

# **City of Pontiac, Michigan**

---

**Financial Report  
with Supplemental Information  
June 30, 2007**

# City of Pontiac, Michigan

---

## Contents

<b>Report Letter</b>	1-4
<b>Management's Discussion and Analysis</b>	5-18
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	19-20
Statement of Activities	21-22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	23-24
Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities	25
Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	26
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
Statement of Net Assets	28-29
Statement of Revenue, Expenses, and Changes in Net Assets	30
Statement of Cash Flows	31-32
Fiduciary Funds:	
Statement of Fiduciary Net Assets	33
Statement of Changes in Fiduciary Net Assets	34
Component Units:	
Statement of Net Assets (Deficit)	35-36
Statement of Activities	37-38
Notes to Financial Statements	39-101

# City of Pontiac, Michigan

---

## Contents (Continued)

### Required Supplemental Information

Budgetary Comparison Schedule - General Fund	102-103
Pension System Schedule of Funding Progress	104-106
Note to Required Supplemental Information	107-109

### Other Supplemental Information

Nonmajor Governmental Funds Summary:	
Combining Balance Sheet	110
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	111
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	112-114
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	115-117
Nonmajor Governmental Funds - Capital Project Funds:	
Combining Balance Sheet	118-119
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	120-121
Nonmajor Governmental Funds - Debt Service Funds -	
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	122

# City of Pontiac, Michigan

---

## Contents (Continued)

### Other Supplemental Information (Continued)

#### Internal Service Funds:

Combining Statement of Net Assets	123
Combining Statement of Revenue, Expenses, and Changes in Net Assets	124
Combining Statement of Cash Flows	125-126

#### Fiduciary Funds:

Combining Statement of Fiduciary Net Assets	127-128
Combining Statement of Changes in Fiduciary Net Assets	129

#### Component Unit Governmental Funds:

Combining Balance Sheet	130
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	131

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

---

2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

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, 2007, 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 \$775,137,841 as of December 31, 2006 and total additions of \$92,578,241 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, 2007 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 17, an adjustment was made to the beginning net assets in the government-wide financial statements to record the City's fixed assets and accumulated depreciation for infrastructure retroactive to 1980. The impact of these changes is summarized in Note 17. Further, an adjustment was made to the beginning net assets in the proprietary fund to adjust excess depreciation of certain assets. The impact of these changes is summarized in Note 17.

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 L. Young; Assoc.*

Detroit, Michigan

December 21, 2007



# City of Pontiac, Michigan

---

## Management's Discussion and Analysis

Our discussion and analysis of the City of Pontiac, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. 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, 2007:

- Expenses of governmental activities decreased \$2.6 million from prior year, a 4 percent reduction.
  - Community and human services provided the greatest decrease in those activities with a 43 percent decrease. A portion of the decrease is related to reallocating some of the City's housing inspectors to the department of public works; however, the City reduced total costs by approximately \$1,000,000 by closing recreation centers and cutting back overall community programs throughout the city.
  - Public safety costs are down approximately \$1.7 million due to lay-offs and attrition in the police department.
- Charges for services from public safety activities have increased by almost \$1 million over prior year. The primary reason for this is due to the Bloomfield Park development in the City. This contributed to the \$185,000 increase in demolition permits and the \$120,000 increase in electrical permits. Residential building permits are up approximately \$335,000. In addition, the City received approximately \$173,000 in revenue for having a police officer liaison for the schools.
- The General Fund's excess of expenditures over revenue before other financing sources is improved over last year; however, it is still a loss. In the current year, there is a loss of \$1.7 million compared to \$2.7 million in the prior year.
- Tax revenue is down approximately \$881,000. Property tax revenue saw a slight increase; however, income taxes are down \$1.1 million.
- The City's subsidy of the District Court operations increased \$500,000 to a total of \$2.0 million.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Highlights (Continued)

- Due to poor financial condition, the North Oakland Medical Center defaulted on a contractual obligation to pay the City \$1,000,000 annually. A partial payment of approximately \$600,000 was received.
- The General Fund incurred an operating loss (after other financing sources/uses) of approximately \$1,965,000, increasing the total fund deficit to \$6,078,240.
- Medical insurance premiums for City employees and retirees continue to increase. The City incurred a 15 percent increase in premiums over prior year, which translates into approximately \$2.2 million.
- The City changed its accounting for infrastructure during the current year, in compliance with Governmental Accounting Standards Board Statement Number 34. This resulted in capitalizing an additional \$7 million of infrastructure related to governmental activities as of July 1, 2006.
- A prior period adjustment was made to the Water Fund and Sewer Fund to correct beginning of the year accumulated depreciation. In a prior year, certain assets were depreciated in excess of their cost. A prior period adjustment of approximately \$583,000 was recorded in the enterprise funds related to having recorded depreciation on certain fixed assets in excess of their cost.

### 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.

### Using this Annual Report (Continued)

- 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.

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 (deficit) 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.

# City of Pontiac, Michigan

---

## Management's Discussion and Analysis (Continued)

### Government-wide Statements (Continued)

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).

### Fund Financial Statements (Continued)

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					
	2007	2006	2007	2006	2007	2006
	Governmental Activities		Business-type Activities		Total	
<b>Assets</b>						
Current and other	\$ 49.3	\$ 50.4	\$ 20.8	\$ 20.5	\$ 70.1	\$ 70.9
Capital assets	<u>84.3</u>	<u>86.0</u>	<u>52.8</u>	<u>51.8</u>	<u>137.1</u>	<u>137.8</u>
Total assets	133.6	136.4	73.6	72.3	207.2	208.7
<b>Liabilities</b>						
Current liabilities	29.3	30.1	1.5	1.9	30.8	32.0
Long-term liabilities	<u>51.8</u>	<u>53.5</u>	<u>8.5</u>	<u>10.9</u>	<u>60.3</u>	<u>64.4</u>
Total liabilities	<u>81.1</u>	<u>83.6</u>	<u>10.0</u>	<u>12.8</u>	<u>91.1</u>	<u>96.4</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	78.6	76.5	44.8	43.4	123.4	119.9
Restricted	10.8	14.7	2.9	2.1	13.7	16.8
Unrestricted (deficit)	<u>(36.9)</u>	<u>(38.4)</u>	<u>15.9</u>	<u>14.0</u>	<u>(21.0)</u>	<u>(24.4)</u>
Total net assets	<u>\$ 52.5</u>	<u>\$ 52.8</u>	<u>\$ 63.6</u>	<u>\$ 59.5</u>	<u>\$ 116.1</u>	<u>\$ 112.3</u>

# City of Pontiac, Michigan

---

## Management's Discussion and Analysis (Continued)

### The City as a Whole (Continued)

A portion of the net assets of the City's governmental activities is either restricted as to the purpose for which they can be used or they are invested in capital assets net of related debt. Consequently, unrestricted net assets were a deficit of \$36.9 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 \$15.9 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 net assets were restated as of July 1, 2006 for two reasons. First, the net assets of the governmental activities were restated related to a change in accounting for infrastructure. Secondly, net assets of the business-type activities were restated to reflect decreases in accumulated depreciation.

The City's combined net assets increased 3 percent from a year ago - increasing from \$112.3 million to \$116.1 million. Looking at only the governmental activities, the net assets remained relatively static compared to last year. The business-type activities added \$4 million of net assets, increasing it by 7 percent. The increase in net assets is primarily due to an increase in water sales and a decrease in the cost of water.

# 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							
	2007		2006		2007		2006	
	Governmental Activities		Business-type Activities		Total			
<b>Revenue</b>								
Program revenue:								
Charges for services	\$ 7.5	\$ 5.2	\$ 26.6	\$ 25.0	\$ 34.1	\$ 30.2		
Operating grants and contributions	9.5	9.2	-	-	9.5	9.2		
Capital grants and contributions	1.5	1.0	-	-	1.5	1.0		
General revenue:								
Property taxes	19.1	18.6	2.7	4.6	21.8	23.2		
Income taxes	13.5	14.9	-	-	13.5	14.9		
State-shared revenue	12.1	12.4	-	-	12.1	12.4		
Rental income	-	0.3	-	-	-	0.3		
Unrestricted investment earnings	1.6	1.5	0.6	0.4	2.2	1.9		
Unrestricted cable revenue	0.5	0.5	-	-	0.5	0.5		
Contribution from component units	0.8	0.7	0.5	-	1.3	0.7		
Miscellaneous	0.1	0.5	0.1	0.4	0.2	0.9		
Total revenue	66.2	64.8	30.5	30.4	96.7	95.2		
<b>Program Expenses</b>								
General government	16.3	16.7	-	-	16.3	16.7		
Public safety	30.5	32.3	-	-	30.5	32.3		
Public works	15.3	13.7	-	-	15.3	13.7		
Community and human services	2.8	4.9	-	-	2.8	4.9		
Interest on long-term debt	1.4	1.7	-	-	1.4	1.7		
Water	-	-	12.1	13.3	12.1	13.3		
Sewer	-	-	11.1	11.0	11.1	11.0		
Parking	-	-	2.2	2.0	2.2	2.0		
Golf course	-	-	1.1	1.0	1.1	1.0		
Total program expenses	66.3	69.3	26.5	27.3	92.8	96.6		
<b>Excess of Revenue Over (Under) Expenses Before Transfers</b>	(0.1)	(4.5)	4.0	3.1	3.9	(1.4)		
<b>Transfers</b>	0.1	0.2	(0.1)	(0.2)	-	-		
<b>Special Items</b>	-	(0.8)	-	-	-	(0.8)		
<b>Change in Net Assets</b>	\$ -	\$ (5.1)	\$ 3.9	\$ 2.9	\$ 3.9	\$ (2.2)		



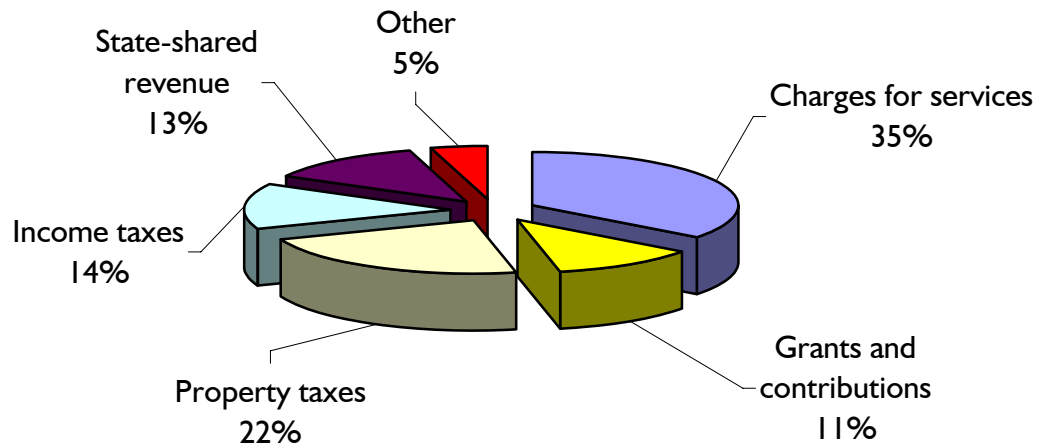
# City of Pontiac, Michigan

## 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, 2007

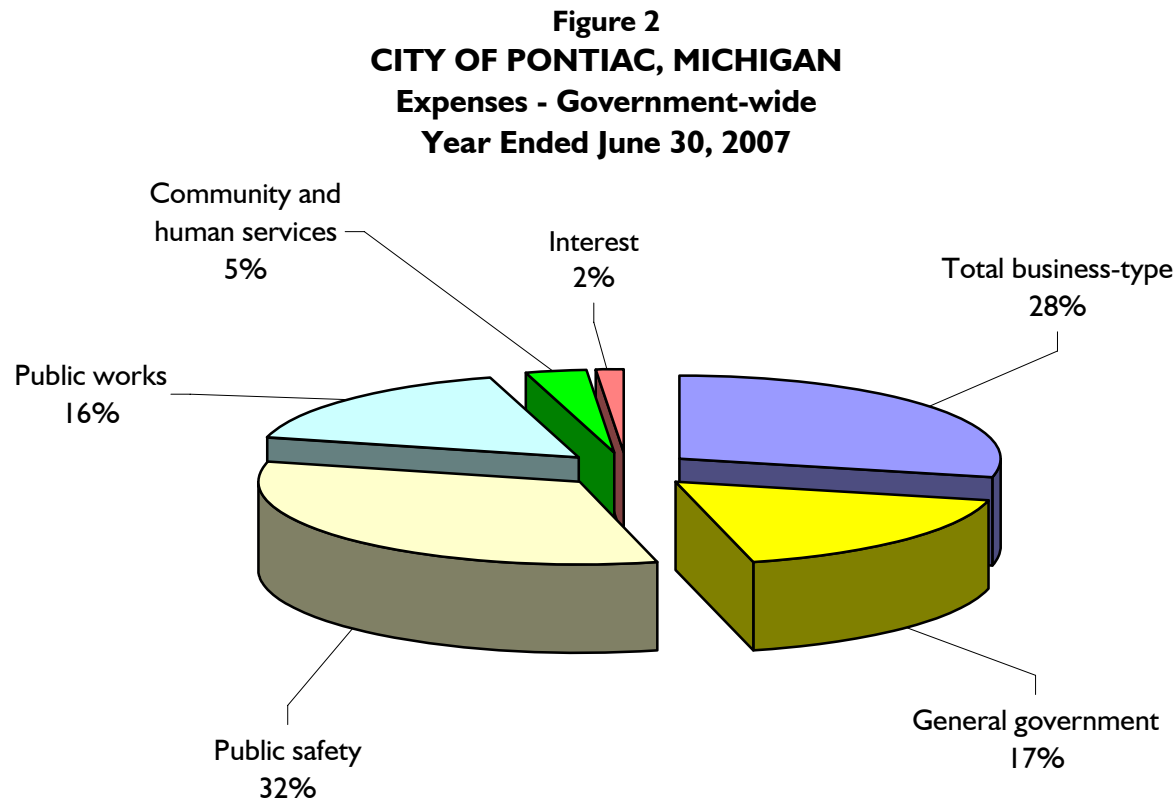


# City of Pontiac, Michigan

## 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.



# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

Expenses for the City's governmental activities totaled \$66.3 million, which is a 4 percent decrease from last year's total of \$69.3 million.

Although the expenses of governmental activities decreased from prior year, revenue increased. Revenues totaled \$66.2 million for the year ended June 30, 2007, which is an increase of \$1.4 million from last year's total of \$64.8 million. The increase in revenues is primarily due to charges for services. The charges for services in the Sanitation Fund increased \$2.1 million due to a lump-sum payment due on the refuse contract of \$2 million and increased revenue from public safety sources primarily related to new retail and residential development construction project.

### 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 income of approximately \$2.2 million, which includes \$2.6 million of depreciation expense. The funds had an operating loss of \$106,000 in the prior year, including \$2.7 million of depreciation. The primary reason for the fluctuation of operating results is that water revenue increased \$1.4 million due to an overall increase in penalty revenue and special billings.

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 2007 was approximately \$1.1 million, compared to \$860,000 in 2006. Depreciation expense contributed approximately \$547,000 to these losses each year.

The City-owned golf course sustained an operating loss in the current year totaling approximately \$278,000. Depreciation expense contributed approximately \$281,000 to the loss.

# City of Pontiac, Michigan

## 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 governmental major fund for the year ended June 30, 2007 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 \$29.3 million during the year ended June 30, 2007. These two service areas represent 52.5 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 \$45.8 million and total expenses of \$47.5 million. In addition, the fund incurred net other financing uses of \$239,000, resulting in a net decrease in fund balance of \$1,965,037.

The General Fund transferred a total of \$2.7 million to other funds, including operating subsidies to the District Court and Cemetery Funds totaling \$2,027,689 and \$486,732, respectively. The actual subsidies needed by these funds exceeded the budgeted subsidies by \$897,520.

The single most important measure of short-term financial health is unreserved fund balance of the General Fund. The following is the five-year history of fund balance for the General Fund.

	June 30				
	2003	2004	2005	2006	2007
Fund balance (deficit):					
Unreserved	\$ (12,946,700)	\$ (21,278,858)	\$ (31,761,547)	\$ (4,177,203)	\$ (6,142,240)
Reserved	457,280	432,889	64,000	64,000	64,000
Total fund balance	<u>\$ (12,489,420)</u>	<u>\$ (20,845,969)</u>	<u>\$ (31,697,547)</u>	<u>\$ (4,113,203)</u>	<u>\$ (6,078,240)</u>

The 2006 improvement was primarily attributable to the issuance of fiscal stabilization bonds, as well as a structure repayment for the General Motors tax appeal obligation. During 2007, the excess of expenditures over revenues (including interfund transfers) was reduced somewhat, to \$1.9 million.

# City of Pontiac, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

The General Fund deficit increased by \$1,965,037 during the year ended June 30, 2007, increasing the cumulative deficit to \$6,078,240. Actual revenue was less than budget by approximately \$2.4 million. One reason for the variance is that the City did not receive approximately \$400,000 that was due from the Pontiac General Hospital and Medical Center; this is discussed in more detail in Note 14. In addition, the City budgeted to receive \$500,000 in contributions from two component units, which it did not receive. Finally, the interfund labor reimbursements came in approximately \$658,000 below budget.

Total expenditures exceeded the budget by approximately \$577,000. The expenditure overages primarily relate to the operating transfer to the District Court. The required operating subsidy was \$800,000 more than budgeted. Conversely, two functions were significantly under budget, which helped to minimize the fund's overall overage. The police department and department of public works fared better than budget by \$292,000 and \$356,000, respectively.

### Capital Asset and Debt Administration

At the end of 2007, the City had invested \$137.1 million in a broad range of capital assets including land and improvements, buildings and improvements, equipment, roads, street signs, bridges, sidewalks, furniture, vehicles, and water and sewer lines. This amount includes a net adjustment of \$875,000 to incorporate infrastructure on a retroactive basis in accordance with GASB No. 34. The value of infrastructure assets, net of depreciation, included in this report is \$32 million. In addition, the value of the water and sewer distribution systems and related equipment, net of depreciation, is \$33.8 million.

The widening of University Drive was completed during the current year and was reclassified from construction in progress to streets in the amount of \$2.97 million. A variety of other projects was still in progress as of June 30, 2007.

New debt incurred during the year included capital leases of \$825,000 and \$214,115 for a new fire truck and vactor, respectively.

# **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's deficit increased from \$4.1 million to just over \$6 million for the year ended June 30, 2007. The City has a deficit elimination plan on file with the State, which includes a variety of points to eliminate the deficit by 2011. The City will be voting on two possible charter amendments that would help the City in its goal to eradicate the deficit. One ballot item is to allow the City to retain the property taxes levied for police and recreation services. The other item on the ballot is to eliminate the minimum manning requirement in the fire department.

Balancing the budget and eliminating the deficit continues to be a high priority of the mayor and City Council.

### **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 (Deficit) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 17,082,280	\$ 1,295,428	\$ 18,377,708	\$ 4,900,657
Receivables - Net:				
Property and income taxes	3,996,199	57,327	4,053,526	31,960
Customer receivables	-	9,722,588	9,722,588	-
Special assessments receivable	322,391	82,967	405,358	-
Other receivables	3,862,919	27,564	3,890,483	217,832
Internal balances	(7,851,232)	7,851,232	-	-
Due from primary government	-	-	-	2,455,754
Due from other governmental units	9,174,756	-	9,174,756	-
Prepaid and other assets	2,044,446	-	2,044,446	-
Restricted assets (Note 8)	8,651,374	1,736,602	10,387,976	-
Long-term lease receivable (Note 14)	12,062,220	-	12,062,220	39,490,000
Capital assets (Note 5):				
Nondepreciable capital assets	27,749,914	4,421,614	32,171,528	5,679,200
Depreciable capital assets - Net	56,529,377	48,368,192	104,897,569	15,884,386
Total assets	133,624,644	73,563,514	207,188,158	68,659,789

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Net Assets (Deficit) (Continued) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 6,156,520	\$ 958,747	\$ 7,115,267	\$ 286,104
Other accrued liabilities	8,019,496	408,541	8,428,037	-
Deposits	1,197,733	48,892	1,246,625	114,328
Due to component units	2,455,754	-	2,455,754	-
Due to other governmental units	524,079	-	524,079	-
Accrued interest payable	-	95,425	95,425	275,589
Deferred revenue	10,931,654	-	10,931,654	630,947
Long-term liabilities (Note 7):				
Due within one year	6,684,030	49,785	6,733,815	3,830,000
Due within one year - Payable from restricted assets	-	625,000	625,000	-
Due in more than one year	45,149,963	7,824,330	52,974,293	91,521,494
Total liabilities	<u>81,119,229</u>	<u>10,010,720</u>	<u>91,129,949</u>	<u>96,658,462</u>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	78,616,395	44,840,476	123,456,871	21,563,586
Restricted for:				
Streets	624,055	-	624,055	-
Sanitation	1,625,576	-	1,625,576	-
Drains	829,656	-	829,656	-
Grants	1,338,881	-	1,338,881	-
Capital projects	4,761,064	-	4,761,064	-
Cemetery endowment	991,960	-	991,960	-
Cable television	611,562	-	611,562	-
Debt service	-	1,054,561	1,054,561	-
Water and sewer bond reserves	-	1,736,602	1,736,602	-
Revolving loan program	-	-	-	1,116,003
Unrestricted (deficit)	<u>(36,893,734)</u>	<u>15,921,155</u>	<u>(20,972,579)</u>	<u>(50,678,262)</u>
Total net assets (deficit)	<u>\$ 52,505,415</u>	<u>\$ 63,552,794</u>	<u>\$ 116,058,209</u>	<u>\$ (27,998,673)</u>



# City of Pontiac, Michigan

## Statement of Activities Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 16,250,421	\$ 230,160	\$ -	\$ -	\$ (16,020,261)
Public safety	30,470,642	3,461,840	468,094	-	(26,540,708)
Public works	15,338,441	3,670,520	6,260,954	1,512,007	(3,894,960)
Community and human services	2,808,599	199,949	2,738,787	-	130,137
Interest on long-term debt	1,407,400	-	-	-	(1,407,400)
Total governmental activities	66,275,503	7,562,469	9,467,835	1,512,007	(47,733,192)
Business-type activities:					
Water	12,079,531	14,022,196	-	-	1,942,665
Sewer	11,081,069	10,776,318	-	-	(304,751)
Parking	2,164,158	1,022,667	-	-	(1,141,491)
Golf course	1,068,094	789,348	-	-	(278,746)
Total business-type activities	26,392,852	26,610,529	-	-	217,677
Total primary government	<u>\$ 92,668,355</u>	<u>\$ 34,172,998</u>	<u>\$ 9,467,835</u>	<u>\$ 1,512,007</u>	<u>\$ (47,515,515)</u>
Component units:					
Tax Increment Financing Authority	\$ 6,952,238	\$ -	\$ -	\$ -	\$ (6,952,238)
Downtown Development Authority	988,625	-	492,625	-	(496,000)
Economic Development Corporation	248,341	-	12,840	-	(235,501)
Brownfield Redevelopment Authority	215,860	-	-	-	(215,860)
Pontiac Silverdome	3,917,389	266,424	-	-	(3,650,965)
Pontiac Hospital Finance Authority	2,448,600	-	-	-	(2,448,600)
Total component units	<u>\$ 14,771,053</u>	<u>\$ 266,424</u>	<u>\$ 505,465</u>	<u>\$ -</u>	<u>\$ (13,999,164)</u>

(Continued on next page)

# City of Pontiac, Michigan

## Statement of Activities (Continued) Year Ended June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net expense from previous page	\$ (47,733,192)	\$ 217,677	\$ (47,515,515)	\$ (13,999,164)
General revenues:				
Property taxes	19,065,183	2,714,897	21,780,080	9,452,806
Income taxes	13,537,217	-	13,537,217	-
State-shared revenues	12,087,351	-	12,087,351	-
Rental income	9,450	-	9,450	2,448,600
Unrestricted investment earnings	1,638,092	563,574	2,201,666	762,793
Unrestricted cable revenue	501,540	-	501,540	-
Gain on sale of fixed assets	17,494	76,350	93,844	25,200
Contribution from component units	756,180	490,700	1,246,880	-
Miscellaneous	53,648	44,471	98,119	331,482
<b>Total general revenues</b>	<b>47,666,155</b>	<b>3,889,992</b>	<b>51,556,147</b>	<b>13,020,881</b>
Transfers	83,553	(83,553)	-	-
<b>Total general revenues and transfers</b>	<b>47,749,708</b>	<b>3,806,439</b>	<b>51,556,147</b>	<b>13,020,881</b>
<b>Change in Net Assets</b>	<b>16,516</b>	<b>4,024,116</b>	<b>4,040,632</b>	<b>(978,283)</b>
<b>Net Assets (Deficit) - Beginning of year, as restated (Note 17)</b>	<b>52,488,899</b>	<b>59,528,678</b>	<b>112,017,577</b>	<b>(27,020,390)</b>
<b>Net Assets (Deficit) - End of year</b>	<b>\$ 52,505,415</b>	<b>\$ 63,552,794</b>	<b>\$ 116,058,209</b>	<b>\$ (27,998,673)</b>

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet June 30, 2007

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 38,527	\$ 11,535,044	\$ 11,573,571
Receivables - Net (Note 4):			
Property and income taxes	3,923,176	73,023	3,996,199
Special assessments receivable	322,391	-	322,391
Other receivables	1,210,888	151,809	1,362,697
Due from other governmental units	5,250,985	3,923,771	9,174,756
Inventory	-	19,382	19,382
Due from other funds (Note 6)	1,116,857	104,712	1,221,569
Due from other funds - Advances (Note 6)	79,897	1,876,912	1,956,809
Lease receivable (Note 14)	10,627,220	-	10,627,220
Other assets	336,564	-	336,564
Restricted cash and cash equivalents (Note 8)	-	8,651,374	8,651,374
<b>Total assets</b>	<b>\$ 22,906,505</b>	<b>\$ 26,336,027</b>	<b>\$ 49,242,532</b>

(Continued on next page)

# City of Pontiac, Michigan

## Governmental Funds Balance Sheet (Continued) June 30, 2007

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities and Fund Balances (Deficit)</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,601,418	\$ 2,296,363	\$ 4,897,781
Other accrued liabilities	-	50,663	50,663
Deposits	1,197,733	-	1,197,733
Due to other funds	-	529,231	529,231
Due to other funds - Advances	8,566,160	1,934,219	10,500,379
Due to component units - Advances	2,455,754	-	2,455,754
Due to other governmental units	524,079	-	524,079
Deferred revenue	13,639,601	2,345,860	15,985,461
Total liabilities	28,984,745	7,156,336	36,141,081
<b>Fund Balances (Deficit)</b>			
Reserved for:			
Endowment	-	991,960	991,960
Landfill postclosure costs	-	3,068,747	3,068,747
Special projects	64,000	-	64,000
Unreserved, reported in:			
General Fund	(6,142,240)	-	(6,142,240)
Special Revenue Funds	-	6,227,071	6,227,071
Capital Projects Funds	-	8,891,913	8,891,913
Total fund balances (deficit)	(6,078,240)	19,179,691	13,101,451
Total liabilities and fund balances (deficit)	<u>\$ 22,906,505</u>	<u>\$ 26,336,027</u>	<u>\$ 49,242,532</u>

# City of Pontiac, Michigan

## **Governmental Funds Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities Year Ended June 30, 2007**

<b>Fund Balance - Total Governmental Funds</b>	\$ 13,101,451
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	83,166,172
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	1,435,000
Accrued interest on long-term debt is not included in the governmental funds but is included in the government-wide statement	(252,765)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(51,833,993)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds	5,053,807
Internal Service Funds are included as part of governmental activities	<u>1,835,743</u>
<b>Net Assets - Governmental Activities</b>	<b><u>\$ 52,505,415</u></b>

# City of Pontiac, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2007

	Major Fund - General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Taxes	\$ 27,629,433	\$ 4,675,231	\$ 32,304,664
Licenses and permits	2,521,360	-	2,521,360
Federal sources	214,996	3,147,912	3,362,908
State sources	12,347,902	6,720,984	19,068,886
Charges for services	1,158,312	3,594,316	4,752,628
Fines and forfeitures	106,553	1,558,160	1,664,713
Investment income	608,876	870,678	1,479,554
Rental income	9,450	-	9,450
Contribution from component units	-	1,161,201	1,161,201
Other	1,164,151	593,852	1,758,003
Total revenue	45,761,033	22,322,334	68,083,367
<b>Expenditures</b>			
Current:			
General government	2,032,049	75,986	2,108,035
District court	-	3,523,233	3,523,233
Public safety	29,312,506	1,446,526	30,759,032
Public works and utilities	3,544,607	10,997,869	14,542,476
Community development	1,367,369	2,575,094	3,942,463
Community and human services	744,425	300	744,725
General and special programs	9,282,078	763,110	10,045,188
Commercial and industrial development	-	116,700	116,700
Debt service	1,204,491	2,225,152	3,429,643
Total expenditures	47,487,525	21,723,970	69,211,495
<b>Excess of Revenue Over (Under) Expenditures</b>	(1,726,492)	598,364	(1,128,128)
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of long-term debt	-	821,098	821,098
Transfers in	2,710,386	6,079,700	8,790,086
Transfers out	(2,948,931)	(5,747,617)	(8,696,548)
Total other financing sources (uses)	(238,545)	1,153,181	914,636
<b>Net Change in Fund Balances</b>	(1,965,037)	1,751,545	(213,492)
<b>Fund Balances (Deficit) - Beginning of year</b>	(4,113,203)	17,428,146	13,314,943
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ (6,078,240)</b>	<b>\$ 19,179,691</b>	<b>\$ 13,101,451</b>

# City of Pontiac, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(213,492)
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		3,776,864
Depreciation reported in the statement of activities		(4,997,560)
Gain on disposal of fixed assets		(4,178)
Certain revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds		(141,313)
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)		(821,098)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		1,559,859
Amortization of bond discount is not recorded in governmental funds; in the statement of activities, this is recorded as an adjustment to interest expense		71,247
Interest expense is recorded when incurred in the statement of activities		62,893
Decrease in landfill closure and postclosure liability is not recorded in the governmental funds, but is recorded in the statement of activity because it is long-term debt		334,155
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		217,316
Internal Service Funds are also included as governmental activities		171,823
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>16,516</u></b>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2007

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents (Note 3)	\$ 43,999	\$ 415,318	\$ 807,838	\$ 28,273	\$ 1,295,428	\$ 5,508,709
Receivables - Net (Note 4):						
Customer receivables	5,454,849	4,267,739	-	-	9,722,588	-
Taxes receivable	-	-	57,327	-	57,327	-
Other receivables	-	13,840	13,724	-	27,564	2,500,222
Due from other funds	-	33,889	-	-	33,889	-
Prepaid and other assets	-	-	-	-	-	1,688,500
Special assessments receivable	15,953	67,014	-	-	82,967	-
Total current assets	5,514,801	4,797,800	878,889	28,273	11,219,763	9,697,431
Noncurrent assets:						
Restricted cash and cash equivalents	895,610	840,992	-	-	1,736,602	-
Due from other funds - Advances (Note 6)	4,726,836	3,090,507	-	-	7,817,343	-
Nondepreciable capital assets (Note 5)	195,436	325,964	3,166,454	733,760	4,421,614	-
Depreciable capital assets - Net (Note 5)	12,604,765	20,671,844	12,806,588	2,284,995	48,368,192	1,113,119
Total noncurrent assets	18,422,647	24,929,307	15,973,042	3,018,755	62,343,751	1,113,119
Total assets	23,937,448	29,727,107	16,851,931	3,047,028	73,563,514	10,810,550

(Continued on next page)



# City of Pontiac, Michigan

## Proprietary Funds Statement of Net Assets (Continued) June 30, 2007

	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	\$ 705,876	\$ 187,670	\$ 36,931	\$ 28,270	\$ 958,747	\$ 1,258,739
Accrued and other liabilities	95,253	285,078	28,207	3	408,541	7,716,068
Deposits	-	-	48,892	-	48,892	-
Current portion of long-term debt	-	49,785	-	-	49,785	-
Total current liabilities	801,129	522,533	114,030	28,273	1,465,965	8,974,807
Noncurrent liabilities (Note 7):						
Payable from restricted assets:						
Accrued interest on long-term debt	95,425	-	-	-	95,425	-
Current portion of long-term debt	255,000	370,000	-	-	625,000	-
Long-term debt - Net of current portion	2,865,000	4,459,330	500,000	-	7,824,330	-
Total noncurrent liabilities	3,215,425	4,829,330	500,000	-	8,544,755	-
Total liabilities	4,016,554	5,351,863	614,030	28,273	10,010,720	8,974,807
<b>Net Assets</b>						
Investment in capital assets - Net of related debt	9,680,201	16,168,478	15,973,042	3,018,755	44,840,476	1,113,119
Restricted	895,610	840,992	1,054,561	-	2,791,163	-
Unrestricted	9,345,083	7,365,774	(789,702)	-	15,921,155	722,624
Total net assets	\$ 19,920,894	\$ 24,375,244	\$ 16,237,901	\$ 3,018,755	\$ 63,552,794	\$ 1,835,743

# City of Pontiac, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	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	\$ 14,022,196	\$ 10,776,318	\$ 1,022,667	\$ 789,348	\$ 26,610,529	\$ 26,682,371
Other	19,000	25,471	-	-	44,471	-
Total operating revenue	14,041,196	10,801,789	1,022,667	789,348	26,655,000	26,682,371
<b>Operating Expenses</b>						
Purchased water	5,112,937	-	-	-	5,112,937	-
Operations and maintenance	3,384,601	7,361,424	1,522,968	717,101	12,986,094	1,467,755
Insurance	-	-	-	-	-	24,276,974
Administrative expenses	2,690,121	1,474,400	94,683	68,699	4,327,903	606,318
Depreciation	693,275	1,970,944	546,507	281,279	3,492,005	318,202
Total operating expenses	11,880,934	10,806,768	2,164,158	1,067,079	25,918,939	26,669,249
<b>Operating Income (Loss)</b>	2,160,262	(4,979)	(1,141,491)	(277,731)	736,061	13,122
<b>Nonoperating Revenue (Expenses)</b>						
Property taxes	-	-	2,714,897	-	2,714,897	-
Interest revenue	278,229	225,346	59,999	-	563,574	158,538
Interest expense	(198,597)	(274,301)	-	(1,015)	(473,913)	-
Gain on sale of fixed assets	-	45,000	-	31,350	76,350	-
Contribution from component unit	-	-	490,700	-	490,700	10,148
Total nonoperating revenue (expenses)	79,632	(3,955)	3,265,596	30,335	3,371,608	168,686
<b>Income (Loss) - Before transfers</b>	2,239,894	(8,934)	2,124,105	(247,396)	4,107,669	181,808
<b>Transfers</b>						
Transfers in	-	-	72,061	24,014	96,075	-
Transfers out	(51,825)	(120,363)	(7,440)	-	(179,628)	(9,985)
Total transfers in (out)	(51,825)	(120,363)	64,621	24,014	(83,553)	(9,985)
<b>Change in Net Assets</b>	2,188,069	(129,297)	2,188,726	(223,382)	4,024,116	171,823
<b>Net Assets - Beginning of year, as restated (Note 17)</b>	17,732,825	24,504,541	14,049,175	3,242,137	59,528,678	1,663,920
<b>Net Assets - End of year</b>	<u>\$ 19,920,894</u>	<u>\$ 24,375,244</u>	<u>\$ 16,237,901</u>	<u>\$ 3,018,755</u>	<u>\$ 63,552,794</u>	<u>\$ 1,835,743</u>

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	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	\$ 11,970,634	\$ 9,603,426	\$ 1,022,891	\$ 789,348	\$ 23,386,299	\$ 25,720,174
Payments to employees	(4,094,591)	(5,107,393)	(868,007)	(205,045)	(10,275,036)	(956,101)
Payments to suppliers	(7,224,065)	(3,883,639)	(700,061)	(559,001)	(12,366,766)	(24,573,665)
Net cash provided by (used in) operating activities	651,978	612,394	(545,177)	25,302	744,497	190,408
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers from other funds	-	-	72,061	24,014	96,075	-
Transfers to other funds	(51,825)	(120,363)	(7,440)	-	(179,628)	(9,985)
Interfund loans - Proceeds and collections	(1,622,671)	99,744	-	-	(1,522,927)	-
Component unit loans - Proceeds and collections	-	-	490,700	-	490,700	-
Net cash provided by (used in) noncapital financing activities	(1,674,496)	(20,619)	555,321	24,014	(1,115,780)	(9,985)
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(3,075,684)	(1,200,301)	-	(57,897)	(4,333,882)	(191,790)
Proceeds from sale of capital assets	-	45,000	-	31,350	76,350	10,148
Property taxes	-	-	2,733,011	-	2,733,011	-
Proceeds from special assessments	1,386	7,332	-	-	8,718	-
Principal and interest paid on capital debt	(445,737)	(765,091)	(2,000,000)	-	(3,210,828)	-
Net cash (used in) provided by capital and related financing activities	(3,520,035)	(1,913,060)	733,011	(26,547)	(4,726,631)	(181,642)
<b>Cash Flows from Investing Activities</b> - Investment income (loss)	278,229	225,346	59,999	(1,015)	562,559	158,538
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,264,324)	(1,095,939)	803,154	21,754	(4,535,355)	157,319
<b>Cash and Cash Equivalents</b> - Beginning of year	5,203,933	2,352,249	4,684	6,519	7,567,385	5,351,390
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 939,609</u>	<u>\$ 1,256,310</u>	<u>\$ 807,838</u>	<u>\$ 28,273</u>	<u>\$ 3,032,030</u>	<u>\$ 5,508,709</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>						
Cash and cash equivalents	\$ 43,999	\$ 415,318	\$ 807,838	\$ 28,273	\$ 1,295,428	\$ 5,508,709
Restricted cash and cash equivalents (Note 8)	895,610	840,992	-	-	1,736,602	-
Total cash and cash equivalents	<u>\$ 939,609</u>	<u>\$ 1,256,310</u>	<u>\$ 807,838</u>	<u>\$ 28,273</u>	<u>\$ 3,032,030</u>	<u>\$ 5,508,709</u>

(Continued on next page)

# City of Pontiac, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2007

	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)	\$ 2,160,262	\$ (4,979)	\$ (1,141,491)	\$ (277,731)	\$ 736,061	\$ 13,122
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	693,275	1,970,944	546,507	281,279	3,492,005	318,202
Changes in assets and liabilities:						
Accounts receivable	(2,070,562)	(1,198,363)	224	-	(3,268,701)	(962,197)
Inventory and supplies	-	-	-	-	-	(288,565)
Accounts payable	(130,997)	(155,208)	24,558	21,867	(239,780)	1,119,199
Accrued liabilities	-	-	-	(113)	(113)	(9,353)
Deposits	-	-	25,025	-	25,025	-
Net cash provided by (used in) operating activities	<u>\$ 651,978</u>	<u>\$ 612,394</u>	<u>\$ (545,177)</u>	<u>\$ 25,302</u>	<u>\$ 744,497</u>	<u>\$ 190,408</u>

**Noncash Transactions** - During the year, the City entered into a capital lease agreement for the purchase of a new vector. This resulted in additions to long-term debt and capital assets of \$214,115.

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2007

	Pension and Other Employee Benefits Trust	
	Funds (I)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 201,470	\$ 2,733,544
Investments:		
Money markets and mutual funds	32,337,625	-
Preferred securities	30,987,445	-
U.S. government obligations	19,839,996	-
Corporate and other bonds	128,827,242	-
Equities	476,873,739	-
U.S. government agency mortgage pools	48,410,269	-
Real estate	33,043,397	-
Interest in CAP Commercial Mortgage, LLC	1,891,855	-
Due from broker pending transactions	321,495	-
Accrued interest receivable	2,033,687	-
Receivables - Other	369,621	860,708
Total assets	775,137,841	\$ 3,594,252
<b>Liabilities</b>		
Accounts payable	2,682,184	\$ 6,879
Amount due broker under securities lending agreement	407,583	-
Due to other governmental units	-	1,687,287
Accrued liabilities	-	1,755,376
Deposits	-	144,710
Total liabilities	3,089,767	\$ 3,594,252
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 772,048,074</b>	

(I) The General City Employees Retirement and Police and Fire Retirement Systems' financial information is reported as of December 31, 2006.

# City of Pontiac, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2007

	Pension and Other Employee Benefits Trust Funds (1)
	Funds (1)
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 19,520,877
Net increase in fair value of investments	70,279,908
Less investment expenses	(3,340,799)
Net investment income	86,459,986
Securities lending income:	
Interest and fees	2,833,231
Less borrower rebates and bank fees	(2,704,620)
Net securities lending income	128,611
Contributions:	
Employer	3,651,914
Employee	2,337,730
Total contributions	5,989,644
Total additions	92,578,241
<b>Deductions</b>	
Retiree pension benefit payments	31,268,950
Retiree health benefit payments	1,566,696
Member refunds and withdrawals	159,866
Other expenses	486,152
Administrative expenses	370,792
Total deductions	33,852,456
<b>Net Increase in Net Assets Held in Trust</b>	58,725,785
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	713,322,289
End of year	\$ 772,048,074

(1) The General City Employees Retirement and Police and Fire Retirement Systems' financial information is reported as of December 31, 2006.

# City of Pontiac, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2007

	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	\$ 2,457,618	\$ 200	\$ 1,809,045	\$ 251,895	\$ 381,899	\$ -	\$ 4,900,657
Receivables - Net:							
Property taxes	17,138	14,822	-	-	-	-	31,960
Other receivables	68,050	-	149,782	-	-	-	217,832
Due from primary government	-	-	-	-	2,455,754	-	2,455,754
<b>Total current assets</b>	<b>2,542,806</b>	<b>15,022</b>	<b>1,958,827</b>	<b>251,895</b>	<b>2,837,653</b>	<b>-</b>	<b>7,606,203</b>
Noncurrent assets:							
Due from other component units - Advances	667,262	-	-	-	-	-	667,262
Long-term lease receivable (Note 14)	-	-	-	-	-	39,490,000	39,490,000
Nondepreciable capital assets	-	-	-	-	5,679,200	-	5,679,200
Depreciable capital assets - Net	-	-	6,829,528	-	9,054,858	-	15,884,386
<b>Total noncurrent assets</b>	<b>667,262</b>	<b>-</b>	<b>6,829,528</b>	<b>-</b>	<b>14,734,058</b>	<b>39,490,000</b>	<b>61,720,848</b>
<b>Total assets</b>	<b>3,210,068</b>	<b>15,022</b>	<b>8,788,355</b>	<b>251,895</b>	<b>17,571,711</b>	<b>39,490,000</b>	<b>69,327,051</b>

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Net Assets (Deficit) (Continued) June 30, 2007

	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	\$ 4,371	\$ 189,681	\$ 2,248	\$ -	\$ 89,804	\$ -	\$ 286,104
Accrued liabilities	275,589	-	-	-	-	-	275,589
Deposits	-	5,500	8,828	-	100,000	-	114,328
Due to other component units - Advances	-	667,262	-	-	-	-	667,262
Deferred revenue	-	-	630,947	-	-	-	630,947
Total current liabilities	279,960	862,443	642,023	-	189,804	-	1,974,230
Noncurrent liabilities:							
Due within one year	2,430,000	-	-	-	-	1,400,000	3,830,000
Due in more than one year	53,431,494	-	-	-	-	38,090,000	91,521,494
Total noncurrent liabilities	55,861,494	-	-	-	-	39,490,000	95,351,494
Total liabilities	56,141,454	862,443	642,023	-	189,804	39,490,000	97,325,724
<b>Net Assets (Deficit)</b>							
Invested in capital assets - Net of related debt	-	-	6,829,528	-	14,734,058	-	21,563,586
Restricted for revolving loans	-	-	1,116,003	-	-	-	1,116,003
Unrestricted	(52,931,386)	(847,421)	200,801	251,895	2,647,849	-	(50,678,262)
Total net assets (deficit)	<b>\$ (52,931,386)</b>	<b>\$ (847,421)</b>	<b>\$ 8,146,332</b>	<b>\$ 251,895</b>	<b>\$ 17,381,907</b>	<b>\$ -</b>	<b>\$ (27,998,673)</b>



# City of Pontiac, Michigan

## Component Units Statement of Activities Year Ended June 30, 2007

	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	\$ 3,337,886	\$ -	\$ -	\$ -	\$ (3,337,886)
Interest on long-term debt	3,614,352	-	-	-	(3,614,352)
Total Tax Increment Financing Authority	6,952,238	-	-	-	(6,952,238)
Downtown Development Authority -					
Commercial and industrial development	988,625	-	492,625	-	(496,000)
Economic Development Corporation -					
Commercial and industrial development	248,341	-	12,840	-	(235,501)
Brownfield Redevelopment Authority -					
Commercial and industrial development	215,860	-	-	-	(215,860)
Total governmental activities	8,405,064	-	505,465	-	(7,899,599)
Business-type activities:					
Pontiac Silverdome	3,917,389	266,424	-	-	(3,650,965)
Pontiac Hospital Finance Authority	2,448,600	-	-	-	(2,448,600)
Total business-type activities	6,365,989	266,424	-	-	(6,099,565)
Total component units	<b>\$ 14,771,053</b>	<b>\$ 266,424</b>	<b>\$ 505,465</b>	<b>\$ -</b>	<b>\$ (13,999,164)</b>

(Continued on next page)

# City of Pontiac, Michigan

## Component Units Statement of Activities (Continued) Year Ended June 30, 2007

	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	
Net revenue (expense) from previous page	\$ (6,952,238)	\$ (496,000)	\$ (235,501)	\$ (215,860)	\$ (3,650,965)	\$ (2,448,600)	\$ (13,999,164)
General revenues:							
Property taxes	8,730,820	652,965	-	69,021	-	-	9,452,806
Rental income	-	-	-	-	-	2,448,600	2,448,600
Unrestricted investment earnings	332,949	20,803	46,765	13,111	349,165	-	762,793
Gain on sale of fixed assets	19,700	-	5,500	-	-	-	25,200
Miscellaneous	224,840	13,749	57,650	1,500	33,743	-	331,482
Total general revenues	<u>9,308,309</u>	<u>687,517</u>	<u>109,915</u>	<u>83,632</u>	<u>382,908</u>	<u>2,448,600</u>	<u>13,020,881</u>
<b>Change in Net Assets (Deficit)</b>	2,356,071	191,517	(125,586)	(132,228)	(3,268,057)	-	(978,283)
<b>Net Assets (Deficit) - Beginning of year</b>	<u>(55,287,457)</u>	<u>(1,038,938)</u>	<u>8,271,918</u>	<u>384,123</u>	<u>20,649,964</u>	<u>-</u>	<u>(27,020,390)</u>
<b>Net Assets (Deficit) - End of year</b>	<u><b>\$ (52,931,386)</b></u>	<u><b>\$ (847,421)</b></u>	<u><b>\$ 8,146,332</b></u>	<u><b>\$ 251,895</b></u>	<u><b>\$ 17,381,907</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (27,998,673)</b></u>

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

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

### **Reporting Entity**

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

### **Blended Component Units**

The General Building Authority (the “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 are 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 are 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 it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retiree Health System are 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. A copy of the audited 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 (deficit) 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)**

### **Fiduciary Funds**

**Pension and Other Postemployment Benefits Trust Funds** - The Pension and Other Postemployment 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 postemployment 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 2006 tax is levied and collectible on July 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City of Pontiac totaled approximately \$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 2.47 mills for debt service. This resulted in \$12.7 million for operating, \$3.2 million for refuse collection and disposal, \$1.6 million for capital improvement, and \$2.8 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)**

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 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.
- Several funds of the City and one of the City's component units reported advances due to other funds and component units related to operating cash flow needs, as disclosed in Note 6. There are no formal repayment terms or interest provisions in place for any of these borrowings.

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

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

Major governmental fund - General Fund	\$ (6,142,240)
Nonmajor governmental funds:	
Local roads	(374,452)
MDEQ Grant Pontiac Creek Stormwater Plan	(38,196)
GM Pontiac North Complex Development 2001	(75,348)
University Drive Widening	(74,955)
ML King Construction	<u>(39,301)</u>
Total nonmajor governmental funds	<u>(602,252)</u>
Total	<u><u>\$ (6,744,492)</u></u>

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

### **Component Unit Deficits**

The Downtown Development Authority has a fund deficit of \$847,421 as of June 30, 2007. 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's 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 GEVEBA'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, 2006 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 \$10,348,000 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	\$ 7,303,387	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 obligations	\$ 5,809,396	14.7 years
Corporate and other bonds	56,643,658	4.74 years
U.S. government agency mortgage pools	13,122,995	24.97 years
Money market and mutual funds	4,509,575	0.09 years

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

**General Employees' Retirement System** - The GERS's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Market Value	Weighted Average Maturity
Money market funds	\$ 22,688,758	.08 years
Corporate and other bonds	73,141,635	7.03 years
U.S. government agency notes and debentures	14,339,591	11.78 years
U.S. government agency mortgage pools	35,571,833	21.75 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	\$ 5,318,594	6.2 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	\$ 1,940,005	6.9 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 pools	\$ 8,658,653	AAAm	Standard & Poor's
Guaranteed investment contracts	3,340,343	A+	Standard & Poor's
Bank investment pools	15,260,793	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 bonds	\$ 40,506,216	Unrated
Corporates and other bonds	4,236,388	A1
Corporates and other bonds	439,785	A2
Corporates and other bonds	1,061,477	A3
Corporates and other bonds	2,614,864	AA1
Corporates and other bonds	1,068,796	AA2
Corporates and other bonds	4,348,767	AA3
Corporates and other bonds	1,661,150	AAA
Corporates and other bonds	706,213	BAA2
U.S. government mortgage pools	5,511,554	U.S. Agency
U.S. government mortgage pools	1,042,309	AA2
Money market and mutual funds	4,509,575	Unrated

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

**General Employees' Retirement System** - The GERS's investment policy limits investments in domestic fixed-income securities to not less than a CCC 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 AI 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 bonds	\$ 5,824,969	A1
Corporates and other bonds	2,733,188	A2
Corporates and other bonds	2,064,521	A3
Corporates and other bonds	5,077,301	AA1
Corporates and other bonds	961,917	AA2
Corporates and other bonds	7,658,263	AA3
Corporates and other bonds	8,538,392	AAA
Corporates and other bonds	215,957	B1
Corporates and other bonds	2,591,381	B2
Corporates and other bonds	1,965,427	B3
Corporates and other bonds	1,012,306	BAA1
Corporates and other bonds	1,898,814	BAA2
Corporates and other bonds	751,310	BAA3
Corporates and other bonds	806,104	CAA1
Corporates and other bonds	2,045,446	CAA2
Corporates and other bonds	489,894	CAA3
Corporates and other bonds	28,506,445	Unrated
U.S. government mortgage pools	1,032,285	AA2
U.S. government mortgage pools	25,236,150	U.S. Agency
Money market funds	22,895,115	Unrated



## Note 3 - Deposits and Investments (Continued)

**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	\$ 3,462,405	AAA	S&P
Mutual fund	148,921	AA	S&P
Mutual fund	393,576	A	S&P
Mutual fund	781,833	BBB	S&P
Mutual fund	441,443	BB	S&P
Mutual fund	90,416	Not rated	N/A

**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	\$ 1,626,113	AAA	S&P
Mutual fund	167,228	AA	S&P
Mutual fund	144,142	A	S&P
Mutual fund	2,522	B	S&P

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

### **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 12.26 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 \$14,321,000, 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 \$11,368,000, represents approximately 2.4 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.

**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.

## Note 3 - Deposits and Investments (Continued)

### 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.

**General Employees' Retirement System** - The GERS limits total assets in international equities and fixed income funds to 10 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	\$ 8,886	\$ 263	\$ 8,623
British Pound Sterling	19,838	34	19,804
Danish Krone	44	44	-
Euro Currency Unit	85,513	2,296	81,217
Hong Kong Dollar	195,369	195,369	-
Japanese Yen	1,983	1,983	-
Malaysian Ringgit	101	-	101
Mexican New Peso	2	2	-
Polish Zloty	30,275	2,482	27,793
Romanian Leu	4,935	430	4,505
Russian Rubel (New)	12,735	451	12,284
S. African Comm Rand	1	1	-
Singapore Dollar	13	13	-
Swiss Franc	32,413	32,413	-
Ukraine Hryvana	48,767	-	48,767

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

**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.

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 December 31, 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.

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. 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, 2006, the PFRS had no securities on loan due to the fact that it changed custodians at year end.

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 December 31, 2006, only United States currency was received as collateral.

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

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.

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. 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, 2006, the GERS had no securities on loan.

**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 -	Fund -		
Fund	Water Fund	Sewer Fund	Parking Fund			
Receivables:						
Taxes	\$ 4,438,176	\$ -	\$ -	\$ 232,327	\$ 303,023	\$ 4,973,526
Accounts	-	5,454,849	4,267,739	-	-	9,722,588
Special assessments	322,391	15,953	67,014	-	-	405,358
Intergovernmental	5,250,985	-	-	-	3,923,771	9,174,756
Other	1,210,888	-	13,840	13,724	2,652,031	3,890,483
Less allowance for uncollectibles	(515,000)	-	-	(175,000)	(230,000)	(920,000)
Net receivables	<u>\$ 10,707,440</u>	<u>\$ 5,470,802</u>	<u>\$ 4,348,593</u>	<u>\$ 71,051</u>	<u>\$ 6,648,825</u>	<u>\$ 27,246,711</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	\$ 394,412	\$ -	\$ 394,412	\$ -
Income tax receivables	2,136,655	-	2,136,655	-
Weed cutting receivables	322,391	-	322,391	-
Sanitation receivables	15,483	-	15,483	-
Road maintenance receivables	109,173	-	109,173	-
Grant receivables	1,685,348	-	1,685,348	-
Other receivables	390,345	-	390,345	-
Capital lease receivable	-	10,627,220	10,627,220	10,627,220
Grant payments received prior to meeting all eligibility requirements	-	304,434	304,434	304,434
<b>Total</b>	<b>\$ 5,053,807</b>	<b>\$ 10,931,654</b>	<b>\$ 15,985,461</b>	<b>\$ 10,931,654</b>

### Note 5 - Capital Assets

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

	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Governmental Activities</b>				
Other governmental capital assets:				
Capital assets not being depreciated:				
Land	\$ 16,188,831	\$ -	\$ -	\$ 16,188,831
Construction in progress	13,239,754	1,293,437	(2,972,108)	11,561,083
Subtotal	29,428,585	1,293,437	(2,972,108)	27,749,914
Capital assets being depreciated:				
Streets and bridges	41,982,469	3,952,452	-	45,934,921
Land improvements	5,628,467	153,745	-	5,782,212
Buildings and improvements	45,691,124	281,918	-	45,973,042
Equipment	11,986,523	906,402	-	12,892,925
Vehicles	12,080,382	157,008	(472,552)	11,764,838
Furniture and fixtures	8,341,488	4,010	-	8,345,498
Subtotal	125,710,453	5,455,535	(472,552)	130,693,436
Accumulated depreciation:				
Streets and bridges	11,561,328	2,357,464	-	13,918,792
Land improvements	4,537,490	549,422	-	5,086,912
Buildings and improvements	23,224,407	1,450,531	-	24,674,938
Equipment	11,574,685	457,158	-	12,031,843
Vehicles	11,508,594	182,584	(468,374)	11,222,804
Furniture and fixtures	8,341,488	401	-	8,341,889
Subtotal	70,747,992	4,997,560	(468,374)	75,277,178
Net capital assets being depreciated	54,962,461	457,975	(4,178)	55,416,258
Net other governmental capital assets	\$ 84,391,046	\$ 1,751,412	\$ (2,976,286)	\$ 83,166,172

### Note 5 - Capital Assets (Continued)

<b>Governmental Activities</b>	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
Internal Service Fund capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 37,580	\$ 15,418	\$ -	\$ 52,998
Equipment	1,610,441	43,122	-	1,653,563
Vehicles	1,307,751	133,250	-	1,441,001
Furniture and fixtures	10,618	-	-	10,618
Subtotal	2,966,390	191,790	-	3,158,180
Accumulated depreciation:				
Buildings and improvements	2,908	7,233	-	10,141
Equipment	556,415	237,736	-	794,151
Vehicles	1,164,218	71,906	-	1,236,124
Furniture and fixtures	3,318	1,327	-	4,645
Subtotal	1,726,859	318,202	-	2,045,061
Net capital assets being depreciated	1,239,531	(126,412)	-	1,113,119
Governmental capital assets not being depreciated	29,428,585	1,293,437	(2,972,108)	27,749,914
Net governmental capital assets being depreciated	56,201,992	331,563	(4,178)	56,529,377
Net governmental activity capital assets	<u>\$ 85,630,577</u>	<u>\$ 1,625,000</u>	<u>\$ (2,976,286)</u>	<u>\$ 84,279,291</u>



### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
<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	4,731,153	430,248	2,305,475	7,466,876
Vehicles	1,721,719	93,400	-	1,815,119
Water systems	17,820,843	2,552,036	(2,305,475)	18,067,404
Subtotal	27,464,351	3,075,684	-	30,540,035
Accumulated depreciation:				
Land improvements	157,960	15,263	-	173,223
Building and improvements	1,523,394	48,208	-	1,571,602
Machinery and equipment	2,822,772	176,517	2,269,956	5,269,245
Vehicles	1,506,289	103,542	-	1,609,831
Water systems	11,231,580	349,745	(2,269,956)	9,311,369
Subtotal	17,241,995	693,275	-	17,935,270
Net capital assets being depreciated	10,222,356	2,382,409	-	12,604,765
Net Water Fund capital assets	10,417,792	2,382,409	-	12,800,201

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b> (Continued)	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Sewer Fund</b>				
Capital assets not being depreciated -				
Land	\$ 325,964	\$ -	\$ -	\$ 325,964
Capital assets being depreciated:				
Land improvements	157,352	83,950	-	241,302
Building and improvements	11,475,444	66,800	-	11,542,244
Machinery and equipment	5,719,536	92,075	-	5,811,611
Vehicles	1,963,073	319,295	(193,967)	2,088,401
Sewer systems	45,342,969	852,296	-	46,195,265
Subtotal	64,658,374	1,414,416	(193,967)	65,878,823
Accumulated depreciation:				
Land improvements	100,987	6,924	-	107,911
Building and improvements	8,455,804	140,610	-	8,596,414
Machinery and equipment	5,259,935	96,117	-	5,356,052
Vehicles	1,597,443	150,337	(193,967)	1,553,813
Sewer systems	28,015,833	1,576,956	-	29,592,789
Subtotal	43,430,002	1,970,944	(193,967)	45,206,979
Net capital assets being depreciated	21,228,372	(556,528)	-	20,671,844
Net Sewer Fund capital assets	21,554,336	(556,528)	-	20,997,808

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
<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	33,679,528	-	-	33,679,528
Machinery and equipment	78,976	-	-	78,976
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,722,400	-	-	34,722,400
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	20,361,117	535,874	-	20,896,991
Machinery and equipment	44,294	10,631	-	54,925
Vehicles	259,359	3	-	259,362
Traffic signs	57,859	(1)	-	57,858
Subtotal	21,369,305	546,507	-	21,915,812
Net capital assets being depreciated	13,353,095	(546,507)	-	12,806,588
Net Parking Fund capital assets	16,519,549	(546,507)	-	15,973,042

### Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2006 As Restated (Note 17)	Additions	Disposals and Adjustments	Balance June 30, 2007
<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	57,897	(62,589)	438,749
Subtotal	5,878,982	57,897	(62,589)	5,874,290
Accumulated depreciation:				
Land improvements	2,503,508	216,889	-	2,720,397
Building and improvements	488,266	35,381	-	523,647
Machinery and equipment	378,831	29,009	(62,589)	345,251
Subtotal	3,370,605	281,279	(62,589)	3,589,295
Net capital assets being depreciated	2,508,377	(223,382)	-	2,284,995
Net Golf Course Fund capital assets	3,242,137	(223,382)	-	3,018,755
Business-type capital assets not being depreciated	4,421,614	-	-	4,421,614
Net business-type capital assets being depreciated	47,312,200	1,055,992	-	48,368,192
Net business-type activity capital assets	\$ 51,733,814	\$ 1,055,992	\$ -	\$ 52,789,806

### Note 5 - Capital Assets (Continued)

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

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Component Unit - Pontiac Silverdome</b>				
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	20,166,441	-	62,000	20,104,441
Vehicles	520,372	-	70,000	450,372
Furniture and fixtures	4,801,449	-	-	4,801,449
Street and traffic signs	722,355	-	-	722,355
Scoreboard	4,397,725	-	-	4,397,725
Subtotal	81,555,724	-	132,000	81,423,724
Accumulated depreciation:				
Land improvements	7,027,919	47,776	-	7,075,695
Building and improvements	34,625,831	1,083,329	-	35,709,160
Equipment	19,579,609	148,187	62,000	19,665,796
Vehicles	520,372	-	70,000	450,372
Furniture and fixtures	4,660,089	14,880	-	4,674,969
Street and traffic signs	722,355	-	-	722,355
Scoreboard	3,850,633	219,886	-	4,070,519
Subtotal	70,986,808	1,514,058	132,000	72,368,866
Net capital assets being depreciated	10,568,916	(1,514,058)	-	9,054,858
Net capital assets - Silverdome	\$ 16,248,116	\$ (1,514,058)	\$ -	\$ 14,734,058
<b>Component Unit - Economic Development Corporation</b>				
Capital assets not being depreciated - Construction in progress	\$ 7,004,644	\$ -	\$ (7,004,644)	\$ -
Capital assets being depreciated - Land improvements	-	7,004,644	-	7,004,644
Accumulated depreciation - Land improvements	-	175,116	-	175,116
Net capital assets - Economic Development Corporation	\$ 7,004,644	\$ 6,829,528	\$ (7,004,644)	\$ 6,829,528

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

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

Governmental activities:

General government	\$ 1,450,932
Public safety	639,742
Public works	2,906,886
Internal Service Funds	<u>318,202</u>

Total governmental activities \$ 5,315,762

Business-type activities:

Water	\$ 693,275
Sewer	1,970,944
Parking	546,507
Golf course	<u>281,279</u>

Total business-type activities \$ 3,492,005

## 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	245,004	434,861
GM North Roadway improvements	796,868	1,175,316
University Drive widening	318,174	99,243
MDOT road projects	<u>1,286,873</u>	<u>329,633</u>
Total governmental activities - Nonmajor funds	3,275,093	6,924,233
Business-type activities - Water system improvements and repairs	<u>2,725,062</u>	<u>226,703</u>
Total primary government	<u>\$ 6,000,155</u>	<u>\$ 7,150,936</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>Due from/to Other Funds</b>		
General Fund	Nonmajor governmental fund - District Court	\$ 726,227
General Fund	Nonmajor governmental fund - Community Development Block Grant	327,238
General Fund	Nonmajor governmental fund - HOME Investment Partnerships Grant	<u>63,392</u>
Total General Fund		1,116,857
Nonmajor governmental funds	Nonmajor governmental funds	104,712
Sewer Fund	Nonmajor governmental funds - MDEQ Grant Pontiac Creek Stormwater Plan	<u>33,889</u>
Total		1,255,458
Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
General Fund	Nonmajor governmental fund - Orchard Lake Reconstruction	\$ 79,897
Nonmajor governmental fund - Sanitation Fund	General Fund	1,876,912
Water Fund	General Fund	4,726,836
Sewer Fund	General Fund	1,962,412
Sewer Fund	Nonmajor governmental fund - Major Roads	599,515
Sewer Fund	Nonmajor governmental fund - Local Roads	<u>528,580</u>
Total Proprietary Funds		<u>7,817,343</u>
Total		<u>\$ 9,774,152</u>

(Continued on next page)



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

Receivable Fund	Payable Fund	Amount
<b>Advances to/from Primary Government and Component Units</b>		
Component unit - Pontiac Silverdome	Primary government - General Fund	\$ 2,455,754
Receivable Fund	Payable Fund	Amount
<b>Advances to/from Other Component Units</b>		
Component unit - Tax Increment Financing Authority	Component unit - Downtown Development Authority	\$ 667,262

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 fund - District Court	\$ 2,027,689 (1)
General Fund	Nonmajor governmental fund - Target Capacity Expansion Grant	48,856
General Fund	Nonmajor governmental fund - Community Development Block Grant	2,728
General Fund	Nonmajor governmental fund - Employee Sick and Vacation Fund	356,431 (2)
General Fund	Nonmajor governmental fund - Permanent Fund - Cemetery	486,732 (1)
General Fund	Nonmajor governmental fund - Local Law Enforcement Block Grant	2,481
General Fund	Nonmajor business-type fund - Golf Course	24,014 (1)
Total General Fund		2,948,931
Nonmajor governmental fund - Sanitation	General Fund	2,699,810 (3)
Nonmajor governmental fund - District Court	Parking Fund	72,061
Nonmajor governmental fund - Major Road	Nonmajor governmental fund - Local Road	839,585 (4)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Debt Service Funds	321,363 (5)
Nonmajor governmental fund - Capital Improvement	Nonmajor governmental funds - Debt Service Funds	422,033 (5)
Nonmajor governmental fund - Orchard Lake Reconstruction	Nonmajor governmental fund - Major Road	883,072 (6)
Nonmajor governmental fund - Kennett Road Bridge	Nonmajor governmental fund - Caesar Chavez enhancements	256,393 (7)
Other nonmajor governmental funds	Other nonmajor governmental funds	253,300 (2) (5)
Total nonmajor governmental funds		5,747,617

(Continued on next page)

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

Fund Providing Resources	Fund Receiving Resources	Amount
Internal Service Funds	Nonmajor governmental funds	\$ 9,985
Water Fund	Nonmajor governmental funds	51,825
Sewer Fund	Nonmajor governmental funds	120,363 (2) (5)
Parking Fund	Nonmajor governmental funds	<u>7,440</u>
Total		<u>\$ 8,886,161</u>

- (1) Transfer to subsidize operating shortfalls
- (2) Transfer of unrestricted resources to prefund employee sick and vacation liabilities
- (3) Transfer of unrestricted funds from Sanitation Fund to subsidize General Fund deficit
- (4) Transfer from Major Road Fund to Local Road Fund as allowed by Act 51
- (5) Transfer for payments of general obligation debt service
- (6) Transfer of grant proceeds for reimbursement of capital outlay expenditures
- (7) Transfers between Capital Project Funds to cover shortfalls

### 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 Maturing through 2008	5.35%	\$315,000	\$ 610,000	\$ -	\$ (295,000)	\$ 315,000	\$ 315,000
1995 Michigan Department of Transportation bonds Amount of issue - \$1,450,000 Maturing through 2011	5.00%	\$120,000 - \$140,000	630,000	-	(110,000)	520,000	120,000
2000 Municipal Golf Course bonds Amount of issue - \$6,505,000 Maturing through 2012	5.965%	\$565,000 - \$710,000	3,705,000	-	(530,000)	3,175,000	565,000
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, 2007

### 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% -	\$260,000 -					
Maturing through 2027	4.700%	\$315,000	\$ 1,685,000	\$ -	\$ (250,000)	\$ 1,435,000	\$ 260,000
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	1,130,000
Add: Unamortized Bond Premium			1,068,700	-	(71,247)	997,453	-
2006 Michigan Department of Transportation							
State Infrastructure Loan							
Amount of issue - \$937,500	3.00%	\$181,880 -					
Maturing through 2008		\$198,745	937,500	-	(176,583)	760,917	181,880
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	-
		\$71,867 -					
Capital lease obligations	Various	\$344,216	798,619	821,098	(448,276)	1,171,441	344,216
Other obligations:							
Pending litigation			1,000,000	-	-	1,000,000	-
Compensated absences, separation, and longevity accrual			6,106,486	-	(217,316)	5,889,170	3,767,934
Landfill closure and postclosure costs			1,914,167	-	(334,155)	1,580,012	-
Total governmental activities			53,445,472	821,098	(2,432,577)	51,833,993	6,684,030

### 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:							
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	\$ 2,500,000	\$ -	\$ (2,000,000)	\$ 500,000	\$ -
Revenue bonds:							
Water Fund:							
1995 Water Supply System							
Amount of issue - \$3,675,000	6.25% -	\$205,000 -					
Maturing through 2015	6.35%	\$300,000	2,185,000	-	(190,000)	1,995,000	205,000
2002 Water Supply System							
Amount of issue - \$1,375,000	5.00% -	\$50,000 -					
Maturing through 2022	5.80%	\$105,000	1,175,000	-	(50,000)	1,125,000	50,000
Water Fund total			3,360,000	-	(240,000)	3,120,000	255,000

**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%	\$180,000 -					
Maturing through 2010	6.35%	\$205,000	\$ 745,000	\$ -	\$ (170,000)	\$ 575,000	\$ 180,000
2002 Sewage Disposal System							
Amount of issue - \$5,000,000	4.75%	\$190,000 -					
Maturing through 2022	5.85%	\$385,000	4,270,000	-	(180,000)	4,090,000	190,000
		\$49,785 -					
Capital lease obligation - 2007 vector	4.85%	\$57,393	-	214,115	-	214,115	49,785
Sewerage Fund total			5,015,000	214,115	(350,000)	4,879,115	419,785
Total business-type activities			10,875,000	214,115	(2,590,000)	8,499,115	674,785
Total governmental and business-type activities			\$ 64,320,472	\$ 1,035,213	\$ (5,022,577)	\$ 60,333,108	\$ 7,358,815
Component unit debt:							
Revenue bonds:							
Tax Increment Finance Authority Area #2:							
1996 TIFA Bonds #6330							
Amount of issue - \$1,800,000	9.00%	\$85,000 -					
Maturing through 2017		\$180,000	\$ 1,350,000	\$ -	\$ (75,000)	\$ 1,275,000	\$ 85,000
1999 TIFA Bonds #M070							
Amount of issue - \$3,655,000	9.00%	\$90,000 -					
Maturing through 2024		\$295,000	3,280,000	-	(80,000)	3,200,000	90,000
2002 TIFA Bonds #M0005							
Amount of issue - \$11,245,000	4.250% -	\$215,000 -					
Maturing through 2022	5.6250%	\$1,180,000	7,315,000	-	(1,085,000)	6,230,000	1,130,000
Less unamortized bond discount			(401,929)	-	25,745	(376,184)	-

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt (Continued):							
Revenue bonds (Continued):							
Tax Increment Finance Authority Area #2 (Continued):							
Other obligations:							
Lease payable - City of Pontiac General	4.625% -	\$260,000 -					
Building Authority	4.700%	\$315,000	\$ 1,685,000	\$ -	\$ (250,000)	\$ 1,435,000	\$ 260,000
County Contractual Agreement							
2006 County Building Authority Refunding Bonds							
Amount of issue - \$8,160,000	3.250% -	\$45,000 -					
Maturing through 2023	4.250%	\$2,850,000	8,050,000	-	(45,000)	8,005,000	45,000
County Contractual Agreement							
2006 County Building Authority Bonds							
Amount of issue - \$11,500,000	5.00% -	\$375,000 -					
Maturing through 2026	5.40%	\$900,000	11,500,000	-	(350,000)	11,150,000	375,000
Total Tax Increment Finance Authority Area #2			32,778,071	-	(1,859,255)	30,918,816	1,985,000
Tax Increment Finance Authority Area #3:							
2002 TIFA Bonds #M006							
Amount of issue - \$28,675,000	4.375% -	\$445,000 -					
Maturing through 2031	6.375%	\$1,625,000	26,610,000	-	(385,000)	26,225,000	445,000
Less unamortized bond discount			(1,334,627)	-	52,305	(1,282,322)	-
Total Tax Increment Finance Authority Area #3			25,275,373	-	(332,695)	24,942,678	445,000

# City of Pontiac, Michigan

## Notes to Financial Statements June 30, 2007

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

	Interest	Principal	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	Rate						
	Ranges	Maturity Ranges					
Component unit debt (Continued):							
Revenue bonds:							
Pontiac Hospital Finance Authority:							
1993 Hospital Revenue Bonds							
Amount of issue - \$51,810,000		\$1,400,000 -					
Maturing through 2023	6.00%	\$3,560,000	\$ 40,810,000	\$ -	\$ (1,320,000)	\$ 39,490,000	\$ 1,400,000
Total component unit debt			\$ 98,863,444	\$ -	\$ (3,511,950)	\$ 95,351,494	\$ 3,830,000

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
2008	\$ 2,916,096	\$ 1,394,508	\$ 4,310,604	\$ 674,785	\$ 458,811	\$ 1,133,596	\$ 3,830,000	\$ 5,676,461	\$ 9,506,461
2009	2,493,866	1,268,994	3,762,860	707,202	421,894	1,129,096	4,020,000	5,473,544	9,493,544
2010	2,539,823	1,154,747	3,694,570	744,736	383,503	1,128,239	3,255,000	5,256,048	8,511,048
2011	2,659,334	1,026,440	3,685,774	572,392	342,014	914,406	3,490,000	5,069,874	8,559,874
2012	2,444,505	901,360	3,345,865	545,000	309,465	854,465	3,705,000	4,888,968	8,593,968
2013-2017	8,173,734	3,139,363	11,313,097	2,550,000	1,037,418	3,587,418	24,710,000	20,409,044	45,119,044
2018-2022	7,640,000	978,000	8,618,000	2,205,000	395,210	2,600,210	29,145,000	13,011,077	42,156,077
2023-2027	-	-	-	-	-	-	18,660,000	4,583,370	23,243,370
2028-2032	-	-	-	-	-	-	6,195,000	1,006,294	7,201,294
Total	\$ 28,867,358	\$ 9,863,412	\$ 38,730,770	\$ 7,999,115	\$ 3,348,315	\$ 11,347,430	\$ 97,010,000	\$ 65,374,680	\$ 162,384,680

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.



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

Compensated absences and separation accruals of \$5,889,170 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 \$1,580,012 and the pending litigation accrual of \$1,000,000 have no fixed maturity dates; therefore, they have been excluded from the above summary.

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the debt service funds. Lease payments are made directly from the fund incurring the expenditure. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The landfill closure and post-closure costs represent the cumulative amount of closure and postclosure care costs reported to date based on the use of 100 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** - The City has a property tax refund obligation to General Motors Corporation (GM) as the result of a 1991 settlement related to the assessed valuation of GM property located within the City for fiscal years 1986 through 1992. The balance of the liability is \$11,000,000, of which \$10,500,000 is payable from the following governmental funds: General Fund, Sanitation Fund, Chapter 20 Drain Fund, and Capital Improvement Fund. The remaining \$500,000 is payable from the Parking Fund.

The repayment agreement requires an annual payment, payable 60 days after the receipt of the annual audit report and is based on an economic growth formula (the agreement requires no payment in any year the economic growth formula produces a negative amount). The formula for payment due in the next fiscal year resulted in a negative amount; therefore, there is no current portion due on this liability.

## **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 was 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

**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, 2007, no commitment debt outstanding has been determined.

**Defeased Debt** - In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2007, \$7,845,771 of bonds outstanding is considered defeased.

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities			Business-type Activities			
	Sanitation Fund	Oakland Plaza Construction	Cemetery Fund	Total Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities
Cash and investments:							
Landfill closure and postclosure care	\$ 3,068,747	\$ -	\$ -	\$ 3,068,747	\$ -	\$ -	\$ -
Unspent bond proceeds	-	4,714,462	-	4,714,462	-	-	-
Cemetery endowments	-	-	868,165	868,165	-	-	-
Bond reserves	-	-	-	-	895,610	840,992	1,736,602
<b>Total restricted assets</b>	<b>\$ 3,068,747</b>	<b>\$ 4,714,462</b>	<b>\$ 868,165</b>	<b>\$ 8,651,374</b>	<b>\$ 895,610</b>	<b>\$ 840,992</b>	<b>\$ 1,736,602</b>

### 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 \$1,580,012 reported as landfill closure and postclosure liability at June 30, 2007 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 100 percent of landfill capacity is used as of June 30, 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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, 2007, investments of \$3,068,747 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.

**Note 9 - Risk Management (Continued)**

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, 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	1,025,421	4,200,000	2,500,000
Incurred claims	(23,891,288)	(830,439)	(519,285)
Claims paid	<u>23,881,935</u>	<u>830,439</u>	<u>519,285</u>
Unpaid claims - June 30, 2007	<u>\$ 1,016,068</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 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.

**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, 2006, the City's annual pension cost of \$15,695 was equal to the City's actual contribution. The annual required contribution of \$15,695 was determined as part of an actuarial valuation at December 31, 2005, the latest actuarial valuation, using the individual entry age normal 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. The remaining amortization period is 30 years.

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

**Reserves** - As of December 31, 2006, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 3,689,369
Reserved for retired benefit payments	185,562,003

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2004	2005	2006
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,767	\$ 16,926	\$ 15,695
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, 2006, the City's annual pension cost of \$2,324,011 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, 2005, the latest actuarial valuation, using the individual entry age normal 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, 2006, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 3,478,134
Reserved for retired benefit payments	148,226,621

**Three-year Trend Information**

	Fiscal Year Ended December 31		
	2004	2005	2006
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,141,247	\$ 2,242,320	\$ 2,324,011
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 \$34,298,931. The current year contribution was calculated based on covered payroll of \$255,733, resulting in an employer contribution of \$23,016 and employee contributions of \$7,672.

**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.

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

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 \$496,000 to the Trust for the year ended December 31, 2006.

**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, 122 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, 2005 which arrived at a required employer contribution rate of 21.02 percent of police and fire wages. The City contributed approximately \$2,799,000 to the Trust for the year ended December 31, 2006.

**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 healthcare benefits in accordance with various bargaining contracts. Currently, 549 retirees are eligible for postemployment health benefits. The City is self-insured for healthcare coverage.

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

**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 healthcare coverage over the working life of the employee, rather than at the time the healthcare 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.

## **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 its 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 Series 1993 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, 2007 are as follows:

Minimum lease payments receivable	\$ 64,072,000
Estimated residual value of lease property*	<u>-</u>
Total	64,072,000
Less unearned income	<u>(24,582,000)</u>
Net investment in direct finance lease	<u>\$ 39,490,000</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, 2007. 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.

During the current year, PGHMC made a partial payment on the \$1,000,000 that was due to the City in December 2005. PGHMC also notified the City that this was all it was able to pay for the current year and, due to financial difficulties, did not anticipate being able to make any payments in the foreseeable future. The components of the City’s long-term lease receivable as of June 30, 2007 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 March 2007; the State rejected the City's plan in April 2007 and asked for additional details. The City submitted a revised plan in November 2007 that was approved in December 2007. The plan included many items and called for the General Fund deficit to be eliminated by June 30, 2011. The following items are included in the plan:

- Receiving a credit enhancement fee of approximately \$2.4 million for pledging its good faith and credit toward the refunding of various TIFA bonds
- Layoffs of 54 non-fire employees by December 31, 2007
- Voting on a charter amendment on January 15, 2008 to allow the City to retain the property tax levies for police and recreation services originally approved by the voters in November 2006. If this amendment does not pass, the City would be forced to lay off an additional 10 officers.

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

- Voting on a charter amendment on January 15, 2008 to eliminate the minimum manning requirement in the fire department. Right sizing the fire department would result in an annual savings of approximately \$5 million. If the elimination of the minimum manning requirement does not pass, the plan calls for the following:
  1. Elimination of an additional 20-40 police officers. A reduction of this magnitude would probably leave the police department at a level at which it could not operate and would require the services to be contracted out to the county sheriff and/or state police.
  2. Elimination of 20-40 non-police employees. A reduction of this magnitude would probably result in the elimination of the department of public works and significant reductions to city services. Many of the current services would also be contracted out on an as-needed basis.
- Continue to review employee and retiree health and other benefits for additional savings such as changes to insurance carriers, increase in employee co-pays and elimination of certain benefits
- Continue to explore cost savings from citywide privatization of services

The cumulative deficit in the General Fund at June 30, 2007 totaled \$6,078,240. The deficit elimination plan calls for the annual operating deficit to be eliminated during the 2007-2008 fiscal year and projects an operating surplus of approximately \$2 million annually. The annual surplus would be used to eliminate the deficit by the fiscal year ending June 30, 2011.

## **Note 16 - Subsequent Events of Retirement Systems**

The General City Employees' Retirement and Police and Fire Retirement Systems' (the "System") financial information is reported as of December 31, 2006, which is the fiscal year end for each of these plans. The following subsequent event disclosures were included in each system's stand-alone audited financial statements:

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

During April 2007, the System entered into a buy-out agreement related to certain investments in real estate. In exchange for the System's interest in the investment, the System received \$1,775,000 of cash at closing and entered into a note for the balance of approximately \$10,890,000, including accrued interest of \$220,000. The investment was valued at \$12,378,000 as of December 31, 2006.

### **Police and Fire Retirement System**

During April 2007, the System entered into a buy-out agreement related to certain investments in real estate. In exchange for the System's interest in the investment, the System received \$4,695,000 of cash at closing and entered into a note for the balance of approximately \$9,470,000, including accrued interest of \$280,000. The investment was valued at \$15,589,000 as of December 31, 2006.

## **Note 17 - Accounting Change and Prior Period Adjustment**

As required by Governmental Accounting Standards Board Statement Number 34, the City adjusted its beginning balance of fixed assets by approximately \$7 million and accumulated depreciation by approximately \$6,125,000 for infrastructure retroactive to 1980, resulting in an increase in net assets for governmental activities of \$875,000. The impact on the current year net income of the governmental activities as a result of this change is \$350,000 of additional depreciation expense. The effect on beginning net assets is outlined below.



**Note 17 - Accounting Change and Prior Period Adjustment (Continued)**

During the current year, a prior period adjustment was made to the Water Fund and Sewer Fund to correct beginning of the year accumulated depreciation. In the prior year, certain assets were depreciated in excess of their cost. As a result, beginning net assets have been restated as follows:

	Governmental Activities	Major Proprietary Funds	
		Water Fund	Sewer Fund
<b>Net Assets - June 30, 2006</b>	\$ 51,613,899	\$ 17,467,258	\$ 24,187,210
Change in accounting for infrastructure:			
Estimated cost of roads acquired between 1980 and 2002	7,000,000	-	-
Accumulated depreciation on those roads	(6,125,000)	-	-
Prior period adjustment - Reduce accumulated depreciation	-	265,567	317,331
<b>Net Assets - July 1, 2006, as restated</b>	<u>\$ 52,488,899</u>	<u>\$ 17,732,825</u>	<u>\$ 24,504,541</u>

## **Required Supplemental Information**

---

# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Revenue</b>				
Taxes	\$ 27,371,217	\$ 27,371,217	\$ 27,629,433	\$ 258,216
Licenses and permits	2,110,000	2,110,000	2,521,360	411,360
Federal sources	-	-	214,996	214,996
State sources	12,850,607	12,850,607	12,347,902	(502,705)
Charges for services	2,172,900	2,172,900	1,158,312	(1,014,588)
Fines and forfeitures	94,000	94,000	106,553	12,553
Investment income	25,000	25,000	608,876	583,876
Other	1,291,582	1,291,582	1,164,151	(127,431)
Rental income	1,000,000	1,000,000	9,450	(990,550)
Charges to other funds for administrative services and reimbursements	6,177,921	6,177,921	5,433,227	(744,694)
Transfers in	2,699,810	2,699,810	2,710,386	10,576
Contribution from component units	500,000	500,000	-	(500,000)
<b>Total revenue</b>	<b>56,293,037</b>	<b>56,293,037</b>	<b>53,904,646</b>	<b>(2,388,391)</b>

(Continued on next page)

# City of Pontiac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
<b>Expenditures</b>				
General government:				
City Council	\$ 605,477	\$ 605,477	\$ 548,956	\$ 56,521
City clerk	481,662	481,662	514,781	(33,119)
Attorney	734,540	734,540	581,992	152,548
Finance	3,204,953	3,204,953	3,242,640	(37,687)
Executive office	415,889	415,889	505,659	(89,770)
Personnel	603,013	603,013	530,535	72,478
Total general government	6,045,534	6,045,534	5,924,563	120,971
Public safety:				
Police	15,898,284	15,898,284	15,605,811	292,473
Fire	13,529,955	13,529,955	13,728,642	(198,687)
Total public safety	29,428,239	29,428,239	29,334,453	93,786
Public works and utilities	5,419,288	5,419,288	5,063,373	355,915
Community development	1,439,814	1,439,814	1,367,369	72,445
Community and human services	498,639	498,639	744,425	(245,786)
General and special programs	9,093,863	9,093,863	9,282,078	(188,215)
Debt service	-	1,200,917	1,204,491	(3,574)
Transfers out	3,367,660	2,166,743	2,948,931	(782,188)
Total expenditures	55,293,037	55,293,037	55,869,683	(576,646)
<b>Excess of Revenue Over (Under) Expenditures</b>	1,000,000	1,000,000	(1,965,037)	(2,965,037)
<b>Fund Balances (Deficit) - Beginning of year</b>	(4,113,203)	(4,113,203)	(4,113,203)	-
<b>Fund Balances (Deficit) - End of year</b>	<b><u>\$ (3,113,203)</u></b>	<b><u>\$ (3,113,203)</u></b>	<b><u>\$ (6,078,240)</u></b>	<b><u>\$ (2,965,037)</u></b>

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2007

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>						
12/31/00 *	\$ 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	-
12/31/05	391,409,757	260,103,260	(131,306,497)	150.5	16,751,815	-
<b><u>Police and Fire Retirement System</u></b>						
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	-
12/31/05	253,702,503	229,779,819	(23,922,684)	110.4	13,758,914	-

\* Plan amended

# Certain assumptions revised

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2007

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>			
06/30/02	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
06/30/07	12/31/06	15,695	100.00
<b><u>Police and Fire Retirement System</u></b>			
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
06/30/07	12/31/06	2,324,011	100.00

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation, follows:

# City of Pontiac, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2007

### General Employees' Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll
Amortization period (perpetual)	30 years, open
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, open
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, 2007

### 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 “other financing sources (uses)”
- Reimbursements from other funds have been included as revenue, rather than as a reduction of expenses.

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

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 45,761,033	\$ 47,487,525
Operating transfers	2,710,386	2,948,931
Reimbursements from other funds recorded as revenue	<u>5,433,227</u>	<u>5,433,227</u>
Amounts per budgetary comparison schedule	<u>\$ 53,904,646</u>	<u>\$ 55,869,683</u>



**Note - Budgetary Information (Continued)**

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

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

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

# City of Pontiac, Michigan

## Note to Required Supplemental Information June 30, 2007

### Note - Budgetary Information (Continued)

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

	Amended Budget	Actual
<b>General Fund</b>		
City clerk	\$ 481,662	\$ 514,781
Finance	3,204,953	3,242,640
Executive office	415,889	505,659
Fire	13,529,955	13,728,642
Community and human services	498,639	744,425
General and special programs	9,093,863	9,282,078
Debt service	1,200,917	1,204,491
Transfers out	2,166,743	2,948,931

## **Other Supplemental Information**

---

# City of Pontiac, Michigan

## Other Supplemental Information Summary Combining Balance Sheet Nonmajor Governmental Fund Types June 30, 2007

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 6,230,284	\$ 5,159,159	\$ -	\$ 145,601	\$ 11,535,044
Receivables - Net:					
Property taxes	52,352	20,671	-	-	73,023
Other receivables	37,081	-	-	114,728	151,809
Due from other funds	104,712	-	-	-	104,712
Due from other funds - Advances	1,876,912	-	-	-	1,876,912
Due from other governmental units	2,713,695	1,210,076	-	-	3,923,771
Other assets	19,382	-	-	-	19,382
Restricted assets	3,068,747	4,714,462	-	868,165	8,651,374
	<u>\$ 14,103,165</u>	<u>\$ 11,104,368</u>	<u>\$ -</u>	<u>\$ 1,128,494</u>	<u>\$ 26,336,027</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 955,447	\$ 1,319,110	\$ -	\$ 21,806	\$ 2,296,363
Other accrued liabilities	5,513	45,150	-	-	50,663
Due to other funds	424,519	104,712	-	-	529,231
Due to other funds - Advances	1,934,219	-	-	-	1,934,219
Deferred revenue	1,487,649	743,483	-	114,728	2,345,860
	<u>4,807,347</u>	<u>2,212,455</u>	<u>-</u>	<u>136,534</u>	<u>7,156,336</u>
<b>Fund Balances</b>					
Reserved for endowment	-	-	-	991,960	991,960
Reserved for landfill postclosure costs	3,068,747	-	-	-	3,068,747
Unreserved, reported in:					
Special Revenue Funds	6,227,071	-	-	-	6,227,071
Capital Projects Fund	-	8,891,913	-	-	8,891,913
	<u>9,295,818</u>	<u>8,891,913</u>	<u>-</u>	<u>991,960</u>	<u>19,179,691</u>
Total liabilities and fund balance	<u>\$ 14,103,165</u>	<u>\$ 11,104,368</u>	<u>\$ -</u>	<u>\$ 1,128,494</u>	<u>\$ 26,336,027</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, 2007

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Care	Total Nonmajor Governmental Funds
<b>Revenue</b>					
Taxes	\$ 3,115,495	\$ 1,559,736	\$ -	\$ -	\$ 4,675,231
Federal grants	2,770,075	377,837	-	-	3,147,912
State grants	5,970,137	750,847	-	-	6,720,984
Charges for services	3,301,929	-	-	292,387	3,594,316
Fines and forfeitures	1,558,160	-	-	-	1,558,160
Investment income	359,652	478,538	-	32,488	870,678
Contribution from component units	79,574	-	1,081,627	-	1,161,201
Other	305,004	47,499	-	241,349	593,852
<b>Total revenue</b>	<b>17,460,026</b>	<b>3,214,457</b>	<b>1,081,627</b>	<b>566,224</b>	<b>22,322,334</b>
<b>Expenditures</b>					
Current:					
General government	21,394	54,592	-	-	75,986
District court	3,523,233	-	-	-	3,523,233
Public safety	373,930	1,072,596	-	-	1,446,526
Public works and utilities	7,461,032	2,488,884	-	1,047,953	10,997,869
Community development	2,558,669	16,425	-	-	2,575,094
Community and human services	300	-	-	-	300
General and special programs	757,392	5,718	-	-	763,110
Commercial and industrial development	116,265	435	-	-	116,700
Debt service	-	204,708	2,020,444	-	2,225,152
<b>Total expenditures</b>	<b>14,812,215</b>	<b>3,843,358</b>	<b>2,020,444</b>	<b>1,047,953</b>	<b>21,723,970</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>2,647,811</b>	<b>(628,901)</b>	<b>(938,817)</b>	<b>(481,729)</b>	<b>598,364</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of long-term debt	-	821,098	-	-	821,098
Transfers in	4,356,850	297,301	938,817	486,732	6,079,700
Transfers out	(5,000,903)	(741,711)	-	(5,003)	(5,747,617)
<b>Total other financing sources (uses)</b>	<b>(644,053)</b>	<b>376,688</b>	<b>938,817</b>	<b>481,729</b>	<b>1,153,181</b>
<b>Net Change in Fund Balances</b>	<b>2,003,758</b>	<b>(252,213)</b>	<b>-</b>	<b>-</b>	<b>1,751,545</b>
<b>Fund Balances - Beginning of year</b>	<b>7,292,060</b>	<b>9,144,126</b>	<b>-</b>	<b>991,960</b>	<b>17,428,146</b>
<b>Fund Balances - End of year</b>	<b>\$ 9,295,818</b>	<b>\$ 8,891,913</b>	<b>\$ -</b>	<b>\$ 991,960</b>	<b>\$ 19,179,691</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2007

	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	\$ -	\$ -	\$ 624,055	\$ 61,153	\$ 813,857	\$ 2,768,650	\$ 4,741
Receivables - Net:							
Property taxes	-	-	-	41,346	-	11,006	-
Other receivables	21,598	-	-	15,483	-	-	-
Due from other funds	104,712	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	1,876,912	-	-	-
Due from other governmental units	733,445	170,300	-	-	-	-	-
Other assets	19,382	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	3,068,747	-	-	-
<b>Total assets</b>	<b>\$ 879,137</b>	<b>\$ 170,300</b>	<b>\$ 624,055</b>	<b>\$ 5,063,641</b>	<b>\$ 813,857</b>	<b>\$ 2,779,656</b>	<b>\$ 4,741</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 170,449	\$ 16,172	\$ -	\$ 336,951	\$ 82,117	\$ -	\$ 4,741
Accrued and other liabilities					5,513	-	-
Due to other funds	-	-	-	-	-	-	-
Due to other funds - Advances	599,515	528,580	-	-	726,227	-	-
Deferred revenue	109,173	-	-	56,829	-	-	-
<b>Total liabilities</b>	<b>879,137</b>	<b>544,752</b>	<b>-</b>	<b>393,780</b>	<b>813,857</b>	<b>-</b>	<b>4,741</b>
<b>Fund Balances (Deficit)</b>							
Reserved for landfill postclosure costs	-	-	-	3,068,747	-	-	-
Unreserved, undesignated	-	(374,452)	624,055	1,601,114	-	2,779,656	-
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>(374,452)</b>	<b>624,055</b>	<b>4,669,861</b>	<b>-</b>	<b>2,779,656</b>	<b>-</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 879,137</b>	<b>\$ 170,300</b>	<b>\$ 624,055</b>	<b>\$ 5,063,641</b>	<b>\$ 813,857</b>	<b>\$ 2,779,656</b>	<b>\$ 4,741</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2007

	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Orchard Lake Road Reconstruction	Police Training Grant Act 302
<b>Assets</b>						
Cash and investments	\$ 304,434	\$ 100	\$ 278,636	\$ -	\$ -	\$ 93,373
Receivables - Net:						
Property taxes	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	-	-	-
Due from other governmental units	583,470	129,370	-	38,196	1,058,914	-
Other assets	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 887,904</u></b>	<b><u>\$ 129,470</u></b>	<b><u>\$ 278,636</u></b>	<b><u>\$ 38,196</u></b>	<b><u>\$ 1,058,914</u></b>	<b><u>\$ 93,373</u></b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 256,232	\$ 65,978	\$ 5,896	\$ 4,307	\$ -	\$ 6,349
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	327,238	63,392	-	33,889	-	-
Due to other funds - Advances	-	-	-	-	79,897	-
Deferred revenue	304,434	-	-	38,196	979,017	-
<b>Total liabilities</b>	<b>887,904</b>	<b>129,370</b>	<b>5,896</b>	<b>76,392</b>	<b>1,058,914</b>	<b>6,349</b>
<b>Fund Balances (Deficit)</b>						
Reserved for landfill postclosure costs	-	-	-	-	-	-
Unreserved, undesignated	-	100	272,740	(38,196)	-	87,024
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>100</b>	<b>272,740</b>	<b>(38,196)</b>	<b>-</b>	<b>87,024</b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$ 887,904</u></b>	<b><u>\$ 129,470</u></b>	<b><u>\$ 278,636</u></b>	<b><u>\$ 38,196</u></b>	<b><u>\$ 1,058,914</u></b>	<b><u>\$ 93,373</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2007

	Sale of Land Fund	Neighborhood Revitalization	Computer Purchase Control Fund	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
<b>Assets</b>						
Cash and investments	\$ 499,283	\$ 164,185	\$ 2,125	\$ 613,461	\$ 2,231	\$ 6,230,284
Receivables - Net:						
Property taxes	-	-	-	-	-	52,352
Other receivables	-	-	-	-	-	37,081
Due from other funds	-	-	-	-	-	104,712
Due from other funds - Advances	-	-	-	-	-	1,876,912
Due from other governmental units	-	-	-	-	-	2,713,695
Other assets	-	-	-	-	-	19,382
Restricted cash and cash equivalents	-	-	-	-	-	3,068,747
<b>Total assets</b>	<b><u>\$ 499,283</u></b>	<b><u>\$ 164,185</u></b>	<b><u>\$ 2,125</u></b>	<b><u>\$ 613,461</u></b>	<b><u>\$ 2,231</u></b>	<b><u>\$ 14,103,165</u></b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 2,125	\$ 1,899	\$ 2,231	\$ 955,447
Accrued and other liabilities	-	-	-	-	-	5,513
Due to other funds	-	-	-	-	-	424,519
Due to other funds - Advances	-	-	-	-	-	1,934,219
Deferred revenue	-	-	-	-	-	1,487,649
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,125</b>	<b>1,899</b>	<b>2,231</b>	<b>4,807,347</b>
<b>Fund Balances (Deficit)</b>						
Reserved for landfill postclosure costs	-	-	-	-	-	3,068,747
Unreserved, undesignated	499,283	164,185	-	611,562	-	6,227,071
<b>Total fund balances (deficit)</b>	<b><u>499,283</u></b>	<b><u>164,185</u></b>	<b><u>-</u></b>	<b><u>611,562</u></b>	<b><u>-</u></b>	<b><u>9,295,818</u></b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$ 499,283</u></b>	<b><u>\$ 164,185</u></b>	<b><u>\$ 2,125</u></b>	<b><u>\$ 613,461</u></b>	<b><u>\$ 2,231</u></b>	<b><u>\$ 14,103,165</u></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, 2007

	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	\$ -	\$ -	\$ -	\$ 3,127,542	\$ -	\$ (12,047)	\$ -	\$ -
Federal grants	-	-	-	-	-	-	-	22,969
State grants	3,785,679	1,037,129	207,250	-	-	-	-	-
Charges for services	-	-	-	3,077,318	-	-	-	-
Fines and forfeitures	-	-	-	-	1,558,160	-	-	-
Investment income (loss)	(45,302)	(38,202)	13,628	294,416	(28,488)	92,607	(75)	46
Contribution from component units	-	-	-	-	-	-	76,778	-
Other	7,842	-	-	32,126	62,872	-	3,523	-
<b>Total revenue</b>	<b>3,748,219</b>	<b>998,927</b>	<b>220,878</b>	<b>6,531,402</b>	<b>1,592,544</b>	<b>80,560</b>	<b>80,226</b>	<b>23,015</b>
<b>Expenditures - Current</b>								
General government	-	-	-	-	-	-	-	-
District court	-	-	-	-	3,523,233	-	-	-
Public safety	-	-	-	-	-	-	-	25,496
Public works and utilities	2,015,870	1,113,423	60	4,098,574	-	87,189	-	-
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	116,265	-
<b>Total expenditures</b>	<b>2,015,870</b>	<b>1,113,423</b>	<b>60</b>	<b>4,098,574</b>	<b>3,523,233</b>	<b>87,189</b>	<b>116,265</b>	<b>25,496</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,732,349</b>	<b>(114,496)</b>	<b>220,818</b>	<b>2,432,828</b>	<b>(1,930,689)</b>	<b>(6,629)</b>	<b>(36,039)</b>	<b>(2,481)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	916,574	839,585	-	-	2,027,689	-	-	2,481
Transfers out	(1,237,285)	(73,538)	-	(2,705,068)	(97,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(320,711)</b>	<b>766,047</b>	<b>-</b>	<b>(2,705,068)</b>	<b>1,930,689</b>	<b>-</b>	<b>-</b>	<b>2,481</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>1,411,638</b>	<b>651,551</b>	<b>220,818</b>	<b>(272,240)</b>	<b>-</b>	<b>(6,629)</b>	<b>(36,039)</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning of year</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>-</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ -</b>	<b>\$ (374,452)</b>	<b>\$ 624,055</b>	<b>\$ 4,669,861</b>	<b>\$ -</b>	<b>\$ 2,779,656</b>	<b>\$ -</b>	<b>\$ -</b>

# 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, 2007

	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund	Neighborhood Revitalization
<b>Revenue</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	1,742,812	817,314	179,807	7,173	-	-	-	-
State grants	-	-	-	-	883,072	57,007	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income (loss)	11,331	-	10,772	(408)	-	2,466	15,906	5,368
Contribution from component units	-	-	-	-	-	-	-	-
Other	-	-	22,772	12,186	-	-	51,175	-
<b>Total revenue</b>	<b>1,754,143</b>	<b>817,314</b>	<b>213,351</b>	<b>18,951</b>	<b>883,072</b>	<b>59,473</b>	<b>67,081</b>	<b>5,368</b>
<b>Expenditures - Current</b>								
General government	-	-	-	-	-	-	-	-
District court	-	-	-	-	-	-	-	-
Public safety	-	-	290,823	-	-	57,611	-	-
Public works and utilities	-	-	-	58,507	-	-	-	-
Community development	1,752,826	805,843	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	2,941	-
Commercial and industrial development	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,752,826</b>	<b>805,843</b>	<b>290,823</b>	<b>58,507</b>	<b>-</b>	<b>57,611</b>	<b>2,941</b>	<b>-</b>
<b>Excess of Revenue Over (Under)</b>								
<b>Expenditures</b>	1,317	11,471	(77,472)	(39,556)	883,072	1,862	64,140	5,368
<b>Other Financing Sources (Uses)</b>								
Transfers in	2,728	(10,576)	-	18,626	-	-	-	-
Transfers out	(4,045)	(895)	-	-	(883,072)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,317)</b>	<b>(11,471)</b>	<b>-</b>	<b>18,626</b>	<b>(883,072)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>-</b>	<b>-</b>	<b>(77,472)</b>	<b>(20,930)</b>	<b>-</b>	<b>1,862</b>	<b>64,140</b>	<b>5,368</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>-</b>	<b>100</b>	<b>350,212</b>	<b>(17,266)</b>	<b>-</b>	<b>85,162</b>	<b>435,143</b>	<b>158,817</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 272,740</b>	<b>\$ (38,196)</b>	<b>\$ -</b>	<b>\$ 87,024</b>	<b>\$ 499,283</b>	<b>\$ 164,185</b>

# 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, 2007

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,115,495
Federal grants	-	-	-	-	-	-	2,770,075
State grants	-	-	-	-	-	-	5,970,137
Charges for services	-	-	224,611	-	-	-	3,301,929
Fines and forfeitures	-	-	-	-	-	-	1,558,160
Investment income (loss)	-	5,390	-	-	19,371	826	359,652
Contribution from component units	-	2,796	-	-	-	-	79,574
Other	-	14,565	16,667	-	81,276	-	305,004
<b>Total revenue</b>	<b>-</b>	<b>22,751</b>	<b>241,278</b>	<b>-</b>	<b>100,647</b>	<b>826</b>	<b>17,460,026</b>
<b>Expenditures - Current</b>							
General government	-	-	-	-	21,394	-	21,394
District court	-	-	-	-	-	-	3,523,233
Public safety	-	-	-	-	-	-	373,930
Public works and utilities	-	-	-	-	-	87,409	7,461,032
Community development	-	-	-	-	-	-	2,558,669
Community and human services	300	-	-	-	-	-	300
General and special programs	-	513,173	241,278	-	-	-	757,392
Commercial and industrial development	-	-	-	-	-	-	116,265
<b>Total expenditures</b>	<b>300</b>	<b>513,173</b>	<b>241,278</b>	<b>-</b>	<b>21,394</b>	<b>87,409</b>	<b>14,812,215</b>
<b>Excess of Revenue Over (Under)</b>							
<b>Expenditures</b>	(300)	(490,422)	-	-	79,253	(86,583)	2,647,811
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	490,422	-	48,856	-	20,465	4,356,850
Transfers out	-	-	-	-	-	-	(5,000,903)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>490,422</b>	<b>-</b>	<b>48,856</b>	<b>-</b>	<b>20,465</b>	<b>(644,053)</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>(300)</b>	<b>-</b>	<b>-</b>	<b>48,856</b>	<b>79,253</b>	<b>(66,118)</b>	<b>2,003,758</b>
<b>Fund Balances (Deficit) - Beginning of year</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>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611,562</b>	<b>\$ -</b>	<b>\$ 9,295,818</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds June 30, 2007

	Capital Improvement	GM Pontiac North Complex Development 2001	University Drive Widening	North Telegraph Extension	TIFA 2 Major Street Improvement	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements	Pontiac Woods Development
<b>Assets</b>								
Cash and investments	\$ 1,417,804	\$ 23,717	\$ -	\$ 719,767	\$ 62,456	\$ 641,487	\$ 706,252	\$ 105,197
Property taxes receivable	20,671	-	-	-	-	-	-	-
Due from other governmental units	-	541,941	628,835	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,438,475</b>	<b>\$ 565,658</b>	<b>\$ 628,835</b>	<b>\$ 719,767</b>	<b>\$ 62,456</b>	<b>\$ 641,487</b>	<b>\$ 706,252</b>	<b>\$ 105,197</b>
<b>Liabilities and Fund Balances (Deficit)</b>								
<b>Liabilities</b>								
Accounts payable	\$ 59,793	\$ 520,508	\$ 1,975	\$ -	\$ 62,456	\$ -	\$ -	\$ -
Accrued and other liabilities	-	45,150	-	-	-	-	-	-
Due to other funds	-	-	72,980	-	-	-	-	-
Deferred revenue	-	75,348	628,835	-	-	-	-	-
<b>Total liabilities</b>	<b>59,793</b>	<b>641,006</b>	<b>703,790</b>	<b>-</b>	<b>62,456</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Unreserved</b>	<b>1,378,682</b>	<b>(75,348)</b>	<b>(74,955)</b>	<b>719,767</b>	<b>-</b>	<b>641,487</b>	<b>706,252</b>	<b>105,197</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 1,438,475</b>	<b>\$ 565,658</b>	<b>\$ 628,835</b>	<b>\$ 719,767</b>	<b>\$ 62,456</b>	<b>\$ 641,487</b>	<b>\$ 706,252</b>	<b>\$ 105,197</b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds (Continued) June 30, 2007

	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Project Funds
<b>Assets</b>							
Cash and investments	\$ 688,091	\$ 246,812	\$ 467,279	\$ 1,217	\$ 31,708	\$ 47,372	\$ 5,159,159
Property taxes receivable	-	-	-	-	-	-	20,671
Due from other governmental units	-	-	-	39,300	-	-	1,210,076
Restricted assets	-	4,714,462	-	-	-	-	4,714,462
Total assets	<u>\$ 688,091</u>	<u>\$ 4,961,274</u>	<u>\$ 467,279</u>	<u>\$ 40,517</u>	<u>\$ 31,708</u>	<u>\$ 47,372</u>	<u>\$ 11,104,368</u>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 665,585	\$ -	\$ -	\$ 8,786	\$ -	\$ 7	\$ 1,319,110
Accrued and other liabilities	-	-	-	-	-	-	45,150
Due to other funds	-	-	-	31,732	-	-	104,712
Deferred revenue	-	-	-	39,300	-	-	743,483
Total liabilities	665,585	-	-	79,818	-	7	2,212,455
<b>Fund Balances (Deficit) - Unreserved</b>	<u>22,506</u>	<u>4,961,274</u>	<u>467,279</u>	<u>(39,301)</u>	<u>31,708</u>	<u>47,365</u>	<u>8,891,913</u>
Total liabilities and fund balances (deficit)	<u>\$ 688,091</u>	<u>\$ 4,961,274</u>	<u>\$ 467,279</u>	<u>\$ 40,517</u>	<u>\$ 31,708</u>	<u>\$ 47,372</u>	<u>\$ 11,104,368</u>

# 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, 2007

	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	\$ 1,559,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	377,837	-	-	-	-
State grants	-	466,593	-	-	-	180,257	-
Investment income	69,659	-	19,309	22,850	87	-	29,433
Miscellaneous income	-	-	-	-	-	-	-
Total revenue	1,629,395	466,593	397,146	22,850	87	180,257	29,433
<b>Expenditures</b>							
General government	54,592	-	-	-	-	-	-
Public safety	1,072,596	-	-	-	-	-	-
Public works and utilities	75,835	571,724	991,105	102,009	512,272	168,151	5,836
Community development	16,425	-	-	-	-	-	-
General and special programs	5,718	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-
Debt service	-	-	204,708	-	-	-	-
Total expenditures	1,225,166	571,724	1,195,813	102,009	512,272	168,151	5,836
<b>Excess of Revenue Over (Under) Expenditures</b>	404,229	(105,131)	(798,667)	(79,159)	(512,185)	12,106	23,597
<b>Other Financing Sources (Uses)</b>							
Proceeds from issuance of long-term debt	821,098	-	-	-	-	-	-
Transfers in	-	29,783	-	-	256,393	-	-
Transfers out	(422,033)	-	-	(29,783)	-	(33,502)	(256,393)
Total other financing sources (uses)	399,065	29,783	-	(29,783)	256,393	(33,502)	(256,393)
<b>Net Change in Fund Balances (Deficit)</b>	803,294	(75,348)	(798,667)	(108,942)	(255,792)	(21,396)	(232,796)
<b>Fund Balances (Deficit) - Beginning of year</b>	575,388	-	723,712	828,709	255,792	21,396	874,283
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 1,378,682</b>	<b>\$ (75,348)</b>	<b>\$ (74,955)</b>	<b>\$ 719,767</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 641,487</b>

# 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, 2007

	CVC Infrastructure Improvements	Pontiac Woods Development	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Projects Funds
<b>Revenue</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,559,736
Federal grants	-	-	-	-	-	-	-	-	377,837
State grants	-	-	-	-	-	103,997	-	-	750,847
Investment income	26,387	3,443	22,506	268,224	15,280	-	1,038	322	478,538
Miscellaneous income	-	-	-	-	-	-	-	47,499	47,499
Total revenue	26,387	3,443	22,506	268,224	15,280	103,997	1,038	47,821	3,214,457
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	54,592
Public safety	-	-	-	-	-	-	-	-	1,072,596
Public works and utilities	-	-	-	-	-	61,297	199	456	2,488,884
Community development	-	-	-	-	-	-	-	-	16,425
General and special programs	-	-	-	-	-	-	-	-	5,718
Commercial and industrial development	-	-	-	-	435	-	-	-	435
Debt service	-	-	-	-	-	-	-	-	204,708
Total expenditures	-	-	-	-	435	61,297	199	456	3,843,358
<b>Excess of Revenue Over (Under) Expenditures</b>	26,387	3,443	22,506	268,224	14,845	42,700	839	47,365	(628,901)
<b>Other Financing Sources (Uses)</b>									
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	821,098
Transfers in	-	-	-	-	-	11,125	-	-	297,301
Transfers out	-	-	-	-	-	-	-	-	(741,711)
Total other financing sources (uses)	-	-	-	-	-	11,125	-	-	376,688
<b>Net Change in Fund Balances (Deficit)</b>	26,387	3,443	22,506	268,224	14,845	53,825	839	47,365	(252,213)
<b>Fund Balances (Deficit) - Beginning of year</b>	679,865	101,754	-	4,693,050	452,434	(93,126)	30,869	-	9,144,126
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 706,252</u>	<u>\$ 105,197</u>	<u>\$ 22,506</u>	<u>\$ 4,961,274</u>	<u>\$ 467,279</u>	<u>\$ (39,301)</u>	<u>\$ 31,708</u>	<u>\$ 47,365</u>	<u>\$ 8,891,913</u>

# 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, 2007

	1993 State of Michigan Bond Loan	Capitalized Lease Fund	1995 Michigan Transportation Bonds	Refinanced Golf Course Bonds	GBA Bonds	Total Nonmajor Debt Service Funds
<b>Revenue</b> - Contribution from component unit	\$ -	\$ -	\$ -	\$ 753,384	\$ 328,243	\$ 1,081,627
<b>Expenditures</b> - Debt service	321,363	478,704	138,750	753,384	328,243	2,020,444
<b>Excess of Expenditures Over Revenue</b>	(321,363)	(478,704)	(138,750)	-	-	(938,817)
<b>Other Financing Sources</b> - Transfers in	321,363	478,704	138,750	-	-	938,817
<b>Net Change in Fund Balances</b>	-	-	-	-	-	-
<b>Fund Balances</b> - Beginning of year	-	-	-	-	-	-
<b>Fund Balances</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2007

	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	\$ 563,358	\$ 4,279,479	\$ 3,683	\$ -	\$ 662,189	\$ 5,508,709
Accounts receivable	-	-	250,262	12,587	2,237,373	2,500,222
Prepays and other assets	74,659	-	-	-	1,613,841	1,688,500
Total current assets	638,017	4,279,479	253,945	12,587	4,513,403	9,697,431
Noncurrent assets - Depreciable capital assets - Net	1,113,119	-	-	-	-	1,113,119
Total assets	1,751,136	4,279,479	253,945	12,587	4,513,403	10,810,550
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	116,559	79,479	-	-	1,062,701	1,258,739
Accrued liabilities	-	4,200,000	89,068	-	3,427,000	7,716,068
Total liabilities	116,559	4,279,479	89,068	-	4,489,701	8,974,807
<b>Net Assets</b>						
Invested in capital assets	1,113,119	-	-	-	-	1,113,119
Unrestricted	521,458	-	164,877	12,587	23,702	722,624
Total net assets	<u>\$ 1,634,577</u>	<u>\$ -</u>	<u>\$ 164,877</u>	<u>\$ 12,587</u>	<u>\$ 23,702</u>	<u>\$ 1,835,743</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, 2007

	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	\$ 2,024,719	\$ 687,988	\$ 1,177,581	\$ 88,972	\$ 22,703,111	\$ 26,682,371
<b>Operating Expenses</b>						
Operations and maintenance	1,467,755	-	-	-	-	1,467,755
Insurance	-	830,439	1,118,989	85,925	22,241,621	24,276,974
Administration	170,918	-	-	-	435,400	606,318
Depreciation	318,202	-	-	-	-	318,202
Total operating expenses	<u>1,956,875</u>	<u>830,439</u>	<u>1,118,989</u>	<u>85,925</u>	<u>22,677,021</u>	<u>26,669,249</u>
<b>Operating Income (Loss)</b>	67,844	(142,451)	58,592	3,047	26,090	13,122
<b>Nonoperating Income</b>						
Investment income	12,404	142,451	3,683	-	-	158,538
Gain on disposal of fixed assets	10,148	-	-	-	-	10,148
Total nonoperating income	<u>22,552</u>	<u>142,451</u>	<u>3,683</u>	<u>-</u>	<u>-</u>	<u>168,686</u>
<b>Transfers to Other Funds</b>	<u>(7,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,388)</u>	<u>(9,985)</u>
<b>Change in Net Assets</b>	82,799	-	62,275	3,047	23,702	171,823
<b>Net Assets</b> - Beginning of year	<u>1,551,778</u>	<u>-</u>	<u>102,602</u>	<u>9,540</u>	<u>-</u>	<u>1,663,920</u>
<b>Net Assets</b> - End of year	<u><u>\$ 1,634,577</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 164,877</u></u>	<u><u>\$ 12,587</u></u>	<u><u>\$ 23,702</u></u>	<u><u>\$ 1,835,743</u></u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2007

	Equipment Revolving Fund	Self-insurance Workers' Compensation	Dental Insurance Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 2,027,534	\$ 689,488	\$ 1,128,342	\$ 89,292	\$ 21,785,518	\$ 25,720,174
Payments to suppliers	(911,130)	(751,862)	(1,128,342)	(89,292)	(21,693,039)	(24,573,665)
Payments to employees	(762,826)	-	-	-	(193,275)	(956,101)
Net cash provided by (used in) operating activities	353,578	(62,374)	-	-	(100,796)	190,408
<b>Cash Flows from Noncapital Financing Activities -</b>						
Transfers to other funds	(7,597)	-	-	-	(2,388)	(9,985)
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of capital assets	(191,790)	-	-	-	-	(191,790)
Proceeds from sale of capital assets	10,148	-	-	-	-	10,148
Net cash used in capital and related financing activities	(181,642)	-	-	-	-	(181,642)
<b>Cash Flows from Investing Activities - Investment income</b>	12,404	142,451	3,683	-	-	158,538
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	176,743	80,077	3,683	-	(103,184)	157,319
<b>Cash and Cash Equivalents - July 1, 2006</b>	386,615	4,199,402	-	-	765,373	5,351,390
<b>Cash and Cash Equivalents - June 30, 2007</b>	<u>\$ 563,358</u>	<u>\$ 4,279,479</u>	<u>\$ 3,683</u>	<u>\$ -</u>	<u>\$ 662,189</u>	<u>\$ 5,508,709</u>

(Continued on next page)

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Cash Flows (Continued) Internal Service Funds Year Ended June 30, 2007

	Equipment Revolving Fund	Self-insurance Workers' Compensation	Dental Insurance Fund	Self-insurance Optical and Hearing	Insurance Fund	Totals
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 67,844	\$ (142,451)	\$ 58,592	\$ 3,047	\$ 26,090	\$ 13,122
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	318,202	-	-	-	-	318,202
Changes in assets and liabilities:						
Accounts receivable	2,815	1,500	(49,239)	320	(917,593)	(962,197)
Prepays and other assets	(25,489)	-	-	-	(263,076)	(288,565)
Accounts payable	(9,794)	78,577	-	(3,367)	1,053,783	1,119,199
Accrued liabilities	-	-	(9,353)	-	-	(9,353)
Net cash provided by (used in) operating activities	<u>\$ 353,578</u>	<u>\$ (62,374)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,796)</u>	<u>\$ 190,408</u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2007

Pension Trust Funds - December 31, 2006

	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	\$ 100,735	\$ 100,735	\$ -	\$ -	\$ 201,470
Investments:					
Money markets and mutual funds	22,446,179	4,913,243	4,978,203	-	32,337,625
Preferred securities	-	-	-	30,987,445	30,987,445
U.S. government obligations	14,130,412	5,709,584	-	-	19,839,996
Corporate and other bonds	72,414,436	56,412,806	-	-	128,827,242
Equities	307,310,871	169,562,868	-	-	476,873,739
U.S. government agency mortgage pools	35,363,610	13,046,659	-	-	48,410,269
Real estate	16,693,977	16,349,420	-	-	33,043,397
Interest in CAP Commercial Mortgage, LLC	-	1,891,855	-	-	1,891,855
Due from broker pending transactions	321,495	-	-	-	321,495
Accrued interest receivable	1,534,319	499,368	-	-	2,033,687
Receivables - Other	84,586	261,958	23,077	-	369,621
	<u>470,400,620</u>	<u>268,748,496</u>	<u>5,001,280</u>	<u>30,987,445</u>	<u>775,137,841</u>
<b>Liabilities</b>					
Accounts payable	814,096	275,722	72,581	1,519,785	2,682,184
Amount due broker under securities lending agreement	-	407,583	-	-	407,583
	<u>814,096</u>	<u>683,305</u>	<u>72,581</u>	<u>1,519,785</u>	<u>3,089,767</u>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<b><u>\$ 469,586,524</u></b>	<b><u>\$ 268,065,191</u></b>	<b><u>\$ 4,928,699</u></b>	<b><u>\$ 29,467,660</u></b>	<b><u>\$ 772,048,074</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Fiduciary Net Assets Fiduciary Funds (Continued) June 30, 2007

	Agency Funds							Totals
	District Court	Current Tax Collection Fund	Payroll Fund	Fire Insurance Trust Fund	Pontiac Growth Group Administration	Retirement System Administration	Housing Commission Administration	
<b>Assets</b>								
Cash and cash equivalents	\$ 1,690,953	\$ 9,590	\$ 520,826	\$ 510,837	\$ 1,338	\$ -	\$ -	\$ 2,733,544
Receivables - Other	-	-	32,851	-	-	686,813	141,044	860,708
<b>Total assets</b>	<b><u>\$ 1,690,953</u></b>	<b><u>\$ 9,590</u></b>	<b><u>\$ 553,677</u></b>	<b><u>\$ 510,837</u></b>	<b><u>\$ 1,338</u></b>	<b><u>\$ 686,813</u></b>	<b><u>\$ 141,044</u></b>	<b><u>\$ 3,594,252</u></b>
<b>Liabilities</b>								
Due to other governmental units	\$ 1,546,243	-	-	-	-	-	141,044	1,687,287
Accounts payable	-	-	-	6,879	-	-	-	6,879
Accrued and other liabilities	-	9,590	553,677	503,958	1,338	686,813	-	1,755,376
Deposits	144,710	-	-	-	-	-	-	144,710
<b>Total liabilities</b>	<b><u>\$ 1,690,953</u></b>	<b><u>\$ 9,590</u></b>	<b><u>\$ 553,677</u></b>	<b><u>\$ 510,837</u></b>	<b><u>\$ 1,338</u></b>	<b><u>\$ 686,813</u></b>	<b><u>\$ 141,044</u></b>	<b><u>\$ 3,594,252</u></b>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2007

Pension Trust Funds - December 31, 2006

	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	\$ 15,457,978	\$ 3,358,080	\$ 135,934	\$ 568,885	\$ 19,520,877
Net increase in fair value of investments	39,471,506	26,545,069	339,990	3,923,343	70,279,908
Less investment expenses	<u>(2,195,994)</u>	<u>(1,129,805)</u>	-	<u>(15,000)</u>	<u>(3,340,799)</u>
Net investment income	52,733,490	28,773,344	475,924	4,477,228	86,459,986
Securities lending income:					
Interest and fees	2,116,381	716,850	-	-	2,833,231
Less borrower rebates and bank fees	<u>(2,010,546)</u>	<u>(694,074)</u>	-	-	<u>(2,704,620)</u>
Net securities lending income	105,835	22,776	-	-	128,611
Contributions:					
Employer	15,695	340,825	496,386	2,799,008	3,651,914
Employee	<u>13,719</u>	<u>2,324,011</u>	-	-	<u>2,337,730</u>
Total contributions	<u>29,414</u>	<u>2,664,836</u>	<u>496,386</u>	<u>2,799,008</u>	<u>5,989,644</u>
Total additions	52,868,739	31,460,956	972,310	7,276,236	92,578,241
<b>Deductions</b>					
Retiree pension benefit payments	18,214,565	13,054,385	-	-	31,268,950
Retiree health benefit payments	-	-	-	1,566,696	1,566,696
Member refunds and withdrawals	-	159,866	-	-	159,866
Other expenses	271,011	177,169	17,498	20,474	486,152
Administrative expenses	<u>253,973</u>	<u>116,819</u>	-	-	<u>370,792</u>
Total deductions	<u>18,739,549</u>	<u>13,508,239</u>	<u>17,498</u>	<u>1,587,170</u>	<u>33,852,456</u>
<b>Net Increase in Net Assets</b>	34,129,190	17,952,717	954,812	5,689,066	58,725,785
<b>Net Assets Held in Trust for Pension Benefits</b>					
Beginning 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>
End of year	<u><b>\$ 469,586,524</b></u>	<u><b>\$ 268,065,191</b></u>	<u><b>\$ 4,928,699</b></u>	<u><b>\$ 29,467,660</b></u>	<u><b>\$ 772,048,074</b></u>

# City of Pontiac, Michigan

## Other Supplemental Information Combining Balance Sheet Governmental Fund Component Units June 30, 2007

	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	\$ 947,597	\$ 1,510,021	\$ -	\$ 200	\$ 1,809,045	\$ 251,895	\$ 4,518,758
Due from other component units - Advances	712,669	-	-	-	-	-	712,669
Receivables - Net:							
Property taxes	10,315	5,196	1,627	14,822	-	-	31,960
Other receivables	68,050	-	-	-	149,782	-	217,832
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<b><u>\$ 1,738,631</u></b>	<b><u>\$ 1,515,217</u></b>	<b><u>\$ 1,627</u></b>	<b><u>\$ 15,022</u></b>	<b><u>\$ 1,958,827</u></b>	<b><u>\$ 251,895</u></b>	<b><u>\$ 5,481,219</u></b>
<b>Liabilities and Fund Balance (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,871	\$ 1,500	\$ -	\$ 189,681	\$ 2,248	\$ -	\$ 196,300
Due to other component units - Advances	-	-	45,407	667,262	-	-	712,669
Deposits	-	-	-	5,500	8,828	-	14,328
Deferred revenue	68,050	-	-	-	650,708	-	718,758
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	70,921	1,500	45,407	862,443	661,784	-	1,642,055
<b>Fund Balance (Deficit)</b>							
Reserved	-	-	-	-	1,116,003	-	1,116,003
Unreserved, undesignated	1,667,710	1,513,717	(43,780)	(847,421)	181,040	251,895	2,723,161
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total fund balance (deficit)	1,667,710	1,513,717	(43,780)	(847,421)	1,297,043	251,895	3,839,164
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities and fund balance (deficit)	<b><u>\$ 1,738,631</u></b>	<b><u>\$ 1,515,217</u></b>	<b><u>\$ 1,627</u></b>	<b><u>\$ 15,022</u></b>	<b><u>\$ 1,958,827</u></b>	<b><u>\$ 251,895</u></b>	<b><u>\$ 5,481,219</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, 2007

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
<b>Revenue</b>							
Taxes	\$ 4,728,037	\$ 3,129,720	\$ 873,063	\$ 652,965	\$ -	\$ 69,021	\$ 9,452,806
Federal grants	-	-	-	-	12,840	-	12,840
State grants	-	-	-	65,625	-	-	65,625
Investment income (loss)	209,012	107,821	16,116	20,803	46,765	13,111	413,628
Other	22,805	-	224,840	440,749	68,698	1,500	758,592
Total revenue	4,959,854	3,237,541	1,114,019	1,180,142	128,303	83,632	10,703,491
<b>Expenditures</b>							
Commercial and industrial development	2,285,452	615,681	764,996	988,625	73,225	215,860	4,943,839
Debt service	3,523,925	1,988,122	-	-	-	-	5,512,047
Total expenditures	5,809,377	2,603,803	764,996	988,625	73,225	215,860	10,455,886
<b>Excess of Revenue Over (Under)</b>							
Expenditures	(849,523)	633,738	349,023	191,517	55,078	(132,228)	247,605
<b>Fund Balances (Deficit) - Beginning of year</b>	2,517,233	879,979	(392,803)	(1,038,938)	1,241,965	384,123	3,591,559
<b>Fund Balances (Deficit) - End of year</b>	\$ 1,667,710	\$ 1,513,717	\$ (43,780)	\$ (847,421)	\$ 1,297,043	\$ 251,895	\$ 3,839,164