9 million for the year ended June 30, 2005 to approximately \$6.2 million for the year ended June 30, 2006.

## **Note 15 - Management's Plans (Continued)**

The City will file a new deficit elimination plan with the State in February 2007. The following measures are currently underway to reduce city-wide expenditures for the 2006/2007 fiscal year and beyond:

- 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 effect 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 nonunion management personnel
- Proposed reductions in longevity benefits, with complete elimination by 2008
- Change the monitoring system for vacation time accumulation to eliminate overruns
- Property tax increases to fund police, senior activities, library operations, and recreation (voter approved November 2006)
- Use of Sanitation Fund fund balance from landfill operating fees to fund General Fund expenditures

**Note 16 - Prior Period Adjustment**

During the current year, a prior period adjustment was made to the government-wide statements to correct the long-term liability for compensated absences in the governmental activities. In the prior year, the liability was overstated due to accruing 100 percent of accumulated employee sick leave. The actual percentage of sick leave that vests varies by union, but on average, only 50 percent of the sick bank is paid out upon separation of service. As a result, beginning net assets of governmental activities have been restated as follows:

	<u>Governmental Activities</u>
<b>Net Assets - June 30, 2005</b>	\$ 53,020,308
Prior period adjustment - Reduce accumulated sick time payable	<u>3,260,705</u>
<b>Net Assets - July 1, 2005</b>	<u>\$ 56,281,013</u>

**Note 17 - Special Items**

During the current year, special items of \$843,293 representing transfers from the primary government to component units for the return of unspent contributions were reported in the government-wide and fund financial statements. The Phoenix Plaza Renovations Capital Projects Fund returned \$836,301 to TIFA 2, and the Highwood East and Boulevard Improvements Capital Projects Fund returned \$6,992 to TIFA 3.

## **Required Supplemental Information**

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# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Revenue</b>				
Taxes	\$ 28,489,000	\$ 28,489,000	28,510,813	\$ 21,813
Licenses and permits	2,217,000	2,217,000	1,851,041	(365,959)
Federal sources	140,000	140,000	95,306	(44,694)
State sources	12,928,531	13,051,999	13,039,744	(12,255)
Charges for services	2,478,243	2,478,243	1,600,742	(877,501)
Fines and forfeitures	-	107,000	90,289	(16,711)
Investment income	30,000	30,000	925,568	895,568
Other	1,301,402	1,301,402	927,847	(373,555)
Rental income	1,003,000	1,003,000	320,546	(682,454)
Charges to other funds for administrative services and reimbursements	6,217,762	6,217,762	5,369,961	(847,801)
Transfers in	2,202,644	2,212,644	4,952,761	2,740,117
Issuance of debt	-	-	27,640,000	27,640,000
Bond premium	-	-	1,068,700	1,068,700
Forgiveness of debt	-	-	124,122	124,122
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	57,007,582	57,248,050	86,517,440	29,269,390

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# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Expenditures</b>				
General government:				
City Council	\$ 717,183	\$ 717,183	\$ 616,666	\$ 100,517
City clerk	553,078	553,078	534,746	18,332
Attorney	1,050,748	1,050,748	966,649	84,099
Finance	3,795,992	3,795,992	3,604,294	191,698
Executive office	789,192	789,192	627,450	161,742
Personnel	721,788	721,788	593,262	128,526
Total general government	7,627,981	7,627,981	6,943,067	684,914
Public safety:				
Police	17,477,434	17,477,434	18,269,109	(791,675)
Fire	12,720,048	12,720,048	12,670,025	50,023
Total public safety	30,197,482	30,197,482	30,939,134	(741,652)
Public works and utilities	6,195,192	6,225,692	5,335,354	890,338
Community development	2,058,558	2,058,558	1,986,765	71,793
Community and human services	1,500,421	1,447,756	1,958,065	(510,309)
General and special programs	8,192,430	8,202,430	7,758,783	443,647
Debt service	-	-	559,411	(559,411)
Transfers out	2,036,043	2,036,043	3,452,517	(1,416,474)
Total expenditures	57,808,107	57,795,942	58,933,096	(1,137,154)
<b>Excess of Revenue Over (Under) Expenditures</b>	(800,525)	(547,892)	27,584,344	28,132,236
<b>Fund Balances (Deficit) - Beginning of year</b>	(31,697,547)	(31,697,547)	(31,697,547)	-
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ (32,498,072)</b>	<b>\$ (32,245,439)</b>	<b>\$ (4,113,203)</b>	<b>\$ 28,132,236</b>

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2006

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>						
12/31/99 *	\$ 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	-
12/31/04	394,807,254	258,365,787	(136,441,467)	152.8	21,320,477	-
<b><u>Police and Fire Retirement System</u></b>						
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 *#	244,770,438	216,553,276	(28,217,162)	113.0	15,308,134	-
12/31/04 #	249,927,425	225,466,883	(24,460,542)	110.8	15,830,247	-

\* Plan amended

# Certain assumptions revised



# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2006

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>			
06/30/01	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
06/30/06	12/31/05	16,926	100.00
<b><u>Police and Fire Retirement System</u></b>			
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
06/30/06	12/31/05	2,242,320	100.00

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actuarial valuation, follows:

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2006

### 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
Amortization period (perpetual)	20 years
Asset valuation method	Market value with five-year smoothing of changes in security prices
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases**	4.5 % to 13.6%
**Includes inflation at	4.0%
Cost of living adjustments	2%

# City of Pontiac, Michigan

## Note to Required Supplemental Information June 30, 2006

### 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 as revenue, rather than as a reduction of expenses.
- Bond proceeds, bond premium, and forgiveness of debt have been included in the “revenue” category, rather than as “other financing sources.”

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	\$ 47,361,896	\$ 50,110,618
Operating transfers	4,952,761	3,452,517
Reimbursements from other funds recorded as revenue	5,369,961	5,369,961
Bond proceeds	27,640,000	-
Bond premium	1,068,700	-
Forgiveness of debt	124,122	-
Amounts per budgetary comparison schedule	<u>\$ 86,517,440</u>	<u>\$ 58,933,096</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

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## Note to Required Supplemental Information June 30, 2006

### 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>		
Police	\$ 17,477,434	\$ 18,269,109
Community and human services	1,447,756	1,958,065
Debt service	-	559,411
Transfers out	2,036,043	3,452,517

## **Other Supplemental Information**

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# City of Pontiac, Michigan

## Other Supplemental Information Summary Combining Balance Sheet Nonmajor Governmental Fund Types June 30, 2006

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 7,796,476	\$ 9,906,789	\$ -	\$ 194,111	\$ 17,897,376
Receivables - Net:					
Property taxes	63,446	24,587	-	-	88,033
Other receivables	207,188	-	-	122,161	329,349
Due from other funds - Advances	83,507	-	-	-	83,507
Due from other governmental units	3,774,357	567,611	-	-	4,341,968
Other assets	19,382	-	-	-	19,382
Restricted assets	2,891,092	-	-	840,357	3,731,449
	<u>\$ 14,835,448</u>	<u>\$ 10,498,987</u>	<u>\$ -</u>	<u>\$ 1,156,629</u>	<u>\$ 26,491,064</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,059,991	\$ 783,383	\$ -	\$ 41,924	\$ 1,885,298
Due to other governmental units	64,680	-	-	-	64,680
Other accrued liabilities	-	-	-	584	584
Due to other funds	750,972	83,507	-	-	834,479
Due to other funds - Advances	4,004,786	-	-	-	4,004,786
Deferred revenue	1,662,959	487,971	-	122,161	2,273,091
	<u>7,543,388</u>	<u>1,354,861</u>	<u>-</u>	<u>164,669</u>	<u>9,062,918</u>
<b>Fund Balances</b>					
Reserved for endowment	-	-	-	991,960	991,960
Reserved for landfill postclosure costs	2,891,092	-	-	-	2,891,092
Unreserved, reported in:					
Special Revenue Funds	4,400,968	-	-	-	4,400,968
Capital Projects Fund	-	9,144,126	-	-	9,144,126
	<u>7,292,060</u>	<u>9,144,126</u>	<u>-</u>	<u>991,960</u>	<u>17,428,146</u>
Total fund balances	<u>7,292,060</u>	<u>9,144,126</u>	<u>-</u>	<u>991,960</u>	<u>17,428,146</u>
Total liabilities and fund balance	<u>\$ 14,835,448</u>	<u>\$ 10,498,987</u>	<u>\$ -</u>	<u>\$ 1,156,629</u>	<u>\$ 26,491,064</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, 2006

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Care	Total Nonmajor Governmental Funds
<b>Revenue</b>					
Taxes	\$ 3,053,616	\$ 1,515,731	\$ -	\$ -	\$ 4,569,347
Federal grants	3,044,129	1,047,592	-	-	4,091,721
State grants	5,500,073	132,251	-	-	5,632,324
Charges for services	1,226,354	-	-	332,888	1,559,242
Fines and forfeitures	1,916,794	-	-	-	1,916,794
Investment income	198,145	256,786	-	16,808	471,739
Contribution from component units	39,426	-	9,381,668	-	9,421,094
Other	689,287	-	-	230,179	919,466
<b>Total revenue</b>	<b>15,667,824</b>	<b>2,952,360</b>	<b>9,381,668</b>	<b>579,875</b>	<b>28,581,727</b>
<b>Expenditures</b>					
Current:					
General government	-	53,538	-	-	53,538
District court	3,408,657	-	-	-	3,408,657
Public safety	332,928	257,941	-	-	590,869
Public works and utilities	6,731,842	1,111,373	-	937,926	8,781,141
Community development	2,952,423	12,853	-	-	2,965,276
Community and human services	15,718	6,045	-	-	21,763
General and special programs	1,698,591	257,763	-	-	1,956,354
Commercial and industrial development	53,108	264,604	-	-	317,712
Debt service	-	-	2,848,253	-	2,848,253
<b>Total expenditures</b>	<b>15,193,267</b>	<b>1,964,117</b>	<b>2,848,253</b>	<b>937,926</b>	<b>20,943,563</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>474,557</b>	<b>988,243</b>	<b>6,533,415</b>	<b>(358,051)</b>	<b>7,638,164</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of debt	3,450,000	1,837,500	-	-	5,287,500
Forgiveness of debt	69,630	18,164	-	-	87,794
Transfers in	3,416,317	88,515	1,494,062	368,964	5,367,858
Transfers out	(3,571,006)	(2,975,296)	-	(10,913)	(6,557,215)
Deposit with escrow agent for bond defeasance	-	-	(8,027,477)	-	(8,027,477)
<b>Total other financing sources (uses)</b>	<b>3,364,941</b>	<b>(1,031,117)</b>	<b>(6,533,415)</b>	<b>358,051</b>	<b>(3,841,540)</b>
<b>Special Item - Return of unspent contributions to component unit</b>	<b>-</b>	<b>(843,293)</b>	<b>-</b>	<b>-</b>	<b>(843,293)</b>
<b>Net Change in Fund Balances</b>	<b>3,839,498</b>	<b>(886,167)</b>	<b>-</b>	<b>-</b>	<b>2,953,331</b>
<b>Fund Balances - Beginning of year</b>	<b>3,452,562</b>	<b>10,030,293</b>	<b>-</b>	<b>991,960</b>	<b>14,474,815</b>
<b>Fund Balances - End of year</b>	<b>\$ 7,292,060</b>	<b>\$ 9,144,126</b>	<b>\$ -</b>	<b>\$ 991,960</b>	<b>\$ 17,428,146</b>



# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2006

	Major Roads	Local Roads	PA 48 - Telecommunication Allocation	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events
<b>Assets</b>							
Cash and investments	\$ -	\$ -	\$ 403,237	\$ 2,294,550	\$ 171,677	\$ 2,836,697	\$ 38,962
Receivables - Net:							
Property taxes	-	-	-	49,178	-	14,268	-
Other receivables	49,130	-	-	158,058	-	-	-
Due from other funds - Advances	83,507	-	-	-	-	-	-
Due from other governmental units	749,473	174,223	-	-	-	-	-
Other assets	19,382	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	2,891,092	-	-	-
<b>Total assets</b>	<b>\$ 901,492</b>	<b>\$ 174,223</b>	<b>\$ 403,237</b>	<b>\$ 5,392,878</b>	<b>\$ 171,677</b>	<b>\$ 2,850,965</b>	<b>\$ 38,962</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 187,823	\$ 30,290	\$ -	\$ 243,540	\$ 171,677	\$ -	\$ 2,923
Due to other governmental units	-	-	-	-	-	64,680	-
Due to other funds	-	-	-	-	-	-	-
Due to other funds - Advances	2,034,850	1,169,936	-	-	-	-	-
Deferred revenue	90,457	-	-	207,237	-	-	-
<b>Total liabilities</b>	<b>2,313,130</b>	<b>1,200,226</b>	<b>-</b>	<b>450,777</b>	<b>171,677</b>	<b>64,680</b>	<b>2,923</b>
<b>Fund Balances (Deficit)</b>							
Reserved for landfill postclosure costs	-	-	-	2,891,092	-	-	-
Unreserved, undesignated	(1,411,638)	(1,026,003)	403,237	2,051,009	-	2,786,285	36,039
<b>Total fund balances (deficit)</b>	<b>(1,411,638)</b>	<b>(1,026,003)</b>	<b>403,237</b>	<b>4,942,101</b>	<b>-</b>	<b>2,786,285</b>	<b>36,039</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 901,492</b>	<b>\$ 174,223</b>	<b>\$ 403,237</b>	<b>\$ 5,392,878</b>	<b>\$ 171,677</b>	<b>\$ 2,850,965</b>	<b>\$ 38,962</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2006

	Local Law Enforcement Block Grant	Drug Awareness Grant DARE	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Orchard Lake Road Reconstruction
<b>Assets</b>							
Cash and investments	\$ 23,464	\$ -	\$ 393,103	\$ 100	\$ 351,054	\$ -	\$ -
Receivables - Net:							
Property taxes	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	-	-	-	-
Due from other governmental units	-	-	748,856	332,457	-	19,354	1,683,072
Other assets	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 23,464</b>	<b>\$ -</b>	<b>\$ 1,141,959</b>	<b>\$ 332,557</b>	<b>\$ 351,054</b>	<b>\$ 19,354</b>	<b>\$ 1,683,072</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 495	\$ -	\$ 181,866	\$ 234,751	\$ 842	\$ 1	\$ -
Due to other governmental units	-	-	-	-	-	-	-
Due to other funds	-	-	566,990	97,706	-	19,354	-
Due to other funds - Advances	-	-	-	-	-	-	800,000
Deferred revenue	22,969	-	393,103	-	-	17,265	883,072
<b>Total liabilities</b>	<b>23,464</b>	<b>-</b>	<b>1,141,959</b>	<b>332,457</b>	<b>842</b>	<b>36,620</b>	<b>1,683,072</b>
<b>Fund Balances (Deficit)</b>							
Reserved for landfill postclosure costs	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	100	350,212	(17,266)	-
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>350,212</b>	<b>(17,266)</b>	<b>-</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 23,464</b>	<b>\$ -</b>	<b>\$ 1,141,959</b>	<b>\$ 332,557</b>	<b>\$ 351,054</b>	<b>\$ 19,354</b>	<b>\$ 1,683,072</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2006

	Police Training Grant Act 302	Sale of Land Fund	Neighborhood Revitalization	CERT Grant Fund	CURVE Grant Fund	Food Fund	Computer Purchase Control Fund	Targeted Capacity Expansion Grant
<b>Assets</b>								
Cash and investments	\$ 90,677	\$ 435,143	\$ 158,817	\$ -	\$ -	\$ 300	\$ 268	\$ -
Receivables - Net:								
Property taxes	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	18,066	-	-	48,856
Other assets	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 90,677</u></b>	<b><u>\$ 435,143</u></b>	<b><u>\$ 158,817</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,066</u></b>	<b><u>\$ 300</u></b>	<b><u>\$ 268</u></b>	<b><u>\$ 48,856</u></b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ 5,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268	\$ -
Due to other governmental units	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	18,066	-	-	48,856
Due to other funds - Advances	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	48,856
<b>Total liabilities</b>	<b>5,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,066</b>	<b>-</b>	<b>268</b>	<b>97,712</b>
<b>Fund Balances (Deficit)</b>								
Reserved for landfill postclosure costs	-	-	-	-	-	-	-	-
Unreserved, undesignated	<u>85,162</u>	<u>435,143</u>	<u>158,817</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>(48,856)</u>
<b>Total fund balances (deficit)</b>	<b><u>85,162</u></b>	<b><u>435,143</u></b>	<b><u>158,817</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>300</u></b>	<b><u>-</u></b>	<b><u>(48,856)</u></b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$ 90,677</u></b>	<b><u>\$ 435,143</u></b>	<b><u>\$ 158,817</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,066</u></b>	<b><u>\$ 300</u></b>	<b><u>\$ 268</u></b>	<b><u>\$ 48,856</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2006

	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
<b>Assets</b>			
Cash and investments	\$ 532,309	\$ 66,118	\$ 7,796,476
Receivables - Net:			
Property taxes	-	-	63,446
Other receivables	-	-	207,188
Due from other funds - Advances	-	-	83,507
Due from other governmental units	-	-	3,774,357
Other assets	-	-	19,382
Restricted cash and cash equivalents	-	-	2,891,092
	<b>\$ 532,309</b>	<b>\$ 66,118</b>	<b>\$ 14,835,448</b>
<b>Liabilities and Fund Balances (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 1,059,991
Due to other governmental units	-	-	64,680
Due to other funds	-	-	750,972
Due to other funds - Advances	-	-	4,004,786
Deferred revenue	-	-	1,662,959
	-	-	7,543,388
Total liabilities	-	-	7,543,388
<b>Fund Balances (Deficit)</b>			
Reserved for landfill postclosure costs	-	-	2,891,092
Unreserved, undesignated	532,309	66,118	4,400,968
	532,309	66,118	7,292,060
Total fund balances (deficit)	532,309	66,118	7,292,060
	<b>\$ 532,309</b>	<b>\$ 66,118</b>	<b>\$ 14,835,448</b>
Total liabilities and fund balances (deficit)	<b>\$ 532,309</b>	<b>\$ 66,118</b>	<b>\$ 14,835,448</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds Year Ended June 30, 2006

	Major Roads	Local Roads	PA 48 - Telecommunication Allocation	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events	Local Law Enforcement Block Grant
<b>Revenue</b>								
Taxes	\$ -	\$ -	\$ -	\$ 3,036,969	\$ -	\$ 16,647	\$ -	\$ -
Federal grants	-	-	-	-	-	-	-	29,456
State grants	3,966,222	1,055,127	429,371	-	-	-	-	-
Charges for services	-	-	-	915,487	-	-	-	-
Fines and forfeitures	-	-	-	-	1,916,794	-	-	-
Investment income (loss)	(41,751)	(12,950)	(360)	185,228	53,179	-	684	-
Contribution from component units	-	-	-	-	-	-	-	-
Other	96,304	-	-	327,132	6,596	-	43,550	-
Total revenue	4,020,775	1,042,177	429,011	4,464,816	1,976,569	16,647	44,234	29,456
<b>Expenditures - Current</b>								
District court	-	-	-	-	3,408,657	-	-	-
Public safety	-	-	-	-	-	-	-	32,313
Public works and utilities	2,214,461	1,168,815	25,774	3,163,422	-	82,996	-	-
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	53,108	-
Total expenditures	2,214,461	1,168,815	25,774	3,163,422	3,408,657	82,996	53,108	32,313
<b>Excess of Revenue Over (Under)</b>								
Expenditures	1,806,314	(126,638)	403,237	1,301,394	(1,432,088)	(66,349)	(8,874)	(2,857)
<b>Other Financing Sources (Uses)</b>								
Proceeds from issuance of debt	-	-	-	1,500,000	-	1,950,000	-	-
Forgiveness of debt	-	-	-	30,274	-	39,356	-	-
Transfers in	143,858	-	-	-	1,577,241	-	-	2,857
Transfers out	(472,487)	(73,162)	-	(9,082)	(145,153)	-	-	-
Total other financing sources (uses)	(328,629)	(73,162)	-	1,521,192	1,432,088	1,989,356	-	2,857
<b>Net Change in Fund Balances (Deficit)</b>	1,477,685	(199,800)	403,237	2,822,586	-	1,923,007	(8,874)	-
<b>Fund Balances (Deficit) - Beginning of year</b>	(2,889,323)	(826,203)	-	2,119,515	-	863,278	44,913	-
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (1,411,638)</u>	<u>\$ (1,026,003)</u>	<u>\$ 403,237</u>	<u>\$ 4,942,101</u>	<u>\$ -</u>	<u>\$ 2,786,285</u>	<u>\$ 36,039</u>	<u>\$ -</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2006

	Drug Awareness Grant DARE	Community Development Block Grant	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
<b>Revenue</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	2,239,690	463,244	243,302	51,337	-	-	-	-
State grants	-	-	-	-	-	49,353	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Investment income (loss)	-	-	-	3,593	137	-	-	-	-
Contribution from component units	-	-	-	-	-	-	-	-	-
Other	-	-	-	51,730	-	-	47,776	-	-
Total revenue	-	2,239,690	463,244	298,625	51,474	49,353	47,776	-	-
<b>Expenditures - Current</b>									
District court	-	-	-	-	-	-	-	-	-
Public safety	148,141	-	-	97,182	-	32,920	-	-	-
Public works and utilities	-	-	-	-	55,162	-	-	-	-
Community development	-	2,286,465	617,102	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	9,060	-	-
Commercial and industrial development	-	-	-	-	-	-	-	-	-
Total expenditures	148,141	2,286,465	617,102	97,182	55,162	32,920	9,060	-	-
<b>Excess of Revenue Over (Under)</b>									
Expenditures	(148,141)	(46,775)	(153,858)	201,443	(3,688)	16,433	38,716	-	-
<b>Other Financing Sources (Uses)</b>									
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-
Forgiveness of debt	-	-	-	-	-	-	-	-	-
Transfers in	148,141	56,170	155,856	-	13,195	-	-	-	-
Transfers out	-	(9,395)	(1,998)	(10,000)	-	-	-	(2,849,729)	-
Total other financing sources (uses)	148,141	46,775	153,858	(10,000)	13,195	-	-	(2,849,729)	-
<b>Net Change in Fund Balances (Deficit)</b>	-	-	-	191,443	9,507	16,433	38,716	(2,849,729)	-
<b>Fund Balances (Deficit) - Beginning of year</b>	-	-	100	158,769	(26,773)	68,729	396,427	2,849,729	158,817
<b>Fund Balances (Deficit) - End of year</b>	\$ -	\$ -	\$ 100	\$ 350,212	\$ (17,266)	\$ 85,162	\$ 435,143	\$ -	\$ 158,817

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2006

	CERT Grant Fund	CURVE Grant Fund	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,053,616
Federal grants	1,285	15,815	-	-	-	-	-	-	3,044,129
State grants	-	-	-	-	-	-	-	-	5,500,073
Charges for services	-	-	-	-	310,867	-	-	-	1,226,354
Fines and forfeitures	-	-	-	-	-	-	-	-	1,916,794
Investment income (loss)	-	-	-	-	-	-	8,897	1,488	198,145
Contribution from component units	-	-	-	39,426	-	-	-	-	39,426
Other	-	-	11,349	27,958	-	-	76,892	-	689,287
<b>Total revenue</b>	<b>1,285</b>	<b>15,815</b>	<b>11,349</b>	<b>67,384</b>	<b>310,867</b>	<b>-</b>	<b>85,789</b>	<b>1,488</b>	<b>15,667,824</b>
<b>Expenditures - Current</b>									
District court	-	-	-	-	-	-	-	-	3,408,657
Public safety	1,285	21,087	-	-	-	-	-	-	332,928
Public works and utilities	-	-	-	-	-	-	-	21,212	6,731,842
Community development	-	-	-	-	-	48,856	-	-	2,952,423
Community and human services	-	-	15,718	-	-	-	-	-	15,718
General and special programs	-	-	-	1,378,664	310,867	-	-	-	1,698,591
Commercial and industrial development	-	-	-	-	-	-	-	-	53,108
<b>Total expenditures</b>	<b>1,285</b>	<b>21,087</b>	<b>15,718</b>	<b>1,378,664</b>	<b>310,867</b>	<b>48,856</b>	<b>-</b>	<b>21,212</b>	<b>15,193,267</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>-</b>	<b>(5,272)</b>	<b>(4,369)</b>	<b>(1,311,280)</b>	<b>-</b>	<b>(48,856)</b>	<b>85,789</b>	<b>(19,724)</b>	<b>474,557</b>
<b>Other Financing Sources (Uses)</b>									
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	3,450,000
Forgiveness of debt	-	-	-	-	-	-	-	-	69,630
Transfers in	-	5,272	2,447	1,311,280	-	-	-	-	3,416,317
Transfers out	-	-	-	-	-	-	-	-	(3,571,006)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>5,272</b>	<b>2,447</b>	<b>1,311,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,364,941</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>-</b>	<b>-</b>	<b>(1,922)</b>	<b>-</b>	<b>-</b>	<b>(48,856)</b>	<b>85,789</b>	<b>(19,724)</b>	<b>3,839,498</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>-</b>	<b>-</b>	<b>2,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>446,520</b>	<b>85,842</b>	<b>3,452,562</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (48,856)</b>	<b>\$ 532,309</b>	<b>\$ 66,118</b>	<b>\$ 7,292,060</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds June 30, 2006

	Capital Improvement	University Drive Widening	North Telegraph Extension	Caesar Chavez Enhancements	TIFA 2 Major Street Improvement	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements	Pontiac Woods Development
<b>Assets</b>								
Cash and investments	\$ 623,585	\$ 661,583	\$ 828,709	\$ 262,071	\$ 21,396	\$ 874,283	\$ 679,865	\$ 113,359
Property taxes receivable	24,587	-	-	-	-	-	-	-
Due from other governmental units	-	293,428	-	-	181,057	-	-	-
<b>Total assets</b>	<b>\$ 648,172</b>	<b>\$ 955,011</b>	<b>\$ 828,709</b>	<b>\$ 262,071</b>	<b>\$ 202,453</b>	<b>\$ 874,283</b>	<b>\$ 679,865</b>	<b>\$ 113,359</b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ 72,784	\$ 17,511	\$ -	\$ 6,279	\$ -	\$ -	\$ -	\$ 11,605
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	213,788	-	-	181,057	-	-	-
<b>Total liabilities</b>	<b>72,784</b>	<b>231,299</b>	<b>-</b>	<b>6,279</b>	<b>181,057</b>	<b>-</b>	<b>-</b>	<b>11,605</b>
<b>Fund Balances (Deficit) - Unreserved</b>	<b>575,388</b>	<b>723,712</b>	<b>828,709</b>	<b>255,792</b>	<b>21,396</b>	<b>874,283</b>	<b>679,865</b>	<b>101,754</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 648,172</b>	<b>\$ 955,011</b>	<b>\$ 828,709</b>	<b>\$ 262,071</b>	<b>\$ 202,453</b>	<b>\$ 874,283</b>	<b>\$ 679,865</b>	<b>\$ 113,359</b>



# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds (Continued) June 30, 2006

	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	Total Nonmajor Capital Project Funds
<b>Assets</b>						
Cash and investments	\$ 665,585	\$ 4,693,050	\$ 452,434	\$ -	\$ 30,869	\$ 9,906,789
Property taxes receivable	-	-	-	-	-	24,587
Due from other governmental units	-	-	-	93,126	-	567,611
<b>Total assets</b>	<b><u>\$ 665,585</u></b>	<b><u>\$ 4,693,050</u></b>	<b><u>\$ 452,434</u></b>	<b><u>\$ 93,126</u></b>	<b><u>\$ 30,869</u></b>	<b><u>\$ 10,498,987</u></b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 665,585	\$ -	\$ -	\$ 9,619	\$ -	\$ 783,383
Due to other funds	-	-	-	83,507	-	83,507
Deferred revenue	-	-	-	93,126	-	487,971
<b>Total liabilities</b>	<b>665,585</b>	<b>-</b>	<b>-</b>	<b>186,252</b>	<b>-</b>	<b>1,354,861</b>
<b>Fund Balances (Deficit) - Unreserved</b>	<b>-</b>	<b>4,693,050</b>	<b>452,434</b>	<b>(93,126)</b>	<b>30,869</b>	<b>9,144,126</b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$ 665,585</u></b>	<b><u>\$ 4,693,050</u></b>	<b><u>\$ 452,434</u></b>	<b><u>\$ 93,126</u></b>	<b><u>\$ 30,869</u></b>	<b><u>\$ 10,498,987</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Capital Project Funds Year Ended June 30, 2006

	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
<b>Revenue</b>							
Taxes	\$ 1,515,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	1,023,283	19,855	-	-	4,454
State grants	-	-	-	-	-	-	-
Investment income	19,733	-	-	21,113	4,847	2,642	15,166
Total revenue	1,535,464	-	1,023,283	40,968	4,847	2,642	19,620
<b>Expenditures</b>							
General government	53,538	-	-	-	-	-	-
Public safety	257,941	-	-	-	-	-	-
Public works and utilities	90,772	130,164	476,341	-	40,988	167,080	18,130
Community development	12,853	-	-	-	-	-	-
Community and human services	6,045	-	-	-	-	-	-
General and special programs	79,852	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-
Total expenditures	501,001	130,164	476,341	-	40,988	167,080	18,130
<b>Excess of Revenue Over (Under) Expenditures</b>	1,034,463	(130,164)	546,942	40,968	(36,141)	(164,438)	1,490
<b>Other Financing Sources (Uses)</b>							
Proceeds from issuance of debt	900,000	-	937,500	-	-	-	-
Forgiveness of debt	18,164	-	-	-	-	-	-
Transfers in	-	55,959	-	-	-	-	-
Transfers out	(2,448,000)	-	(143,858)	(383,438)	-	-	-
Total other financing sources (uses)	(1,529,836)	55,959	793,642	(383,438)	-	-	-
<b>Special Item</b> - Return of unspent contributions to component unit	-	-	-	-	-	-	-
<b>Net Change in Fund Balances (Deficit)</b>	(495,373)	(74,205)	1,340,584	(342,470)	(36,141)	(164,438)	1,490
<b>Fund Balances (Deficit)</b> - Beginning of year	1,070,761	74,205	(616,872)	1,171,179	291,933	185,834	872,793
<b>Fund Balances (Deficit)</b> - End of year	\$ 575,388	\$ -	\$ 723,712	\$ 828,709	\$ 255,792	\$ 21,396	\$ 874,283

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Capital Project Funds (Continued) Year Ended June 30, 2006

	CVC Infrastructure Improvements	Pontiac Woods Development	Phoenix Plaza Renovations	Oakland Plaza Construction	Highwood East & Blvd Improvements	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	Total Nonmajor Capital Projects Funds
<b>Revenue</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,515,731
Federal grants	-	-	-	-	-	-	-	-	1,047,592
State grants	-	-	-	-	-	-	34,110	98,141	132,251
Investment income	27,874	-	2,521	148,749	121	13,407	-	613	256,786
Total revenue	27,874	-	2,521	148,749	121	13,407	34,110	98,754	2,952,360
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	53,538
Public safety	-	-	-	-	-	-	-	-	257,941
Public works and utilities	-	17,187	-	-	234	-	113,776	56,701	1,111,373
Community development	-	-	-	-	-	-	-	-	12,853
Community and human services	-	-	-	-	-	-	-	-	6,045
General and special programs	-	-	177,911	-	-	-	-	-	257,763
Commercial and industrial development	128,798	-	-	119,800	-	16,006	-	-	264,604
Total expenditures	128,798	17,187	177,911	119,800	234	16,006	113,776	56,701	1,964,117
<b>Excess of Revenue Over (Under) Expenditures</b>	(100,924)	(17,187)	(175,390)	28,949	(113)	(2,599)	(79,666)	42,053	988,243
<b>Other Financing Sources (Uses)</b>									
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	1,837,500
Forgiveness of debt	-	-	-	-	-	-	-	-	18,164
Transfers in	-	-	-	-	-	-	20,650	11,906	88,515
Transfers out	-	-	-	-	-	-	-	-	(2,975,296)
Total other financing sources (uses)	-	-	-	-	-	-	20,650	11,906	(1,031,117)
<b>Special Item - Return of unspent contributions to component unit</b>	-	-	(836,301)	-	(6,992)	-	-	-	(843,293)
<b>Net Change in Fund Balances (Deficit)</b>	(100,924)	(17,187)	(1,011,691)	28,949	(7,105)	(2,599)	(59,016)	53,959	(886,167)
<b>Fund Balances (Deficit) - Beginning of year</b>	780,789	118,941	1,011,691	4,664,101	7,105	455,033	(34,110)	(23,090)	10,030,293
<b>Fund Balances (Deficit) - End of year</b>	\$ 679,865	\$ 101,754	\$ -	\$ 4,693,050	\$ -	\$ 452,434	\$ (93,126)	\$ 30,869	\$ 9,144,126

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds Year Ended June 30, 2006

	1993 State of Michigan Bond Loan	Capitalized Lease 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	\$ -	\$ -	\$ -	\$ -	\$ 625,909	\$ 8,755,759	\$ 9,381,668
<b>Expenditures</b> - Debt service	317,608	524,672	139,525	383,438	754,728	728,282	2,848,253
<b>Excess of Revenue Over (Under) Expenditures</b>	(317,608)	(524,672)	(139,525)	(383,438)	(128,819)	8,027,477	6,533,415
<b>Other Financing Sources (Uses)</b>							
Transfers in	317,608	524,672	139,525	383,438	128,819	-	1,494,062
Transfers out	-	-	-	-	-	-	-
Deposit with escrow agent for bond defeasance	-	-	-	-	-	(8,027,477)	(8,027,477)
Total other financing sources (uses)	317,608	524,672	139,525	383,438	128,819	(8,027,477)	(6,533,415)
<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, 2006

	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	\$ 386,615	\$ 4,199,402	\$ -	\$ -	\$ 765,373	\$ 5,351,390
Accounts receivable	2,815	1,500	201,023	12,907	1,319,780	1,538,025
Prepays and other assets	49,170	-	-	-	1,350,765	1,399,935
Total current assets	438,600	4,200,902	201,023	12,907	3,435,918	8,289,350
Noncurrent assets - Depreciable capital assets - Net	1,239,531	-	-	-	-	1,239,531
Total assets	1,678,131	4,200,902	201,023	12,907	3,435,918	9,528,881
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	126,353	902	-	3,367	8,918	139,540
Accrued liabilities	-	4,200,000	98,421	-	3,427,000	7,725,421
Total liabilities	126,353	4,200,902	98,421	3,367	3,435,918	7,864,961
<b>Net Assets</b>						
Invested in capital assets	1,239,531	-	-	-	-	1,239,531
Unrestricted	312,247	-	102,602	9,540	-	424,389
Total net assets	<u>\$ 1,551,778</u>	<u>\$ -</u>	<u>\$ 102,602</u>	<u>\$ 9,540</u>	<u>\$ -</u>	<u>\$ 1,663,920</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, 2006

	Equipment Revolving Fund	Self-insurance Workers Compensation	Dental Insurance Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
<b>Operating Revenue</b> - Charges for services	\$ 2,124,983	\$ 1,112,605	\$ 1,265,308	\$ 81,168	\$ 19,695,768	\$ 24,279,832
<b>Operating Expenses</b>						
Operations and maintenance	1,328,458	-	-	-	-	1,328,458
Insurance	-	1,172,683	1,236,952	70,982	19,199,925	21,680,542
Administration	166,804	-	-	-	410,454	577,258
Depreciation	447,347	-	-	-	-	447,347
Total operating expenses	<u>1,942,609</u>	<u>1,172,683</u>	<u>1,236,952</u>	<u>70,982</u>	<u>19,610,379</u>	<u>24,033,605</u>
<b>Operating Income (Loss)</b>	182,374	(60,078)	28,356	10,186	85,389	246,227
<b>Nonoperating Income (Expense)</b>						
Investment income	88	60,078	(278)	(646)	12,057	71,299
Loss on disposal of fixed assets	<u>(181,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,808)</u>
Total nonoperating income (expense)	<u>(181,720)</u>	<u>60,078</u>	<u>(278)</u>	<u>(646)</u>	<u>12,057</u>	<u>(110,509)</u>
<b>Transfers to Other Funds</b>	<u>(16,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,921)</u>	<u>(146,919)</u>
<b>Change in Net Assets</b>	(16,344)	-	28,078	9,540	(32,475)	(11,201)
<b>Net Assets</b> - Beginning of year	<u>1,568,122</u>	<u>-</u>	<u>74,524</u>	<u>-</u>	<u>32,475</u>	<u>1,675,121</u>
<b>Net Assets</b> - End of year	<u><b>\$ 1,551,778</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 102,602</b></u>	<u><b>\$ 9,540</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,663,920</b></u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2006

	Equipment Revolving Fund	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	\$ 2,122,168	\$ 1,112,605	\$ 1,249,907	\$ 78,460	\$ 19,797,640	\$ 24,360,780
Payments to suppliers	(733,833)	(1,172,842)	(1,249,629)	(81,299)	(20,786,931)	(24,024,534)
Payments to employees	(733,316)	-	-	-	(188,851)	(922,167)
Net cash provided by (used in) operating activities	655,019	(60,237)	278	(2,839)	(1,178,142)	(585,921)
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers to other funds	(16,998)	-	-	-	(129,921)	(146,919)
Interfund loans - proceeds and collections	-	4,199,561	-	-	2,028,904	6,228,465
Net cash provided by (used in) noncapital financing activities	(16,998)	4,199,561	-	-	1,898,983	6,081,546
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of capital assets	(349,827)	-	-	-	-	(349,827)
Proceeds from sale of capital assets	51,832	-	-	-	-	51,832
Net cash used in capital and related financing activities	(297,995)	-	-	-	-	(297,995)
<b>Cash Flows from Investing Activities -</b>						
Investment income (loss)	88	60,078	(278)	(646)	12,057	71,299
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	340,114	4,199,402	-	(3,485)	732,898	5,268,929
<b>Cash and Cash Equivalents - July 1, 2005</b>	46,501	-	-	3,485	32,475	82,461
<b>Cash and Cash Equivalents - June 30, 2006</b>	<b>\$ 386,615</b>	<b>\$ 4,199,402</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 765,373</b>	<b>\$ 5,351,390</b>

(Continued on next page)

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows (Continued) Internal Service Funds Year Ended June 30, 2006

	Equipment Revolving Fund	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)	\$ 182,374	\$ (60,078)	\$ 28,356	\$ 10,186	\$ 85,389	\$ 246,227
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	447,347	-	-	-	-	447,347
Changes in assets and liabilities:						
Accounts receivable	(2,815)	-	(15,401)	(2,708)	101,872	80,948
Prepays and other assets	(17,269)	-	-	-	(1,350,765)	(1,368,034)
Accounts payable	45,382	(159)	-	(10,317)	(14,638)	20,268
Accrued liabilities	-	-	(12,677)	-	-	(12,677)
Net cash provided by (used in) operating activities	<u>\$ 655,019</u>	<u>\$ (60,237)</u>	<u>\$ 278</u>	<u>\$ (2,839)</u>	<u>\$ (1,178,142)</u>	<u>\$ (585,921)</u>



# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2006

Pension Trust Funds - December 31, 2005

	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 100,560	\$ 100,559	\$ -	\$ -	\$ 201,119
Cash and investments held as collateral for securities lending	52,857,655	19,209,862	-	-	72,067,517
Investments:					
Money markets and mutual funds	9,220,300	6,158,255	3,982,899	24,386,320	43,747,774
Preferred securities	145,677	-	-	-	145,677
Convertible securities	75,000	-	-	-	75,000
U.S. government obligations	27,236,151	10,984,365	-	-	38,220,516
Corporate and other bonds	69,382,733	40,292,045	-	-	109,674,778
Equities	259,256,365	159,920,533	-	-	419,176,898
U.S. government agency mortgage pools	52,706,906	13,029,800	-	-	65,736,706
Real estate	16,009,212	14,681,189	-	-	30,690,401
Interest in CAP Commercial Mortgage, LLC	-	4,734,972	-	-	4,734,972
Due from broker pending transactions	170,213	108,717	-	-	278,930
Accrued interest receivable	1,856,576	430,067	-	-	2,286,643
Receivables - Other	51,816	7,530	46,070	64,517	169,933
<b>Total assets</b>	<b>489,069,164</b>	<b>269,657,894</b>	<b>4,028,969</b>	<b>24,450,837</b>	<b>787,206,864</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable	754,175	335,558	55,082	672,243	1,817,058
Amount due broker under securities lending agreement	52,857,655	19,209,862	-	-	72,067,517
<b>Total liabilities</b>	<b>53,611,830</b>	<b>19,545,420</b>	<b>55,082</b>	<b>672,243</b>	<b>73,884,575</b>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<b>\$ 435,457,334</b>	<b>\$ 250,112,474</b>	<b>\$ 3,973,887</b>	<b>\$ 23,778,594</b>	<b>\$ 713,322,289</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Fiduciary Net Assets Fiduciary Funds (Continued) June 30, 2006

	Agency Funds							
	Current Tax Collection Fund - District Court	Summer Levy	Payroll Fund	Fire Insurance Trust Fund	Pontiac Growth Group Administration	Retirement System Administration	Housing Commission Administration	Totals
<b>Assets</b>								
Cash and cash equivalents	\$ 236,212	\$ 2,631,648	\$ 1,511,588	\$ 452,649	\$ 2,215	\$ -	\$ -	\$ 4,834,312
Receivables - Other	-	-	32,851	-	-	705,952	129,575	868,378
<b>Total assets</b>	<b><u>\$ 236,212</u></b>	<b><u>\$ 2,631,648</u></b>	<b><u>\$ 1,544,439</u></b>	<b><u>\$ 452,649</u></b>	<b><u>\$ 2,215</u></b>	<b><u>\$ 705,952</u></b>	<b><u>\$ 129,575</u></b>	<b><u>\$ 5,702,690</u></b>
<b>Liabilities</b>								
Due to other governmental units	\$ -	\$ 2,631,648	\$ -	\$ -	\$ -	\$ -	\$ 129,575	\$ 2,761,223
Accrued and other liabilities	-	-	1,544,439	452,649	2,215	705,952	-	2,705,255
Deposits	236,212	-	-	-	-	-	-	236,212
<b>Total liabilities</b>	<b><u>\$ 236,212</u></b>	<b><u>\$ 2,631,648</u></b>	<b><u>\$ 1,544,439</u></b>	<b><u>\$ 452,649</u></b>	<b><u>\$ 2,215</u></b>	<b><u>\$ 705,952</u></b>	<b><u>\$ 129,575</u></b>	<b><u>\$ 5,702,690</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2006

	Pension Trust Funds - December 31, 2005				
	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	\$ 13,449,020	\$ 2,894,161	\$ 102,538	\$ 412,040	\$ 16,857,759
Net increase in fair value of investments	11,542,640	12,371,311	73,275	1,715,467	25,702,693
Less investment expenses	<u>(1,877,765)</u>	<u>(1,082,137)</u>	<u>-</u>	<u>(15,000)</u>	<u>(2,974,902)</u>
Net investment income	23,113,895	14,183,335	175,813	2,112,507	39,585,550
Securities lending income:					
Interest and fees	1,716,985	568,260	-	-	2,285,245
Less borrower rebates and bank fees	<u>(1,616,798)</u>	<u>(550,213)</u>	<u>-</u>	<u>-</u>	<u>(2,167,011)</u>
Net securities lending income	100,187	18,047	-	-	118,234
Contributions:					
Employer	16,926	2,246,000	612,331	3,258,180	6,133,437
Employee	<u>20,291</u>	<u>384,353</u>	<u>-</u>	<u>-</u>	<u>404,644</u>
Total contributions	<u>37,217</u>	<u>2,630,353</u>	<u>612,331</u>	<u>3,258,180</u>	<u>6,538,081</u>
Total additions	23,251,299	16,831,735	788,144	5,370,687	46,241,865
<b>Deductions</b>					
Retiree pension benefit payments	16,562,544	12,528,135	-	-	29,090,679
Retiree health benefit payments	-	-	-	1,466,072	1,466,072
Member refunds and withdrawals	-	355,021	-	-	355,021
Other expenses	311,996	270,675	16,608	24,972	624,251
Administrative expenses	<u>348,935</u>	<u>157,517</u>	<u>-</u>	<u>-</u>	<u>506,452</u>
Total deductions	<u>17,223,475</u>	<u>13,311,348</u>	<u>16,608</u>	<u>1,491,044</u>	<u>32,042,475</u>
<b>Net Increase in Net Assets</b>	6,027,824	3,520,387	771,536	3,879,643	14,199,390
<b>Net Assets Held in Trust for Pension Benefits</b>					
Beginning of year	429,429,510	246,592,087	3,202,351	19,898,951	699,122,899
End of year	<u>\$ 435,457,334</u>	<u>\$ 250,112,474</u>	<u>\$ 3,973,887</u>	<u>\$ 23,778,594</u>	<u>\$ 713,322,289</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Governmental Fund Component Units June 30, 2006

	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	\$ 1,044,631	\$ 873,163	\$ -	\$ 200	\$ 1,728,655	\$ 384,291	\$ 4,030,940
Due from other component units - Advances	1,460,327	-	-	-	-	-	1,460,327
Receivables - Net:							
Property taxes	12,275	6,816	1,237	37,124	-	-	57,452
Other receivables	71,155	-	-	-	160,336	-	231,491
Total assets	<b><u>\$ 2,588,388</u></b>	<b><u>\$ 879,979</u></b>	<b><u>\$ 1,237</u></b>	<b><u>\$ 37,324</u></b>	<b><u>\$ 1,888,991</u></b>	<b><u>\$ 384,291</u></b>	<b><u>\$ 5,780,210</u></b>
<b>Liabilities and Fund Balance (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 4,475	\$ 283	\$ 168	\$ 4,926
Due to other component units - Advances	-	-	394,040	1,066,287	-	-	1,460,327
Deposits	-	-	-	5,500	8,828	-	14,328
Deferred revenue	71,155	-	-	-	637,915	-	709,070
Total liabilities	71,155	-	394,040	1,076,262	647,026	168	2,188,651
<b>Fund Balance (Deficit)</b>							
Reserved	-	-	-	-	1,097,313	-	1,097,313
Unreserved, undesignated	2,517,233	879,979	(392,803)	(1,038,938)	144,652	384,123	2,494,246
Total fund balance (deficit)	2,517,233	879,979	(392,803)	(1,038,938)	1,241,965	384,123	3,591,559
Total liabilities and fund balance (deficit)	<b><u>\$ 2,588,388</u></b>	<b><u>\$ 879,979</u></b>	<b><u>\$ 1,237</u></b>	<b><u>\$ 37,324</u></b>	<b><u>\$ 1,888,991</u></b>	<b><u>\$ 384,291</u></b>	<b><u>\$ 5,780,210</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Governmental Fund Component Units Year Ended June 30, 2006

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
<b>Revenue</b>							
Taxes	\$ 4,868,156	\$ 3,027,862	\$ 584,152	\$ 715,991	\$ -	\$ 67,692	\$ 9,263,853
Federal grants	-	-	-	-	22,732	-	22,732
Investment income (loss)	(40,671)	30,963	6,624	(14,953)	40,008	8,843	30,814
Other	919,171	-	-	7,413	116,764	-	1,043,348
Total revenue	5,746,656	3,058,825	590,776	708,451	179,504	76,535	10,360,747
<b>Expenditures</b>							
Commercial and industrial development	10,659,080	631,029	647,065	657,796	130,115	165,996	12,891,081
Debt service	2,533,283	2,002,606	206,369	-	-	-	4,742,258
Total expenditures	13,192,363	2,633,635	853,434	657,796	130,115	165,996	17,633,339
<b>Excess of Revenue Over (Under)</b>							
Expenditures	(7,445,707)	425,190	(262,658)	50,655	49,389	(89,461)	(7,272,592)
<b>Other Financing Sources -</b>							
Issuance of debt	19,660,000	-	-	-	-	-	19,660,000
<b>Net Change in Fund Balance</b>	12,214,293	425,190	(262,658)	50,655	49,389	(89,461)	12,387,408
<b>Fund Balances (Deficit) - Beginning of year</b>	(9,697,060)	454,789	(130,145)	(1,089,593)	1,192,576	473,584	(8,795,849)
<b>Fund Balances (Deficit) - End of year</b>	\$ 2,517,233	\$ 879,979	\$ (392,803)	\$ (1,038,938)	\$ 1,241,965	\$ 384,123	\$ 3,591,559