

City of Pontiac, Michigan

**Financial Report
with Supplemental Information
June 30, 2004**

City of Pontiac, Michigan

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Independent Auditors' Report

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

We have audited the accompanying 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, 2004, 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 \$738,049,950 as of December 31, 2003 and total additions of \$109,897,229 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 (the cemeteries are Permanent Fund shown as part of the Non-Major Governmental Activities). 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, 2004 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. The accompanying management's discussion and analysis does not include an analysis comparing current year to the prior year, as required. 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 13, the City has changed its method of accounting for the Pontiac Transportation Center, cemetery operations, certain trust and agency and special revenue functions. The impact of these changes is summarized in Note 13.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pontiac's 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 basic financial statements and, in our opinion, except as described in paragraph 3 above, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alan C. Young, Assoc.

Detroit, Michigan

June 27, 2005

City of Pontiac, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Pontiac, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. 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, 2004:

- During the year, numerous material items were identified to have been improperly reported in previous years. As a result, adjustments were recorded causing a decrease in governmental net assets totaling \$5,180,494 and a decrease in business-type net assets totaling \$2,513,600.
- State-shared revenue, the General Fund's second largest revenue source, was reduced by the State of Michigan by approximately \$1,430,000 this year. This decrease was a significant factor in the net decrease in net assets of \$1,015,777.
- In previous years, the Tax Increment Financing Authority (TIFA), a component unit of the City, made significant contributions for various capital projects. An analysis was performed during the current year and it was determined that approximately \$4.6 million of these contributions were remaining on projects which were completed. Since TIFA can only incur expenditures on projects within its boundaries, the unspent contributions could not be transferred to other projects of the City. The excess balances were returned to TIFA during the year ended June 30, 2004. This activity is reported as a special item in the financial statements.
- The results from operations of governmental funds were a net decrease in net assets of \$2.2 million. However, if it weren't for the nonrecurring special item discussed in the previous paragraph, there would have been a net increase in net assets of \$2.4 million.
- The general fund reported a deficit of \$20,845,969 this year. The City is in the process of filing a deficit elimination plan with the State of Michigan.

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 supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The City has three kinds of funds:

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

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements (continued)

- *Fiduciary funds* – The City is the trustee, or *fiduciary*, for its employees' pension plans. 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. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The City as a Whole

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

	<u>June 30, 2004</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other	\$ 49.8	\$ 27.7	\$ 77.5
Capital assets	<u>81.0</u>	<u>50.4</u>	<u>131.4</u>
Total assets	130.8	78.1	208.9
Current liabilities	45.7	6.9	52.6
Long-term liabilities	<u>27.4</u>	<u>13.1</u>	<u>40.5</u>
Total liabilities	73.1	20.0	93.1
Net assets:			
Invested in capital assets -			
Net of related debt	68.1	37.2	105.3
Restricted	22.0	1.8	23.8
Unrestricted (deficit)	<u>(32.4)</u>	<u>19.1</u>	<u>(13.3)</u>
Total net assets	<u><u>\$ 57.7</u></u>	<u><u>\$ 58.1</u></u>	<u><u>\$ 115.8</u></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 are either restricted as to the purpose they can be used for or they are invested in capital assets net of related debt. Consequently, unrestricted net assets were a deficit of \$32.3 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 \$19.1 million, these resources are restricted for operations of their respective operations and cannot be used to make up for declines in governmental net assets.

The City's combined net assets decreased less than 1.0 percent from a year ago - decreasing from \$116.8 million to \$115.8 million. Looking at only the governmental activities, the decrease from a year ago was 4 percent, or \$2.2 million. The decrease in net assets is primarily due to the significant operating loss in the General Fund. The business-type activities added \$1.2 million to net assets, increasing it by 2.2 percent. The increase in net assets is primarily due to the results of operations in the Water Fund and Parking Fund.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole (continued)

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

	Year Ending June 30, 2004		
	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 7.6	\$ 21.1	\$ 28.7
Operating grants and contributions	10.0	-	10.0
Capital grants and contributions	10.9	-	10.9
General revenue:			
Property taxes	17.6	2.1	19.7
Income taxes	15.6	-	15.6
State-shared revenue	12.7	-	12.7
Rental income	0.3	-	0.3
Unrestricted investment earnings	1.3	0.4	1.7
Unrestricted cable revenue	0.5	-	0.5
Contribution from component units	11.0	-	11.0
Miscellaneous	1.9	0.3	2.2
Total revenue	89.4	23.9	113.3
Program Expenses			
General government	\$ 20.7	\$ -	\$ 20.7
Public safety	37.7	-	37.7
Public works	20.3	-	20.3
Community and human services	7.2	-	7.2
Interest on long-term debt	0.4	-	0.4
Water	-	9.5	9.5
Sewer	-	10.1	10.1
Parking	-	2.4	2.4
Golf course	-	1.4	1.4
Total program expenses	86.3	23.4	109.7
Excess of revenue over expenses before transfers and special items	3.1	0.5	3.6
Transfers and special items			
Transfers	(0.7)	0.7	-
Special items	(4.6)	-	(4.6)
Change in Net Assets	\$ (2.2)	\$ 1.2	\$ (1.0)

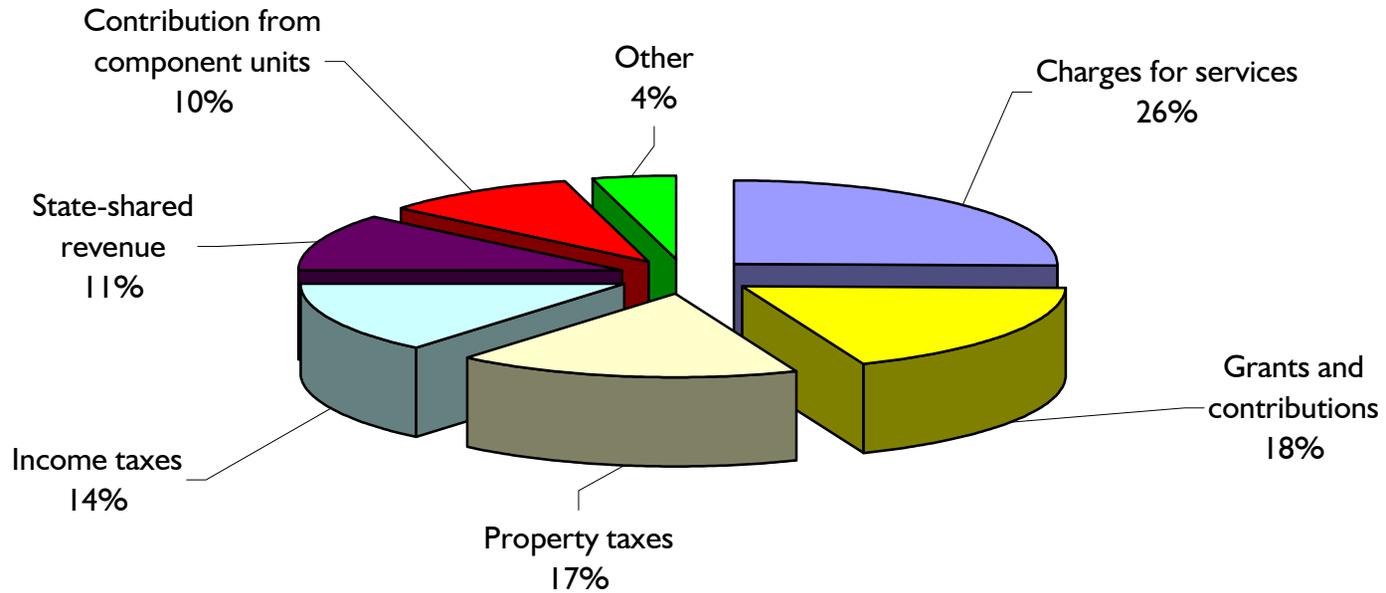
City of Pontiac, Michigan

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 grants and contributions, and property and income taxes, respectively.

Figure I
CITY OF PONTIAC, MICHIGAN
Sources of Revenue - Government-wide
Year Ended June 30, 2004



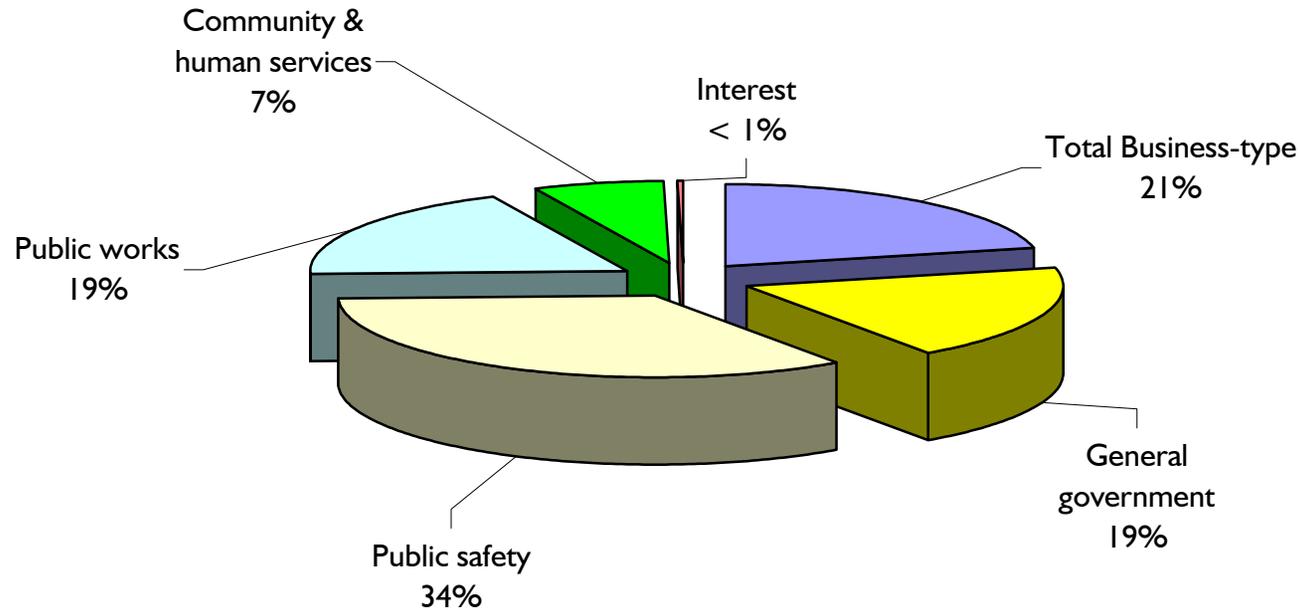
City of Pontiac, Michigan

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, followed by the total business-type expenses, which is the total of the water, sewer, parking, and golf course funds.

Figure 2
CITY OF PONTIAC, MICHIGAN
Expenses - Government-wide
Year Ended June 30, 2004



City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Expenses for the City's governmental activities totaled \$86.3 million. However, the amount that the taxpayers paid for these services through property and income taxes was only \$33.1 million, or 38 percent of expenses. Some of the costs were paid by those who directly benefited from the programs, (\$7.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$45.6 million).

Business-type Activities

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

The City provides water to residents from the Detroit Water System. The City provides sewage treatment through a City-owned and operated sewage treatment plant. The water and sewer funds had combined operating income of \$274,330.

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 2004 was approximately \$890,000.

The City-owned golf course sustained an operating loss in the current year totaling approximately \$513,000, of which \$318,000 represented depreciation. The City's General Fund provided an operating subsidy of \$367,000 to eliminate current and prior cash flow shortfalls.

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages or grants. The only major fund for the year ended June 30, 2004 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$30.9 million during the year ended June 30, 2004. These two services represent 57% of the General Fund's operating expenses and are primarily funded through general revenues such as taxes and state-shared revenues.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds (continued)

The General Fund had total revenues of \$49.2 million and total expenses and transfers to other funds of \$57.6 million, resulting in a net decrease in fund balance of \$8.4 million.

The General Fund transferred a total of \$4.6 million to other funds. Transfers totaling \$1.3 million are non-recurring subsidies necessary to close funds which had deficits and no corresponding revenue source. In addition, the General Fund provided operating subsidies to the district court, cemetery, and golf course funds totaling \$1,465,658, \$48,990, and \$366,942, respectively.

The City's Major Street Fund, a nonmajor special revenue fund, has a deficit of \$2.7 million at June 30, 2004. The primary reason for the deficit is the result of lost grant funds on a significant road project. The City is in discussions with the Michigan Department of Transportation regarding reallocation of funding for this project. If such funding does not occur, the City will use future Act 51 revenues to eliminate the deficit. In such an event, the City's road projects would be significantly curtailed or deferred.

Another of the City's funds with a deficit at June 30, 2004 is the Targeted Capacity Expansion Grant fund, a nonmajor special revenue fund. The deficit of \$629,000 will be eliminated through future drawdowns of grant funds.

General Fund Budgetary Highlights

The General Fund deficit increased by approximately \$8.4 million during the year ended June 30, 2004, bringing the cumulative deficit to \$20.8 million. The current year deficit was the result of actual revenues being \$2 million less than budgeted amounts and expenditures exceeding budgeted amounts by \$6.4 million. The majority of the revenue shortfall, as stated previously, was due to reductions in revenue sharing from the State of Michigan. A substantial portion of the expenditure overage was due to the unbudgeted allocation of healthcare costs from the internal service fund totaling more than \$4 million. The second largest factor contributing to the expenditure overrun is contributions to other funds, as described above.

Capital Asset and Debt Administration

At the end of 2004, the City had invested \$131.3 million in a broad range of capital assets including land and improvements, buildings and improvements, equipment, roads, street signs, bridges, sidewalks, furniture, vehicles, and water and sewer lines. This amount represents a net increase (including additions and deductions) of \$21.1 million, or 16 percent over last year.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration (continued)

Significant projects during the year included numerous infrastructure improvement projects, Phoenix Plaza renovations, and Strand Theatre renovations. Many of these projects were still in progress as of June 30, 2004 and will be funded by unspent contributions received from component units of the City.

The City had a substantial number of capital project and debt service funds closed during the year. The majority of the projects had been completed but final closeout disbursements had not been made. The significant deficits in the General and Major Street Funds may limit new capital outlay projects. The City had no new debt issues during the year ended June 30, 2004.

Economic Factors and Next Year's Budgets and Rates

As previously discussed, General Fund deficit is \$20.8 million at June 30, 2004. The increase in the deficit from the \$4.7 million presented in the June 30, 2003 financial statements can be attributed to \$7.8 million of prior period adjustments (on a fund basis) and \$8.3 million of current year expenses over revenues.

Eliminating a deficit of this magnitude will require substantial cuts city-wide, including substantial reductions in personnel. Once the annual operating deficit is balanced, the cumulative deficit will most likely be financed over many years, a portion of which may involve the issuance of debt. The annual debt service on any debt issued to eliminate the deficit will be a new expenditure in the annual budget, requiring additional cuts in order to maintain a balanced budget. Balancing the budget and eliminating the deficit is the highest priority of the mayor and council for the upcoming year.

Contacting the City's Management

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

City of Pontiac, Michigan

Statement of Net Assets June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 15,015,026	\$ 3,673,316	\$ 18,688,342	\$ 1,609,944
Investments (Note 3)	19,178,612	4,256,643	23,435,255	1,865,605
Receivables - Net:				
Property and income taxes	2,813,806	69,966	2,883,772	61,017
Customer receivables	-	4,421,944	4,421,944	-
Accrued interest receivable	9,520	-	9,520	-
Special assessments receivable	631,224	128,078	759,302	-
Other receivables	3,705,837	6,222	3,712,059	236,688
Internal balances	(13,434,746)	13,434,746	-	-
Due from primary government	-	-	-	8,539,955
Due from other governmental units	7,179,715	-	7,179,715	-
Inventory	72,081	-	72,081	-
Restricted assets (Note 8)	3,425,852	1,780,592	5,206,444	-
Long-term lease receivable (Note 15)	11,240,720	-	11,240,720	43,230,000
Capital assets (Note 5):				
Nondepreciable capital assets	50,022,208	4,421,614	54,443,822	9,040,296
Depreciable capital assets - net	30,971,961	45,954,351	76,926,312	15,417,000
Total assets	130,831,816	78,147,472	208,979,288	80,000,505

(Continued on next page)

City of Pontiac, Michigan

Statement of Net Assets, Continued June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 5,117,023	\$ 1,434,501	\$ 6,551,524	\$ 2,974,115
Other accrued liabilities	18,939,808	5,061,726	24,001,534	649,295
Deposits	1,093,799	30,973	1,124,772	1,368,432
Due to component units	8,539,955	-	8,539,955	-
Due to other governmental units	413,234	-	413,234	-
Accrued interest payable from restricted assets	-	329,484	329,484	-
Deferred revenue	11,625,146	-	11,625,146	1,078,970
Long term liabilities (Note 7):				
Due within one year	5,699,928	2,000,000	7,699,928	3,310,000
Due within one year - Payable from restricted assets	-	540,000	540,000	-
Due in more than one year	21,709,223	10,638,830	32,348,053	89,607,663
Total liabilities	<u>73,138,116</u>	<u>20,035,514</u>	<u>93,173,630</u>	<u>98,988,475</u>
Net Assets				
Invested in capital assets - Net of related debt	68,045,120	37,197,135	105,242,255	24,457,296
Restricted for:				
Streets	317,879	-	317,879	-
Sanitation	2,708,873	-	2,708,873	-
Drains	821,553	-	821,553	-
Grants	999,635	-	999,635	-
Capital projects	16,021,373	-	16,021,373	-
Cemetery endowment	1,138,794	-	1,138,794	-
Water and sewer bond reserves	-	1,780,592	1,780,592	-
Revolving loan program	-	-	-	328,223
Unrestricted (deficit)	(32,359,527)	19,134,231	(13,225,296)	(43,773,489)
Total net assets	<u>\$ 57,693,700</u>	<u>\$ 58,111,958</u>	<u>\$ 115,805,658</u>	<u>\$ (18,987,970)</u>

City of Pontiac, Michigan

Statement of Activities Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 20,739,576	\$ 391,248	\$ -	\$ -	\$ (20,348,328)
Public safety	37,661,537	3,075,033	307,375	68,675	(34,210,454)
Public works	20,322,707	4,088,220	6,206,176	637,205	(9,391,106)
Community and human services	7,210,642	86,155	3,529,789	10,161,144	6,566,446
Interest on long-term debt	395,183	-	-	-	(395,183)
Total governmental activities	<u>86,329,645</u>	<u>7,640,656</u>	<u>10,043,340</u>	<u>10,867,024</u>	<u>(57,778,625)</u>
Business-type activities:					
Water	9,491,975	10,680,718	-	-	1,188,743
Sewer	10,061,105	8,388,192	-	-	(1,672,913)
Parking	2,413,848	1,192,896	-	-	(1,220,952)
Golf course	1,368,521	855,335	-	-	(513,186)
Total business-type activities	<u>23,335,449</u>	<u>21,117,141</u>	<u>-</u>	<u>-</u>	<u>(2,218,308)</u>
Total primary government	<u>\$ 109,665,094</u>	<u>\$ 28,757,797</u>	<u>\$ 10,043,340</u>	<u>\$ 10,867,024</u>	<u>\$ (59,996,933)</u>
Component units:					
Tax Increment Financing Authority	\$ 19,533,331	\$ -	\$ 2,000,000	\$ -	(17,533,331)
Downtown Development Authority	998,280	-	-	-	(998,280)
Economic Development Corporation	48,077	-	-	3,361,096	3,313,019
Brownfield Redevelopment Authority	26,574	-	-	-	(26,574)
Pontiac Silverdome	19,358,980	2,327,362	-	-	(17,031,618)
Pontiac Hospital Finance Authority	2,658,470	-	-	-	(2,658,470)
Total component units	<u>\$ 42,623,712</u>	<u>\$ 2,327,362</u>	<u>\$ 2,000,000</u>	<u>\$ 3,361,096</u>	<u>\$ (34,935,254)</u>

(Continued on next page)

City of Pontiac, Michigan

Statement of Activities (Continued) Year Ended June 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net expense from previous page	\$ (57,778,625)	\$ (2,218,308)	\$ (59,996,933)	\$ (34,935,254)
General revenues:				
Property taxes	17,576,487	2,165,581	19,742,068	8,268,478
Income taxes	15,550,877	-	15,550,877	-
State-shared revenues	12,740,114	-	12,740,114	-
Rental income	287,908	-	287,908	2,658,470
Unrestricted investment earnings	1,281,449	358,702	1,640,151	280,414
Unrestricted cable revenue	492,098	-	492,098	-
Contribution from component units	10,986,651	-	10,986,651	-
Miscellaneous	1,873,314	262,513	2,135,827	410,865
Total general revenues	60,788,898	2,786,796	63,575,694	11,618,227
Transfers	(676,451)	676,451	-	-
Special item - Transfer from primary government to component units for return of unspent contributions	(4,594,538)	-	(4,594,538)	4,594,538
Total general revenues, transfers and special items	55,517,909	3,463,247	58,981,156	16,212,765
Change in Net Assets	(2,260,716)	1,244,939	(1,015,777)	(18,722,489)
Net Assets - Beginning of year, as restated (Note 13)	59,954,416	56,867,019	116,821,435	(265,481)
Net Assets - End of year	<u>\$ 57,693,700</u>	<u>\$ 58,111,958</u>	<u>\$ 115,805,658</u>	<u>\$ (18,987,970)</u>

City of Pontiac, Michigan

Governmental Funds Balance Sheet June 30, 2004

		Major Fund		Total
		General Fund	Nonmajor Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents (Note 3)		\$ 11,194	\$ 11,914,043	\$ 11,925,237
Investments (Note 3)		-	15,598,161	15,598,161
Receivables - Net (Note 4):				
Property and income taxes		2,737,694	76,112	2,813,806
Accrued interest receivable		-	9,520	9,520
Special assessments receivable		631,224	-	631,224
Other receivables		1,544,252	914,170	2,458,422
Due from other governmental units		4,016,700	3,163,015	7,179,715
Inventory		7,577	-	7,577
Due from other funds - Advances (Note 6)		269,211	883,457	1,152,668
Lease receivable (Note 15)		11,240,720	-	11,240,720
Restricted cash and cash equivalents (Note 8)		-	3,425,852	3,425,852
Total assets		<u>\$ 20,458,572</u>	<u>\$ 35,984,330</u>	<u>\$ 56,442,902</u>

(Continued on next page)

City of Pontiac, Michigan

Governmental Funds Balance Sheet (Continued) June 30, 2004

	Major Fund	Nonmajor Governmental	Total Governmental
	General Fund	Funds	Funds
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,424,437	\$ 2,605,211	\$ 5,029,648
Other accrued liabilities	6,298,947	4,813,344	11,112,291
Deposits	987,788	106,011	1,093,799
Due to other funds - Advances	12,795,813	1,791,601	14,587,414
Due to component units - Advances	4,583,106	3,956,849	8,539,955
Due to other governmental units	413,234	-	413,234
Deferred revenue	13,801,216	2,608,108	16,409,324
Total liabilities	41,304,541	15,881,124	57,185,665
Fund Balance (Deficit)			
Reserved for:			
Cable television	368,889	-	368,889
Endowment	-	1,138,794	1,138,794
Fire safety	-	68,675	68,675
City-wide park improvements and special projects	64,000	2,000,000	2,064,000
Unreserved, reported in:			
General Fund	(21,278,858)	-	(21,278,858)
Special Revenue Funds	-	3,233,623	3,233,623
Capital Projects Funds	-	13,821,525	13,821,525
Permanent Funds	-	(159,411)	(159,411)
Total fund balance (deficit)	(20,845,969)	20,103,206	(742,763)
Total liabilities and fund balance (deficit)	\$ 20,458,572	\$ 35,984,330	\$ 56,442,902

City of Pontiac, Michigan

Governmental Funds Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities Year Ended June 30, 2004

Fund Balance - Total Governmental Funds	\$ (742,763)
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	79,723,899
Accrued interest on long term debt is not included in the governmental funds but is included in the government-wide statement	(109,452)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(27,409,151)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds	4,784,178
Internal Service Funds are included as part of governmental activities	<u>1,446,989</u>
Change in Net Assets of Governmental Activities	<u>\$ 57,693,700</u>

City of Pontiac, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Major Fund - General	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 26,973,583	\$ 4,442,813	\$ 31,416,396
Licenses and permits	2,029,494	-	2,029,494
Federal sources	179,718	3,237,130	3,416,848
State sources	12,941,908	5,633,125	18,575,033
Charges for services	1,713,707	1,176,973	2,890,680
Fines and forfeitures	3,986	2,147,776	2,151,762
Investment income	839,538	325,786	1,165,324
Rental income	287,908	-	287,908
Contribution from component units	2,727,605	8,259,046	10,986,651
Other	<u>1,510,325</u>	<u>2,042,514</u>	<u>3,552,839</u>
Total revenue	49,207,772	27,265,163	76,472,935
Expenditures			
Current:			
General government	5,301,431	63,895	5,365,326
District court	-	3,916,509	3,916,509
Public safety	30,950,272	891,481	31,841,753
Public works and utilities	4,837,588	14,856,763	19,694,351
Community development	3,113,150	3,197,600	6,310,750
Community and human services	3,099,884	28,507	3,128,391
General and special programs	6,800,590	4,076,029	10,876,619
Commercial & industrial development	-	7,931,230	7,931,230
Debt service	<u>-</u>	<u>6,333,502</u>	<u>6,333,502</u>
Total expenditures	<u>54,102,915</u>	<u>41,295,516</u>	<u>95,398,431</u>
Excess of Revenue Over (Under) Expenditures	(4,895,143)	(14,030,353)	(18,925,496)
Other Financing Sources (Uses)			
Transfers in	1,180,686	11,413,623	12,594,309
Transfers out	<u>(4,642,092)</u>	<u>(8,031,815)</u>	<u>(12,673,907)</u>
Total other financing sources (uses)	(3,461,406)	3,381,808	(79,598)
Special Item - Return of unspent contributions to component units	<u>-</u>	<u>(4,594,538)</u>	<u>(4,594,538)</u>
Net Change in Fund Balances	(8,356,549)	(15,243,083)	(23,599,632)
Fund Balances - Beginning of year - restated (Note 13)	<u>(12,489,420)</u>	<u>35,346,289</u>	<u>22,856,869</u>
Fund Balances - End of year	<u>\$ (20,845,969)</u>	<u>\$ 20,103,206</u>	<u>\$ (742,763)</u>

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

City of Pontiac, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (23,599,632)
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	12,675,958
Depreciation reported in the statement of activities	(6,499,422)
Capital assets donated to the City are not recorded in governmental funds; in the statement of activities, these assets are recorded and contribution revenue is recognized	
	10,161,144
Certain Revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	
	4,784,178
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	
	5,630,711
Interest expense is recorded when incurred in the statement of activities	
	307,607
Increase in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	
	(1,316,350)
Increase in landfill closure and post-closure liability	
	(55,501)
Internal Service Funds are also included as governmental activities	
	<u>(4,349,409)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,260,716)</u>

City of Pontiac, Michigan

Proprietary Funds Statement of Net Assets June 30, 2004

	Major Funds			Nonmajor Fund		Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund			
Assets							
Current assets:							
Cash and cash equivalents (Note 3)	\$ 2,038,791	\$ 1,293,092	\$ 300,698	\$ 40,735	\$ 3,673,316	\$ 3,089,789	
Investments (Note 3)	2,604,656	1,651,987	-	-	4,256,643	3,580,451	
Receivables - Net (Note 4):							
Customer receivables	2,191,955	2,229,989	-	-	4,421,944	-	
Taxes receivable	-	-	69,966	-	69,966	-	
Other receivables	-	-	6,222	-	6,222	1,247,415	
Inventory	-	-	-	-	-	64,504	
Special assessments receivable	29,495	98,583	-	-	128,078	-	
Total current assets	6,864,897	5,273,651	376,886	40,735	12,556,169	7,982,159	
Noncurrent assets:							
Restricted cash and cash equivalents	884,736	895,856	-	-	1,780,592	-	
Due from other funds - Advances (Note 6)	8,228,059	5,206,687	-	-	13,434,746	-	
Nondepreciable capital assets (Note 5)	195,436	325,964	3,166,454	733,760	4,421,614	-	
Depreciable capital assets - net (Note 5)	8,308,369	20,132,397	14,449,178	3,064,407	45,954,351	1,270,270	
Total noncurrent assets	17,616,600	26,560,904	17,615,632	3,798,167	65,591,303	1,270,270	
Total assets	24,481,497	31,834,555	17,992,518	3,838,902	78,147,472	9,252,429	

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City of Pontiac, Michigan

Proprietary Funds Statement of Net Assets (Continued) June 30, 2004

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Governmental Activities -
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	\$ 666,938	\$ 549,725	\$ 216,224	\$ 1,614	\$ 1,434,501	\$ 87,375
Accrued and other liabilities	173,633	233,808	4,615,164	39,121	5,061,726	7,718,065
Deposits	3,200	-	27,773	-	30,973	-
Accrued interest on long-term debt	-	-	55,000	-	55,000	-
Current portion of long-term debt	-	-	2,000,000	-	2,000,000	-
Total current liabilities	843,771	783,533	6,914,161	40,735	8,582,200	7,805,440
Noncurrent liabilities (Note 7):						
Payable from restricted assets:						
Accrued interest on long-term debt	115,530	158,954	-	-	274,484	-
Current portion of long-term debt	215,000	325,000	-	-	540,000	-
Bonds payable - net of current portion	3,460,907	5,177,923	2,000,000	-	10,638,830	-
Total liabilities	4,635,208	6,445,410	8,914,161	40,735	20,035,514	7,805,440
Net Assets						
Investment in capital assets - Net of related debt	4,827,898	14,955,438	13,615,632	3,798,167	37,197,135	1,270,270
Restricted	884,736	895,856	-	-	1,780,592	-
Unrestricted	14,133,655	9,537,851	(4,537,275)	-	19,134,231	176,719
Total net assets	\$ 19,846,289	\$ 25,389,145	\$ 9,078,357	\$ 3,798,167	\$ 58,111,958	\$ 1,446,989

City of Pontiac, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		
Operating Revenue						
Charges for services	\$ 10,673,414	\$ 8,389,206	\$ 1,192,896	\$ 855,335	\$ 21,110,851	\$ 25,144,740
Contribution from component units	-	-	26,628	-	26,628	-
Other	7,655	175,827	59,044	-	242,526	-
Total operating revenue	10,681,069	8,565,033	1,278,568	855,335	21,380,005	25,144,740
Operating Expenses						
Purchased water	3,571,438	-	-	-	3,571,438	-
Operations and maintenance	2,299,960	6,270,987	1,503,877	965,926	11,040,750	2,044,428
Insurance	-	-	-	-	-	22,257,112
Administrative expenses	2,607,966	1,513,877	93,996	84,108	4,299,947	777,085
Depreciation	770,652	1,936,892	570,630	318,487	3,596,661	203,151
Refunds	-	-	-	-	-	3,799,961
Total operating expenses	9,250,016	9,721,756	2,168,503	1,368,521	22,508,796	29,081,737
Operating Income (Loss)	1,431,053	(1,156,723)	(889,935)	(513,186)	(1,128,791)	(3,936,997)
Nonoperating Revenue (Expenses)						
Property taxes	-	-	2,165,581	-	2,165,581	-
Interest revenue	206,950	156,521	-	-	363,471	116,125
Interest expense	(242,310)	(339,349)	(245,345)	(4,769)	(831,773)	-
Other	-	-	-	-	-	68,316
Total nonoperating revenue (expenses)	(35,360)	(182,828)	1,920,236	(4,769)	1,697,279	184,441
Income (Loss) - Before transfers and other items	1,395,693	(1,339,551)	1,030,301	(517,955)	568,488	(3,752,556)
Transfers						
Transfers in	-	-	522,133	366,942	889,075	-
Transfers out	(49,086)	(156,696)	(4,624)	(2,218)	(212,624)	(596,853)
Total transfers in (out)	(49,086)	(156,696)	517,509	364,724	676,451	(596,853)
Change in Net Assets	1,346,607	(1,496,247)	1,547,810	(153,231)	1,244,939	(4,349,409)
Net Assets - Beginning of year, as restated (Note 13)	18,499,682	26,885,392	7,530,547	3,951,398	56,867,019	5,796,398
Net Assets - End of year	<u>\$ 19,846,289</u>	<u>\$ 25,389,145</u>	<u>\$ 9,078,357</u>	<u>\$ 3,798,167</u>	<u>\$ 58,111,958</u>	<u>\$ 1,446,989</u>

City of Pontiac, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Major Funds			Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund		
Cash Flows from Operating Activities						
Receipts from customers	\$ 11,116,115	\$ 9,173,878	\$ 1,297,084	\$ 859,635	\$ 22,446,712	\$ 25,414,697
Payments to employees	(2,450,288)	(3,881,407)	(257,293)	(244,277)	(6,833,265)	(28,271,281)
Payments to suppliers	(6,045,537)	(3,792,299)	(1,177,816)	(816,213)	(11,831,865)	(776,268)
Internal activity - Payments from (to) other funds	(3,781,459)	(5,206,687)	(117,730)	(73,000)	(9,178,876)	3,165,916
Net cash provided by (used in) operating activities	(1,161,169)	(3,706,515)	(255,755)	(273,855)	(5,397,294)	(466,936)
Cash Flows from Non-capital Financing Activities						
Transfers from other funds	-	-	522,133	366,942	889,075	-
Transfers to other funds	(49,086)	(156,696)	(4,624)	(2,218)	(212,624)	(596,853)
Property taxes	-	-	2,095,615	-	2,095,615	-
Net cash provided by (used in) non-capital financing activities	(49,086)	(156,696)	2,613,124	364,724	2,772,066	(596,853)
Cash Flows from Capital and Related Financing Activities						
Purchase of capital assets	(1,665,494)	(3,000,814)	-	(46,094)	(4,712,402)	(564,883)
Proceeds from sale of capital assets	-	-	-	-	-	68,316
Proceeds from special assessments	253,861	428,987	-	-	682,848	-
Principal and interest paid on capital debt	(448,388)	(646,035)	(2,276,338)	-	(3,370,761)	-
Net cash provided by (used in) capital and related financing activities	(1,860,021)	(3,217,862)	(2,276,338)	(46,094)	(7,400,315)	(496,567)
Cash Flows from Investing Activities						
Purchase of investments	(2,604,656)	(1,651,987)	-	-	(4,256,643)	(3,580,451)
Investment income (loss)	206,950	156,521	-	(4,769)	358,702	116,125
Net cash used in investing activities	(2,397,706)	(1,495,466)	-	(4,769)	(3,897,941)	(3,464,326)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,467,982)	(8,576,539)	81,031	40,006	(13,923,484)	(5,024,682)
Cash and Cash Equivalents - Beginning of year	8,391,509	10,765,487	219,667	729	19,377,392	8,114,471
Cash and Cash Equivalents - End of year	\$ 2,923,527	\$ 2,188,948	\$ 300,698	\$ 40,735	\$ 5,453,908	\$ 3,089,789
Balance Sheet Classification of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 2,038,791	\$ 1,293,092	\$ 300,698	\$ 40,735	\$ 3,673,316	\$ 3,089,789
Restricted cash and cash equivalents (Note 8)	884,736	895,856	-	-	1,780,592	-
Total cash and cash equivalents	\$ 2,923,527	\$ 2,188,948	\$ 300,698	\$ 40,735	\$ 5,453,908	\$ 3,089,789

(Continued on next page)

City of Pontiac, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004 (Continued)

	Major Funds			Nonmajor Fund		Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income (loss)	\$ 1,431,053	\$ (1,156,723)	\$ (889,935)	\$ (513,186)	\$ (1,128,791)	\$ (3,936,997)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	770,652	1,936,892	570,630	318,487	3,596,661	203,151
Changes in assets and liabilities:						
Accounts receivable	435,046	608,845	18,516	4,300	1,066,707	269,957
Inventory and supplies	-	-	-	-	-	(51,794)
Due from other funds	(3,781,459)	(5,206,687)	-	-	(8,988,146)	3,973,806
Accounts payable	(16,346)	111,158	212,309	(12,146)	294,975	(47,530)
Accrued liabilities	(3,315)	-	(268,898)	1,690	(270,523)	(69,639)
Deposits	3,200	-	219,353	-	222,553	-
Due to other funds	-	-	(117,730)	(73,000)	(190,730)	(807,890)
Net cash provided by (used in) operating activities	<u>\$ (1,161,169)</u>	<u>\$ (3,706,515)</u>	<u>\$ (255,755)</u>	<u>\$ (273,855)</u>	<u>\$ (5,397,294)</u>	<u>\$ (466,936)</u>

Noncash investing, Capital and Financing Activities – Effective July 1, 2003, the following adjustments were made, as disclosed in Note 13:

- Customer receivables in the Water and Sewer Funds were adjusted by \$692,461 and \$242,264, respectively
- Special assessment receivables in the Water and Sewer funds were recorded for \$29,495 and \$98,583, respectively
- Lawsuit payable in the Parking Fund was recorded in the amount of \$4,590,821
- Deposits in the Parking Fund were adjusted by \$191,580
- Bond discount in the Parking Fund was written off in the amount of \$980,000

In addition, during the year ended June 30, 2004, construction in progress was reclassified to capital assets in the Water and Sewer Funds in the amount of \$1,091,138 and \$2,020,582, respectively.

City of Pontiac, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2004

	Pension (and Other Employee Benefits) Trust Funds (I)	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,437,292	\$ 3,222,784
Cash and investments held as collateral for securities lending	68,456,313	-
Investments:		
Money markets and mutual funds	28,933,622	3,734,567
Preferred securities	545,470	-
Convertible securities	43,223	-
U.S. government obligations	27,898,095	-
Corporate and other bonds	97,741,394	-
Equities	395,159,149	-
U.S. government agency mortgage pools	70,694,173	-
Real estate	36,781,170	-
Interest in CAP Commercial Mortgage, LLC	5,986,949	-
Due from broker pending transactions	729,493	-
Accrued interest receivable	2,378,800	-
Receivables - other	264,807	816,153
Deposits	-	-
Total assets	738,049,950	<u><u>\$ 7,773,504</u></u>
Liabilities		
Accounts payable	2,615,129	\$ -
Amount due broker under securities lending agreement	68,456,313	-
Due to other governmental units	-	4,613,278
Accrued liabilities	-	2,791,329
Deposits	-	368,897
Total liabilities	71,071,442	<u><u>\$ 7,773,504</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 666,978,508</u></u>	

(I) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2003.

City of Pontiac, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2004

	Pension (and Other Employee Benefits) Trust Funds (1)
Additions	
Investment income:	
Interest and dividends	\$ 17,527,189
Net increase in fair value of investments	88,926,669
Less investment expenses	(2,862,183)
Net investment income	103,591,675
Securities lending income:	
Interest and fees	693,287
Less borrower rebates and bank fees	(608,785)
Net securities lending income	84,502
Contributions:	
Employer	4,186,258
Employee	2,034,794
Total contributions	6,221,052
Total additions	109,897,229
Deductions	
Retiree pension benefit payments	24,982,554
Retiree health benefit payments	1,363,688
Refunds of contributions	100,589
Other expenses	303,411
Administrative expenses	444,562
Total deductions	27,194,804
Net Increase in Net Assets Held in Trust	82,702,425
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	584,276,083
End of year	\$ 666,978,508

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2003.

City of Pontiac, Michigan

Component Units Statement of Net Assets June 30, 2004

	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	
Assets							
Current:							
Cash and cash equivalents	\$ 856,286	\$ 200	\$ 85,660	\$ 408,394	\$ 259,404	\$ -	\$ 1,609,944
Investments	-	-	1,693,871	171,734	-	-	1,865,605
Receivables - Net							
Property taxes	23,296	37,721	-	-	-	-	61,017
Other receivables	76,851	-	68,896	-	90,941	-	236,688
Due from primary government - Advances	-	-	-	-	8,539,955	-	8,539,955
Due from other component units	184,016	-	-	-	1,950,167	-	2,134,183
Total current assets	1,140,449	37,921	1,848,427	580,128	10,840,467	-	14,447,392
Noncurrent assets:							
Long-term lease receivable (Note 15)	-	-	-	-	-	43,230,000	43,230,000
Nondepreciable capital assets	-	-	3,361,096	-	5,679,200	-	9,040,296
Depreciable capital assets, net	-	-	-	-	15,417,000	-	15,417,000
Total noncurrent assets	-	-	3,361,096	-	21,096,200	43,230,000	67,687,296
Total assets	1,140,449	37,921	5,209,523	580,128	31,936,667	43,230,000	82,134,688

(Continued on next page)

City of Pontiac, Michigan

Component Units Statement of Net Assets June 30, 2004 (Continued)

	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	
Liabilities							
Current:							
Accounts payable	\$ 1,999,292	\$ 135,779	\$ 98,095	\$ -	\$ 740,949	\$ -	\$ 2,974,115
Accrued liabilities	257,447	-	-	-	391,848	-	649,295
Deposits	7,716	-	11,339	-	1,349,377	-	1,368,432
Due to other component units - Advances	1,950,167	184,016	-	-	-	-	2,134,183
Deferred revenue	-	-	656,046	-	422,924	-	1,078,970
Total current liabilities	4,214,622	319,795	765,480	-	2,905,098	-	8,204,995
Noncurrent liabilities:							
Due within one year	2,135,000	-	-	-	-	1,175,000	3,310,000
Due in more than one year	47,552,663	-	-	-	-	42,055,000	89,607,663
Total noncurrent liabilities	49,687,663	-	-	-	-	43,230,000	92,917,663
Total liabilities	53,902,285	319,795	765,480	-	2,905,098	43,230,000	101,122,658
Net Assets							
Invested in capital assets - Net of related debt	-	-	3,361,096	-	21,096,200	-	24,457,296
Restricted for revolving loans	-	-	328,223	-	-	-	328,223
Unrestricted	(52,761,836)	(281,874)	754,724	580,128	7,935,369	-	(43,773,489)
Total Net Assets	\$ (52,761,836)	\$ (281,874)	\$ 4,444,043	\$ 580,128	\$ 29,031,569	\$ -	\$ (18,987,970)

City of Pontiac, Michigan

Component Units Statement of Activities Year Ended June 30, 2004

	Program Revenues				Net Revenue (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities					
Tax Increment Financing Authority:					
Commercial & industrial development	\$ 16,034,237	\$ -	\$ 2,000,000	\$ -	\$ (14,034,237)
Interest on long-term debt	3,499,094	-	-	-	(3,499,094)
Total Tax Increment Financing Authority	19,533,331	-	2,000,000	-	(17,533,331)
Downtown Development Authority:					
Commercial & industrial development	998,280	-	-	-	(998,280)
Economic Development Corporation:					
Commercial & industrial development	48,077	-	-	3,361,096	3,313,019
Brownfield Redevelopment Authority:					
Commercial & industrial development	26,574	-	-	-	(26,574)
Total governmental activities	20,606,262	-	2,000,000	3,361,096	(15,245,166)
Business-type Activities					
Pontiac Silverdome	19,358,980	2,327,362	-	-	(17,031,618)
Pontiac Hospital Finance Authority	2,658,470	-	-	-	(2,658,470)
Total business-type activities	22,017,450	2,327,362	-	-	(19,690,088)
Total component units	<u>\$ 42,623,712</u>	<u>\$ 2,327,362</u>	<u>\$ 2,000,000</u>	<u>\$ 3,361,096</u>	<u>\$ (34,935,254)</u>

(Continued on next page)

City of Pontiac, Michigan

Component Units Statement of Activities (Continued) Year Ended June 30, 2004

	Governmental Activities				Business-type Activities		Total
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Pontiac Silverdome	Pontiac Hospital Finance Authority	
Net revenue (expense) from previous page	\$ (17,533,331)	\$ (998,280)	\$ 3,313,019	\$ (26,574)	\$ (17,031,618)	\$ (2,658,470)	\$ (34,935,254)
General revenues:							
Property taxes	7,374,131	783,831	-	110,516	-	-	8,268,478
Rent income	-	-	-	-	-	2,658,470	2,658,470
Unrestricted investment earnings	223,813	2,884	34,296	8,486	10,935	-	280,414
Miscellaneous	108,677	31,571	261,738	50	8,829	-	410,865
Total general revenues	7,706,621	818,286	296,034	119,052	19,764	2,658,470	11,618,227
Special item - Transfers from primary government to component units for return of unspent contributions	4,477,525	117,013	-	-	-	-	4,594,538
Total general revenues and special items	12,184,146	935,299	296,034	119,052	19,764	2,658,470	16,212,765
Change in Net Assets (Deficit)	(5,349,185)	(62,981)	3,609,053	92,478	(17,011,854)	-	(18,722,489)
Net Assets - Beginning of year	(47,412,651)	(218,893)	834,990	487,650	46,043,423	-	(265,481)
Net Assets - End of year	\$ (52,761,836)	\$ (281,874)	\$ 4,444,043	\$ 580,128	\$ 29,031,569	\$ -	\$ (18,987,970)

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units

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

Note I - 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 eleven trustees as follows: The Mayor of the City of Pontiac, the Finance Director of the City of Pontiac, a City Council member, three active members of the retirement system (elected), an employee representative, an elected retiree representative, three citizen trustees and one deferred vested member of the retirement system formally employed by Pontiac General Hospital. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retirement System is reported as a Pension Fiduciary Fund.

The Police and 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 Police and Fire Retirement System is reported as a Pension Fiduciary Fund.

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

The Police and Fire Retirement System VEBA System has been blended into the City's financial statements. The governing body consists of five trustees: the Mayor, the Finance Director, a Fire trustee, a Police trustee, and a fifth

Note I - Summary of Significant Accounting Policies (Continued)

Blended Component Units, Continued

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

Discretely Presented Component Units

- a. The Pontiac Silverdome component unit was created to account for the operations of the Pontiac Silverdome facilities. The Silverdome's governing body consists of three (3) members. One member shall be appointed by the Mayor of the City of Pontiac. One Member shall be appointed by the City Council. The third member shall be appointed by the Mayor subject to the approval by a majority vote of the member elect of the City Council. Internally prepared financial statements for the Pontiac Silverdome can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.
- b. The Downtown Development authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body consists of members appointed by the Mayor, subject to approval by the Council. There can be not less that eight (8) or more than twelve (12) members and the Chief Executive Officer (Mayor) of the municipality. Not less that a majority of the members shall be persons having an interest I property located in the downtown district. Not less that 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 Corporation'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 authority's governing body consists of not less than seven (7) or more than thirteen (13) persons appointed by the Mayor, subject to the approval of the City Council. A member shall hold office until the member's successor is appointed. An appointment to fill a vacancy shall be made by the Mayor for the unexpired term only. Internally prepared financial statements for the TIFA can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.
- e. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City of Pontiac and to promote economic growth for these properties through the use of a state approved revolving fund loan. The properties included are listed as contaminated by the Environmental protection Agency. Each Authority shall be under the supervision and control of a board chosen by the governing body (City Council). The governing body may be by majority vote designate the trustees of the Board of the Tax Increment Financing Authority as the Brownfield Redevelopment Board, which City Council did by Resolution on December 18, 1997. Internally prepared financial statements for the Brownfield Redevelopment Authority can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

Note I - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units, Continued

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

Government-wide and Fund Financial Statements

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

The City of Pontiac 2003 tax is levied and collectible on July 1, 2003 and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the City of Pontiac totaled \$1.4 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 21.7076 mills for operating purposes, .6558 mills for drains, 2.8462 for refuse collection and disposal, 1.4231 for capital improvement, and 2.3400 mills for debt service. This resulted in \$11.2 million for operating, \$.6 million for drains, \$2.8 million for refuse collection and disposal, \$1.4 million for capital improvement, and \$2.3 million for debt service. These amounts are recognized in the respective General, Special Revenue, 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 I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

- The City did not remit state education taxes to the State in a timely manner;
- The City is in violation of State Budget Act by incurring deficits and exceeding budgeted appropriations as discussed in the Required Supplemental Information section of this report;
- The City's general fund reported approximately \$4,600,000 and \$8,200,000 in amounts due to the water and sewer funds, respectively, and an additional \$4,600,000 to the Silverdome fund, a component unit, to provide cash flows for operations. Due to the financial condition of the general fund, the loan will be repaid over an extended period of time; however, no formal repayment terms or interest provisions are in place.

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

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

General Fund	\$ (20,845,969)
Nonmajor governmental funds:	
Major Roads	(2,736,802)
MDEQ Grant Pontiac Creek Stormwater Plan	(11,365)
Targeted Capacity Expansion Grant	(629,402)
ML King Construction	(83,457)
Clinton River Linear Park Trail	<u>(50,516)</u>
Total nonmajor governmental funds	<u>(3,511,542)</u>
Total	<u><u>\$ (24,357,511)</u></u>

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

Note 3 - Deposits and Investments

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

The City of Pontiac, Michigan's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 15,015,026	\$ 3,673,316	\$ 5,660,076	\$ 24,348,418	\$ 1,609,944
Investments	19,178,612	4,256,643	735,974,125	759,409,380	1,865,605
Restricted cash	3,425,852	1,780,592	-	5,206,444	-
Total	<u>\$ 37,619,490</u>	<u>\$ 9,710,551</u>	<u>\$ 741,634,201</u>	<u>\$ 788,964,242</u>	<u>\$ 3,475,549</u>

Note 3 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 29,755,067	\$ 1,606,244
Investments in securities, mutual funds, and similar vehicles	759,194,585	1,865,605
Petty cash or cash on hand	14,590	3,700
Total	<u>\$ 788,964,242</u>	<u>\$ 3,475,549</u>

Deposits

The bank balance of the City’s deposits is \$25,200,481, of which up to approximately \$800,000 is covered by federal depository insurance. The remainder was 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 evaluated each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units’ deposits had a bank balance of \$1,730,368 of which up to approximately \$400,000 was covered by federal depository insurance.

Note 3 - Deposits and Investments (Continued)

Investments

The Pension 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, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Preferred securities	\$ 545,470	\$ -	\$ -	\$ 545,470
Convertible securities	43,223	-	-	43,223
U.S. government obligations	27,898,095	1,057,765	-	28,955,860
Corporate and other bonds	97,741,394	6,248,844	-	103,990,238
Equities	395,159,149	-	-	395,159,149
U.S. government agency mortgage pools	70,694,173	-	-	70,694,173
Real estate	36,781,170	-	-	36,781,170
Interest in CAP Commercial Mortgage, LLC	5,986,949	-	-	5,986,949
Repurchase agreements	-	3,340,343	-	3,340,343
Subtotal	<u>\$ 634,849,623</u>	<u>\$ 10,646,952</u>	<u>\$ -</u>	<u>645,496,575</u>
Investments not subject to categorization:				
Bank investment pool funds				3,753,565
Interlocal agreement investment pool funds				13,235
Mutual funds				41,474,897
Cash and investments held as collateral for securities lending				<u>68,456,313</u>
Total primary government				<u>\$ 759,194,585</u>
Component units - Bank investment pool funds				<u>\$ 1,865,605</u>

Note 3 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools, interlocal agreement investment pool, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Included in the City's investments at June 30, 2004 are the following:

- Approximately \$18,875,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$51,839,000 of obligations of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$864,000 of corporate strips. These strips represent purchases of the principal portion of corporate notes. Similar to zero coupon bonds, strips are purchased at a discount (which represents the future interest earnings of the instruments). The discount is amortized over the remaining maturity of the instrument. There is no prepayment risk associated with these instruments as the corporation is not allowed to call them early. Purchases of these strips allow the System to lock in favorable interest rates for the term of the security.

Note 3 - Deposits and Investments (Continued)

- Approximately \$232,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the General Employees' Retirement System and the Police and Fire Retirement System lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The respective retirement system'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, 2003, only United States currency was received as collateral.

Neither the General Employees' Retirement System nor the Police and Fire Retirement System imposed any restrictions during the 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 General Employees' Retirement System and the borrower maintain the right to terminate all securities-lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2003 was 28 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2003, neither the General Employees' Retirement System nor the Police and Fire Retirement System had credit risk exposure to borrowers. The collateral held and the fair market values of underlying securities on loan for the General Employees' Retirement System as of December 31, 2003 were \$41,670,729 and \$40,424,506, respectively. The collateral held and the fair market values of underlying securities on loan for the Police and Fire Retirement System as of December 31, 2003 were \$26,785,584 and \$26,026,080, respectively.

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2004

Note 4 - Receivables

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

	Major Funds					Total
	Governmental	Proprietary Funds			Nonmajor and Other Funds	
	Funds	Enterprise Fund - Water Fund	Enterprise Fund - Sewer Fund	Enterprise Fund - Parking Fund		
General Fund						
Receivables:						
Taxes	\$ 3,237,694	\$ -	\$ -	\$ 289,966	\$ 311,112	\$ 3,838,772
Accounts	-	2,191,955	2,229,989	-	-	4,421,944
Special assessments	631,224	29,495	98,583	-	-	759,302
Intergovernmental	4,016,700	-	-	-	3,163,015	7,179,715
Interest and other	1,544,252	169,105	201,739	6,222	2,171,105	4,092,423
Less allowance for uncollectibles	(500,000)	(169,105)	(201,739)	(220,000)	(235,000)	(1,325,844)
Net receivables	<u>\$ 8,929,870</u>	<u>\$ 2,221,450</u>	<u>\$ 2,328,572</u>	<u>\$ 76,188</u>	<u>\$ 5,410,232</u>	<u>\$ 18,966,312</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 lieu of taxes	\$ 714,909	\$ -	\$ 714,909	\$ -
Income tax receivables	996,059	-	996,059	-
Weed cutting receivables	892,507	-	892,507	-
Sanitation receivables	753,010	-	753,010	-
Road maintenance receivables	339,003	-	339,003	-
Grant receivables	879,814	-	879,814	-
Other receivables	208,876	-	208,876	-
Capital lease receivable	-	11,240,720	11,240,720	11,240,720
Grant payments received prior to meeting all eligibility requirements	-	384,426	384,426	384,426
Total	\$ 4,784,178	\$ 11,625,146	\$ 16,409,324	\$ 11,625,146

Note 5 - Capital Assets

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

	Balance July 1, 2003	Prior Period Adjustment and Reclassifications *	Adjusted Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental Activities						
Other governmental capital assets:						
Capital assets not being depreciated:						
Land	\$ 16,287,229	\$ (242,664)	\$ 16,044,565	\$ -	\$ -	\$ 16,044,565
Construction in progress	-	16,166,864	16,166,864	21,888,318	4,077,539	33,977,643
Subtotal	16,287,229	15,924,200	32,211,429	21,888,318	4,077,539	50,022,208
Capital assets being depreciated:						
Infrastructure	-	19,613,802	19,613,802	3,840,689	-	23,454,491
Land improvements	32,477,581	(26,849,114)	5,628,467	-	-	5,628,467
Buildings and improvements	20,030,462	3,936,742	23,967,204	134,959	41,447	24,060,716
Equipment	13,362,030	493,011	13,855,041	15,416	2,771	13,867,686
Vehicles	10,882,547	156,577	11,039,124	102,772	73,005	11,068,891
Furniture and fixtures	7,319,956	66,475	7,386,431	932,487	-	8,318,918
Subtotal	84,072,576	(2,582,507)	81,490,069	5,026,323	117,223	86,399,169
Accumulated depreciation:						
Infrastructure	-	821,416	821,416	1,164,813	-	1,986,229
Land improvements	3,738,914	(780,071)	2,958,843	517,325	-	3,476,168
Buildings and improvements	18,457,526	1,918,082	20,375,608	853,926	41,447	21,188,087
Equipment	10,013,757	477,679	10,491,436	1,218,368	2,771	11,707,033
Vehicles	9,095,376	102,184	9,197,560	1,851,840	73,005	10,976,395
Furniture and fixtures	6,410,737	59,679	6,470,416	893,150	-	7,363,566
Subtotal	47,716,310	2,598,969	50,315,279	6,499,422	117,223	56,697,478
Net capital assets being depreciated	36,356,266	(5,181,476)	31,174,790	(1,473,099)	-	29,701,691
Net other governmental capital assets	\$ 52,643,495	\$ 10,742,724	\$ 63,386,219	\$ 20,415,219	\$ 4,077,539	\$ 79,723,899

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

	Balance July 1, 2003	Prior Period Adjustment and Reclassifications *	Adjusted Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental Activities						
Internal Service Fund capital assets:						
Capital assets being depreciated:						
Buildings and improvements	\$ 7,022	\$ -	\$ 7,022	\$ -	\$ -	\$ 7,022
Equipment	799,028	-	799,028	392,260	8,278	1,183,010
Vehicles	2,530,778	-	2,530,778	279,467	1,017,323	1,792,922
Furniture and fixtures	4,369	-	4,369	6,249	-	10,618
Subtotal	3,341,197	-	3,341,197	677,976	1,025,601	2,993,572
Accumulated depreciation:						
Equipment	348,277	-	348,277	92,865	18,323	422,819
Vehicles	2,295,626	-	2,295,626	109,622	1,105,429	1,299,819
Furniture and fixtures	-	-	-	664	-	664
Subtotal	2,643,903	-	2,643,903	203,151	1,123,752	1,723,302
Net capital assets being depreciated	697,294	-	697,294	474,825	(98,151)	1,270,270
Net Internal Service Fund capital assets	697,294	-	697,294	474,825	(98,151)	1,270,270
Governmental capital assets not being depreciated	16,287,229	15,924,200	32,211,429	21,888,318	4,077,539	50,022,208
Net governmental capital assets being depreciated	37,053,560	(5,181,476)	31,872,084	(998,274)	(98,151)	30,971,961
Net governmental activity capital assets	\$ 53,340,789	\$ 10,742,724	\$ 64,083,513	\$ 20,890,044	\$ 3,979,388	\$ 80,994,169

* See Note 13 for prior period adjustment. Reclassifications were done to report capital assets in the proper category in 2004.

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 195,436	\$ -	\$ -	\$ 195,436
Capital assets being depreciated:				
Land improvements	121,393	136,711	-	258,104
Building and improvements	2,425,053	491,556	-	2,916,609
Machinery and equipment	3,080,918	-	-	3,080,918
Vehicles	1,392,586	287,637	-	1,680,223
Water systems	14,448,993	1,840,728	-	16,289,721
Subtotal	21,468,943	2,756,632	-	24,225,575
Accumulated depreciation:				
Land improvements	121,393	6,836	-	128,229
Building and improvements	1,385,999	40,979	-	1,426,978
Machinery and equipment	2,554,006	61,843	-	2,615,849
Vehicles	1,240,075	181,275	-	1,421,350
Water systems	9,845,081	479,719	-	10,324,800
Subtotal	15,146,554	770,652	-	15,917,206
Net capital assets being depreciated	6,322,389	1,985,980	-	8,308,369
Net Water Fund capital assets	6,517,825	1,985,980	-	8,503,805

Note 5 - Capital Assets (Continued)

Business-type Activities, continued	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 325,964	\$ -	\$ -	\$ 325,964
Capital assets being depreciated:				
Land improvements	157,352	-	-	157,352
Building and improvements	11,264,079	199,679	-	11,463,758
Machinery and equipment	5,659,290	33,858	-	5,693,148
Vehicles	1,607,049	44,623	-	1,651,672
Sewer systems	36,225,187	4,743,236	-	40,968,423
Subtotal	54,912,957	5,021,396	-	59,934,353
Accumulated depreciation:				
Land improvements	92,809	2,726	-	95,535
Building and improvements	8,037,574	137,962	-	8,175,536
Machinery and equipment	4,842,969	179,266	-	5,022,235
Vehicles	1,155,622	325,872	-	1,481,494
Sewer systems	23,736,090	1,291,066	-	25,027,156
Subtotal	37,865,064	1,936,892	-	39,801,956
Net capital assets being depreciated	17,047,893	3,084,504	-	20,132,397
Net Sewer Fund capital assets	17,373,857	3,084,504	-	20,458,361

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Business-type Activities, continued	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Parking Fund:				
Capital assets not being depreciated:				
Land	\$ 3,166,454	\$ -	\$ -	\$ 3,166,454
Capital assets being depreciated:				
Land improvements	646,676	-	-	646,676
Building and improvements	33,708,394	-	-	33,708,394
Machinery and equipment	78,976	-	-	78,976
Vehicles	253,824	-	(5,538)	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,745,728	-	(5,538)	34,751,266
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	18,804,263	534,227	-	19,338,490
Machinery and equipment	12,399	10,632	-	23,031
Vehicles	204,429	25,771	(5,832)	236,032
Traffic signs	57,859	-	-	57,859
Subtotal	19,725,626	570,630	(5,832)	20,302,088
Net capital assets being depreciated	15,020,102	(570,630)	294	14,449,178
Net Parking Fund capital assets	18,186,556	(570,630)	294	17,615,632

Note 5 - Capital Assets (Continued)

Business-type Activities, continued	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Golf Course Fund:				
Capital assets not being depreciated:				
Land	\$ 733,760	\$ -	\$ -	\$ 733,760
Capital assets being depreciated:				
Land improvements	4,526,155	-	-	4,526,155
Building and improvements	909,387	-	-	909,387
Machinery and equipment	375,578	46,094	-	421,672
Subtotal	5,811,120	46,094	-	5,857,214
Accumulated depreciation:				
Land improvements	1,783,406	240,034	-	2,023,440
Building and improvements	369,007	39,753	-	408,760
Machinery and equipment	321,907	38,700	-	360,607
Subtotal	2,474,320	318,487	-	2,792,807
Net capital assets being depreciated	3,336,800	(272,393)	-	3,064,407
Net Golf Course Fund capital assets	4,070,560	(272,393)	-	3,798,167
Business-type capital assets not being depreciated	4,421,614	-	-	4,421,614
Net business-type capital assets being depreciated	41,727,184	4,227,461	294	45,954,351
Net business-type activity capital assets	\$ 46,148,798	\$ 4,227,461	\$ 294	\$ 50,375,965

Note 5 - Capital Assets (Continued)

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

Component Unit - Pontiac Silverdome	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 5,679,200	\$ -	\$ -	\$ 5,679,200
Capital assets being depreciated:				
Land improvements	7,075,695			7,075,695
Building and improvements	43,871,687			43,871,687
Equipment	20,197,441	-	-	20,197,441
Vehicles	555,372	-	-	555,372
Furniture and fixtures	4,652,649			4,652,649
Street and traffic signs	722,355			722,355
Scoreboard	4,397,725	-	-	4,397,725
Subtotal	81,472,924	-	-	81,472,924
Accumulated depreciation:				
Land improvements	5,563,569	539,783	-	6,103,352
Building and improvements	30,036,191	1,689,859	-	31,726,050
Equipment	18,294,102	619,017	-	18,913,119
Vehicles	510,267	45,105	-	555,372
Furniture and fixtures	4,652,649	-	-	4,652,649
Street and traffic signs	632,943	61,577	-	694,520
Scoreboard	3,190,975	219,887	-	3,410,862
Subtotal	62,880,696	3,175,228	-	66,055,924
Net capital assets being depreciated	18,592,228	(3,175,228)	-	15,417,000
Net capital assets - Silverdome	<u>\$ 24,271,428</u>	<u>\$ (3,175,228)</u>	<u>\$ -</u>	<u>\$ 21,096,200</u>
Component Unit - Economic Development Corporation				
Capital assets not being depreciated - Construction in progress	<u>\$ -</u>	<u>\$ 3,361,096</u>	<u>\$ -</u>	<u>\$ 3,361,096</u>

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 2,227,416
Public safety	2,589,868
Public works	1,682,138
Internal Service Funds	<u>203,151</u>
Total governmental activities	<u>\$ 6,702,573</u>

Business-type activities:

Water	\$ 770,652
Sewer	1,936,892
Parking	570,630
Golf course	<u>318,487</u>
Total business-type activities	<u>\$ 3,596,661</u>

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

Note 5 - Capital Assets (Continued)

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Primary Government:		
General Motors North Road Improvements	\$ 3,613,609	\$ 657,297
Oakland Plaza project	316,635	5,513,354
Major Streets Improvement Program	<u>232,510</u>	<u>234,719</u>
Total Primary Government	<u>\$ 4,162,754</u>	<u>\$ 6,405,370</u>
Component Unit: Tax Increment Financing Authority, District #2 -		
Phoenix Center project	<u>\$ 10,683,267</u>	<u>\$ 1,899,700</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
Advances from/to Other Funds		
General Fund	Nonmajor governmental funds	\$ 269,211
Nonmajor governmental funds	Nonmajor governmental funds	883,457
Sewer Fund	General Fund	4,567,754
Sewer Fund	Nonmajor governmental funds	<u>638,933</u>
Total Sewer Fund		5,206,687
Water Fund	General Fund	<u>8,228,059</u>
Total		<u>\$ 14,587,414</u>

Receivable Fund	Payable Fund	Amount
Advances to/from Primary Government and Component Units		
Component unit - Pontiac Silverdome	Primary government - General Fund	\$ 4,583,106
Component unit - Pontiac Silverdome	Primary government - Nonmajor governmental funds	<u>3,956,849</u>
Total		<u>\$ 8,539,955</u>

Receivable Fund	Payable Fund	Amount
Advances to/from Other Component Units		
Component unit - Pontiac Silverdome	Component unit - Tax Increment Financing Authority	\$ 1,950,167
Component unit - Tax Increment Financing Authority	Component unit - Downtown Development Authority	<u>184,016</u>
Total		<u>\$ 2,134,183</u>

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

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

Fund Providing Resources	Fund Receiving Resources	Amount
Transfers to/from other funds		
General Fund	Nonmajor governmental funds	\$ 4,275,150 *
General Fund	Nonmajor enterprise funds	366,942
Total General Fund		4,642,092
Nonmajor governmental funds	General Fund	1,180,688 **
Nonmajor governmental funds	Parking Fund	522,133
Nonmajor governmental funds	Nonmajor governmental funds	6,328,994 ***
Total nonmajor governmental funds		8,031,815
Internal service funds	Nonmajor governmental funds	596,853
Water Fund	Nonmajor governmental funds	49,086
Sewer Fund	Nonmajor governmental funds	156,696
Parking Fund	Nonmajor governmental funds	4,624
Nonmajor enterprise funds	Nonmajor governmental funds	2,218
Total		\$ 13,483,384

* Transfer of unrestricted resources to finance capital projects, to prefund employee sick and vacation liabilities, and to subsidize district court operations.

** Primarily transfers of unspent, unrestricted resources from closed funds.

*** Primarily transfers of gas and weight tax revenues from Major Streets Fund to Local Street Fund in accordance with Act 51 and transfers of general obligation debt service.

Note 7 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
General obligation bonds:							
1993 Michigan Department of Transportation bonds							
Amount of issue - \$3,100,000	5.25% -	\$245,000 -					
Maturing through 2008	5.35%	\$315,000	\$ 1,390,000	\$ -	\$ (245,000)	\$ 1,145,000	\$ 260,000
1995 Michigan Department of Transportation bonds							
Amount of issue - \$1,450,000	4.70% -	\$95,000 -					
Maturing through 2011	5.00%	\$140,000	930,000	-	(95,000)	835,000	100,000
2000 Michigan Department of Transportation bonds							
Amount of issue - \$3,200,000	4.50%	\$375,000 -					
Maturing through 2006		\$1,520,000	2,850,000	-	(1,520,000)	1,330,000	955,000
2000 Municipal Golf Course bonds							
Amount of issue - \$6,505,000	5.965%	\$445,000 -					
Maturing through 2012		\$710,000	5,125,000	-	(445,000)	4,680,000	475,000
Transportation Fund note payable to State of Michigan, due in annual interest-free installments of 75% of net revenue over expenses over a forty-year period.	0.00%	n/a	3,000,000	-	-	3,000,000	-

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):							
Obligations under Oakland County Drain Bonds:							
1993 Pontiac-Clinton Drainage bonds							
Amount of issue - \$7,150,000	4.60% -	\$570,000 -					
Maturing through 2005	4.80%	\$580,000	\$ 1,150,000	\$ -	\$ (580,000)	\$ 570,000	\$ 570,000
Capital lease obligations:	various	\$2,959 - \$455,210	2,915,837	-	(1,540,914)	1,374,923	1,063,302
Other Obligations:							
Land contract payable	9.00%	\$14,126	28,923	-	(14,797)	14,126	14,126
2003 Land contract payable	7.50%	\$1,190,000	1,190,000	-	(1,190,000)	-	-
Pending Litigation			1,000,000	-	-	1,000,000	-
Compensated absences, separation and longevity accrual			10,229,585	3,578,850	(2,262,500)	11,545,935	2,262,500
Landfill closure and postclosure costs			1,858,666	55,501	-	1,914,167	-
Total Governmental Activities			31,668,011	3,634,351	(7,893,211)	27,409,151	5,699,928

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:							
General obligation bonds:							
Parking Fund:							
1997 Building Authority Bonds							
Amount of issue - \$10,160,000	4.50% -	\$1,950,000 -					
Maturing through 2006	6.00%	\$2,000,000	\$ 5,950,000	\$ -	\$ (1,950,000)	\$ 4,000,000	\$ 2,000,000
Less: Unamortized Bond Discount			(890,405)	-	890,405	-	-
Parking Fund Total			5,059,595	-	(1,059,595)	4,000,000	2,000,000
Revenue bonds:							
Water Fund:							
1995 Water Supply System							
Amount of issue - \$3,675,000	5.60% -	\$160,000 -					
Maturing through 2015	6.50%	\$300,000	2,695,000	-	(160,000)	2,535,000	170,000
2002 Water Supply System							
Amount of issue - \$1,375,000	5.00% -	\$45,000 -					
Maturing through 2022	5.80%	\$105,000	1,315,000	-	(45,000)	1,270,000	45,000
Less: Unamortized Bond Discount			(137,780)	-	8,687	(129,093)	-
Water Fund Total			3,872,220	-	(196,313)	3,675,907	215,000

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	5.60% -	\$145,000 -					
Maturing through 2010	6.25%	\$205,000	\$ 1,205,000	\$ -	\$ (145,000)	\$ 1,060,000	\$ 155,000
2002 Sewage Disposal System							
Amount of issue - \$5,000,000	5.00% -	\$165,000 -					
Maturing through 2022	5.75%	\$385,000	4,780,000	-	(165,000)	4,615,000	170,000
Less: Unamortized Bond Discount			(183,721)	-	11,644	(172,077)	-
Sewerage Fund Total			5,801,279	-	(298,356)	5,502,923	325,000
Total Business-type Activities			14,733,094	-	(1,554,264)	13,178,830	2,540,000
Total Governmental and Business-type Activities			\$ 46,401,105	\$ 3,634,351	\$ (9,447,475)	\$ 40,587,981	\$ 8,239,928

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Debt:							
Revenue bonds:							
Tax Increment Finance Authority Area #2:							
1996 TIFA Bonds #6330							
Amount of issue - \$1,800,000	9.00%	\$60,000 - \$180,000	\$ 1,545,000	\$ -	\$ (60,000)	\$ 1,485,000	\$ 65,000
Maturing through 2017							
1999 TIFA Bonds #M070							
Amount of issue - \$3,655,000	9.00%	\$65,000 - \$295,000	3,490,000	-	(65,000)	3,425,000	70,000
Maturing through 2024							
2002 TIFA Bonds #M0005							
Amount of issue - \$11,245,000	3.00% - 5.20%	\$215,000 - \$1,180,000	10,305,000	-	(960,000)	9,345,000	995,000
Maturing through 2022							
General obligation bonds:							
2002 TIFA (GBA) Bonds #M043							
Amount of issue - \$10,000,000	4.625% - 5.375%	\$230,000 - \$2,635,000	9,880,000	-	(230,000)	9,650,000	235,000
Maturing through 2027							
Less: Unamortized Bond Discount			(774,111)	-	36,011	(738,100)	-
Tax Increment Finance Authority Area #2 Total			24,445,889	-	(1,278,989)	23,166,900	1,365,000

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Debt (continued):							
Revenue bonds:							
Tax Increment Finance Authority Area #3:							
2002 TIFA Bonds #M006							
Amount of issue - \$28,675,000	3.00% -	\$530,000 -					
Maturing through 2031	6.38%	\$1,625,000	\$ 28,115,000	\$ -	\$ (530,000)	\$ 27,585,000	\$ 590,000
Less: Unamortized Bond Discount			(1,492,141)	-	52,904	(1,439,237)	-
Tax Increment Finance Authority Area #3 Total			26,622,859	-	(477,096)	26,145,763	590,000
General obligation bonds:							
Tax Increment Finance Authority Area #4:							
1996 TIFA Bonds #5758							
Amount of issue - \$995,000	5.625%	\$175,000 -					
Maturing through 2006		\$195,000	550,000	-	(175,000)	375,000	180,000
Revenue bonds:							
Pontiac Hospital Finance Authority:							
1993 Hospital Revenue Bonds							
Amount of issue - \$51,810,000		\$1,175,000 -					
Maturing through 2023	6.00%	\$3,560,000	44,345,000	-	(1,115,000)	43,230,000	1,175,000
Total Component Unit Debt			\$ 95,963,748	\$ -	\$ (3,046,085)	\$ 92,917,663	\$ 3,310,000

Note 7 - Long-term Debt (Continued)

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

Year	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 3,437,428	\$ 513,463	\$ 3,950,891	\$ 2,540,000	\$ 736,201	\$ 3,276,201	\$ 3,310,000	\$ 5,654,051	\$ 8,964,051
2006	1,465,293	353,066	1,818,359	2,565,000	601,851	3,166,851	3,250,000	5,487,007	8,737,007
2007	1,036,328	281,844	1,318,172	590,000	481,081	1,071,081	3,195,000	5,309,807	8,504,807
2008	1,000,000	221,366	1,221,366	625,000	448,416	1,073,416	3,410,000	5,142,138	8,552,138
2009	720,000	172,562	892,562	655,000	413,916	1,068,916	3,595,000	4,959,488	8,554,488
2010-2014	2,290,000	258,739	2,548,739	2,930,000	1,548,215	4,478,215	16,040,000	22,061,290	38,101,290
2015-2019	-	-	-	2,180,000	747,559	2,927,559	21,880,000	16,573,512	38,453,512
2020-2024	-	-	-	1,395,000	163,605	1,558,605	27,105,000	9,237,113	36,342,113
2025-2029	-	-	-	-	-	-	10,070,000	2,893,931	12,963,931
2030-2032	-	-	-	-	-	-	3,240,000	309,825	3,549,825
	<u>\$ 9,949,049</u>	<u>\$ 1,801,040</u>	<u>\$ 11,750,089</u>	<u>\$ 13,480,000</u>	<u>\$ 5,140,844</u>	<u>\$ 18,620,844</u>	<u>\$ 95,095,000</u>	<u>\$ 77,628,162</u>	<u>\$ 172,723,162</u>

The Transportation Center debt of \$3,000,000, a Governmental Activity debt, has no fixed maturity date. The debt is to be repaid when the Center reflects an operating profit, as defined in the agreement between the City and State. Compensated absences and separation accruals of \$11,545,935 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and post closure cost accrual \$1,914,167 and the pending litigation accrual of \$1,000,000 have no fixed maturity dates and therefore they have been excluded from the above summary.

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the debt service funds. Lease payments are made directly from the fund incurring the expenditure. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The Landfill closure and post-closure costs represents the cumulative amount of closure and post-closure care costs reported to date based on the use of 91 percent of the estimated capacity of the landfill. The claims and judgments liability will be generally liquidated through the City's Insurance Internal Service Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

Note 7 - Long-term Debt (Continued)

No Commitment Debt – The Economic Development Corporation, a component unit, issues tax-exempt revenue bonds and notes under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities which are leased to industrial and commercial enterprises under contracts which provide for sufficient revenue to pay principal and interest obligations of the bond issues and which further provide that the property be transferred to the lessee at the time that the indebtedness is paid in full. The debt instruments specifically indicate that the lender looks to the lessee for payment of the debt and that the Corporation and its officers are held harmless except to the extent of rentals they collect. The lease property and the bonds and notes are not considered to be assets or general obligations of the Corporation and, therefore, are not recognized in the financial statement 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, 2004, no commitment debt outstanding has not been determined.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities			Business-type Activities		
	Sanitation Fund	Cemetery Fund	Total Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities
Cash and investments:						
Landfill closure and post-closure care	\$ 2,593,303	\$ -	\$ 2,593,303	\$ -	\$ -	\$ -
Cemetery endowments	-	832,549	832,549	-	-	-
Bond reserves	-	-	-	884,736	895,856	1,780,592
Total restricted assets	\$ 2,593,303	\$ 832,549	\$ 3,425,852	\$ 884,736	\$ 895,856	\$ 1,780,592

Note 8 - Restricted Assets (Continued)

Landfill - Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an expense in the government-wide statements in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$1,914,167 reported as landfill closure and postclosure liability at June 30, 2004 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2006. On a volume basis versus site acreage basis, approximately 91 percent of landfill capacity is used as of June 30, 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and federal laws and regulations to make contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements and, at June 30, 2004, investments of \$2,593,303 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, errors and omissions.

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

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

	Medical and Dental	Workers' Compensation	General Liability
Unpaid claims - June 30, 2002	\$ 1,087,575	\$ 4,200,000	\$ 2,500,000
Incurred claims	20,598,337	1,130,385	606,101
Claims paid	<u>(20,598,337)</u>	<u>(1,130,385)</u>	<u>(606,101)</u>
Unpaid claims - June 30, 2003	1,087,575	4,200,000	2,500,000
Incurred claims	21,352,803	834,799	985,503
Claims paid	<u>(21,422,313)</u>	<u>(834,799)</u>	<u>(985,503)</u>
Unpaid claims - June 30, 2004	<u>\$ 1,018,065</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 Employee's Retirement System is a single-employer defined benefit pension plan that is administered by the City of Pontiac General Employees' Retirement System; this plan covers substantially all employees of the City, except police and fire employees. The system provides retirement benefits, as well as death and disability benefits. Employees may receive cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 47450 Woodward, City of Pontiac, Michigan 48342.

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

Annual Pension Cost – For the year ended December 31, 2003, the City's annual pension cost of \$10,608 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, 2002, the latest actuarial valuation, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent to 9.4 percent per year, and (c) 2 percent (2.5% Court/MAPE) per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 12 to 21 years.

Note 10 - Defined Benefit Pension Plan (Continued)

Reserves – As of December 31, 2003, the plan’s legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 5,434,839
Reserved for retired benefit payments	128,013,483

Three-year Trend Information

	Fiscal Year Ended December 31		
	2001	2002	2003
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 139,583	\$ 46,888	\$ 10,608
Percentage of APC contributed	119%	166%	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 cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 47450 Woodward, City of Pontiac, Michigan 48342.

Note 10 - Defined Benefit Pension Plan (Continued)

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

Annual Pension Cost – For the year ended December 31, 2003, the City’s annual pension cost of \$2,008,947 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, 2002, the latest actuarial valuation, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.5 percent to 14.1 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 22 to 35 years.

Reserves – As of December 31, 2003, the plan’s legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 2,923,455
Reserved for retired benefit payments	136,000,244

Three-year Trend Information

	Fiscal Year Ended December 31		
	2001	2002	2003
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,168,043	\$ 1,809,736	\$ 2,008,947
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 – Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$46,150,345. The current year contribution was calculated based on covered payroll of \$135,289, resulting in an employer contribution of \$23,362 and employee contributions of \$7,878.

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, City of Pontiac, Michigan 48342.

The Trust is funded by employer contributions. The City is required to make minimum contributions in the amount of 3 percent of valuation payroll unless a lesser amount is actuarially determined to be necessary to actuarially fund the Trust. The ordinance that established the Trust requires annual funding of the actuarial rate or 3 percent of valuation payroll. The City contributed approximately \$679,000 to the Trust for the year ended December 31, 2003.

Note 12 - Other Postemployment Benefits (continued)

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

The Trust is funded by employer contributions. During the year ended December 31, 2003, an actuarial valuation was performed and the required employer-contribution rate was changed from 19.14 percent to 21.49 percent of police and fire wages effective July 1, 2003. The City contributed approximately \$3,100,000 to the Trust for the year ended December 31, 2003.

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, 849 retirees are eligible for postemployment health benefits. The City is self-insured for healthcare coverage.

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

Note 13 - Accounting and Reporting Changes

During the current year, the following accounting changes and corrections were made:

Fund Statements

In the prior year, many funds were combined into a single column as if they were one fund. In the current year, each fund of the City has been treated as a separate fund for the purposes of calculating major funds and for presentation in compliance with GASB 34 standards.

- In prior years, the Pontiac Transportation Center was reported as an enterprise fund. Since there are no user charges for the activities of this fund and the General Fund subsidizes all expenses, effective July 1, 2003, the activities have been recorded as a department of the General fund.
- In prior years, the operations of the City's cemeteries were recorded as an enterprise funds. In accordance with GASB 34, these activities are now reported as a Permanent Fund.
- The City provides payroll services for the Pontiac Growth Group, which oversees the operations of several of the component units of the City. In prior years, this activity was recorded in a special revenue fund. Since the City is acting in a fiduciary capacity, effective July 1, 2003, this activity is accounted for in an agency fund.
- In prior years, certain activities were accounted for as agency funds. However, since the activity represents revenues and expenditures of the City, effective July 1, 2003, they have been reclassified as special revenue funds.
- As of June 30, 2003, certain funds with deficits did not have a revenue source to eliminate their deficits. Therefore, effective July 1, 2003, the balances were restated so that the General Fund contributed an amount to eliminate those deficits.

Note 13 - Accounting and Reporting Changes (Continued)

- In prior years, revenue was recorded for receivables that were earned but not collected within 60 days of year end. Effective July 1, 2003, deferred revenue has been recorded in all governmental funds for amounts that were not available.
- In prior years, accounts receivable were recorded at amounts in excess of what was deemed collectible. Effective July 1, 2003, the receivables were restated to net realizable amounts.
- As disclosed in Note 14, the City previously reached a settlement in a property tax appeal law suit. Based on the terms of the settlement agreement, a liability should have been recorded in several funds of the City effective during fiscal year 2002. This has been corrected as of July 1, 2003 by recorded liabilities in the General Fund, Sanitation Fund, Chapter 20 Drain Fund, Capital Improvement Fund, and Parking Fund.
- When preparing bank reconciliations, the City properly identified transactions which were reconciling items between the accounting records and the bank statement. However, certain of these transactions should have been adjusted in the general ledger, but instead, were carried as reconciling items on the bank reconciliations. The necessary adjustments were recorded effective July 1, 2003.
- In prior years, a portion of the City's landfill closure and post closure cost accrual was recorded in the Sanitation Fund. Since this fund is a governmental fund and the liability is long-term in nature, the accrual should have been excluded from the modified accrual statements. This has been corrective effective July 1, 2003.
- During the previous year, capital assets were recorded in the Capital Improvements Fund. Since this fund is a governmental fund, the assets should have been excluded from the modified accrual statements. This has been corrective effective July 1, 2003.
- In previous years, special assessments related to projects of the Water Fund and Sewer Fund were accounted for in a capital project fund instead of the respective enterprise fund. The special assessments receivable have been reclassified to the respective enterprise funds.

Note 13 - Accounting and Reporting Changes (Continued)

- The balances of the water and sewer customer receivables were understated by \$692,461 and \$242,264, respectively. The balances have been corrected as of July 1, 2003.
- In the prior year, event deposits of the Parking Fund were not recognized as revenue subsequent to the event's occurrence. This has been corrected effective July 1, 2003.
- In a previous year, the City refunded bonds of the Parking Fund. As part of the refunding, a discount on the new bonds was recorded in error. The error has been corrected effective July 1, 2003.
- In the prior year, the capital asset balances in the Equipment Revolving internal service fund did not agree to supporting documentation. This has been corrected effective July 1, 2003.

Government-wide Statements

In addition to the above accounting changes and corrections, the following accounting changes and corrections were also made to governmental activities:

- In the prior year, the compensated absences liability balance did not agree to supporting documentation. This has been corrected effective July 1, 2003.
- In addition to recording the Pontiac Transportation Center in the General Fund effective July 1, 2003 as noted above, this activity plus the capital assets and long-term debt of the Transportation Center have been recorded in governmental activities effective July 1, 2003.
- In addition to recording the cemetery activities in a Permanent Fund effective July 1, 2003 as noted above, this activity plus the capital assets of the cemeteries have been recorded in governmental activities effective July 1, 2003.

Note 13 - Accounting and Reporting Changes (Continued)

- In prior years, certain capital projects in progress were excluded from capital assets of the governmental activities. Effective July 1, 2003, these projects were recorded as construction in progress.
- In prior years, accounts receivable were recorded in the Component Unit Tax Increment Financing Authority District #3 at an amount in excess of what was deemed collectible. Effective July 1, 2003, the receivables were restated to net realizable amounts.
- In 1993, the Component Unit Pontiac Hospital Finance Authority issued \$51,810,000 in revenue bonds, which were not recorded as long-term debt. Effective July 1, 2003, the balance of the bonds payable were recorded at \$44,345,000.
- In prior years, the Component Unit Pontiac Hospital Finance Authority reported restricted assets of \$5,004,830. Based on review of supporting documentation, the assets in question do not belong to the Authority. The balance has been corrected effective July 1, 2003.
- In a prior year, the Component Unit Pontiac Hospital Finance Authority recorded an investment in direct financing lease. The value of the investment was understated by \$10,649,448, and has been corrected effective July 1, 2003.

Note 13 - Accounting and Reporting Changes (Continued)

As a result of the above changes, fund balance as of July 1, 2003 has been restated as follows:

	Governmental Funds	
	General Fund	Nonmajor Governmental Funds
Fund balance - June 30, 2003	\$ (4,696,543)	\$ 38,619,729
Change in accounting method:		
Pontiac Transportation Center	(53,867)	-
Cemetery operations	-	(341,119)
Reclassification of activity from nonmajor governmental funds to agency funds.	-	(166,680)
Reclassification of activity from agency funds to nonmajor governmental funds	-	303,728
Prior period adjustments:		
Operating transfers to subsidize deficits.	(529,550)	529,550
Record deferred revenue for receivables not collected within 60 days	(3,315,364)	(2,497,016)
Write off uncollectible receivables which were not deferred in prior year	(1,213,067)	(375,337)
Record liability for lawsuit payable	(2,681,029)	(3,479,057)
Recognize unrecorded revenue identified as reconciling items on bank reconciliations	-	1,498,138
Record unrecorded expenditures	-	(93,970)
Write off long-term liability from modified accrual statements	-	2,703,493
Write off fixed assets from modified accrual statements	-	(820,564)
Adjust for special assessment receivables which should have been reported in Enterprise Funds	-	(534,606)
Fund balance - July 1, 2003, as restated	<u>\$ (12,489,420)</u>	<u>\$ 35,346,289</u>

Note 13 - Accounting and Reporting Changes (Continued)

	Proprietary Funds					
	Major Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund			
Fund balance - June 30, 2003	\$ 17,523,865	\$ 26,115,558	\$ 12,909,788	\$ 2,831,408	\$ 59,380,619	\$ 5,580,785
Change in accounting method:						
Pontiac Transportation Center	-	-	-	1,483,596	1,483,596	-
Cemetery operations	-	-	-	(363,606)	(363,606)	-
Prior period adjustments:						
Adjust for special assessment receivables which were erroneously reported as nonmajor governmental funds	283,356	527,570	-	-	810,926	-
Adjust customer receivables to agree to listing	692,461	242,264	-	-	934,725	-
Record liability for lawsuit payable	-	-	(4,590,821)	-	(4,590,821)	-
Recognize revenue from event deposits	-	-	191,580	-	191,580	-
Write off bond discount recorded in error	-	-	(980,000)	-	(980,000)	-
Adjust fixed asset balances to agree to listing	-	-	-	-	-	215,613
Fund balance - July 1, 2003, as restated	<u>\$ 18,499,682</u>	<u>\$ 26,885,392</u>	<u>\$ 7,530,547</u>	<u>\$ 3,951,398</u>	<u>\$ 56,867,019</u>	<u>\$ 5,796,398</u>

Note 13 - Accounting and Reporting Changes (Continued)

	<u>Governmental Activities</u>
Net assets - June 30, 2003	\$ 65,134,910
Change in accounting method:	
Pontiac Transportation Center	(810,173)
Cemetery operations	(341,119)
Reclassification of activity from governmental activity to agency fund	(166,680)
Reclassification of activity from agency fund to governmental activity	303,728
Prior period adjustments:	
Record deferred revenue for receivables not collected within 60 days. Amount was properly recognized as revenue in governmental activities in 2004	(5,812,380)
Write off uncollectible receivables which were not deferred in prior year	(1,588,404)
Record liability for lawsuit payable	(6,160,086)
Recognize unrecorded revenue identified as reconciling items on bank reconciliations	1,498,138
Record unrecorded expenditures	(93,970)
Capitalize construction in progress which was previously expensed	7,678,468
Adjust for special assessment receivables that should have been recorded as business-type activities	(534,606)
Write off long-term landfill closure and post-closure liability from governmental funds	2,703,493
Adjust internal service fixed assets to agree to listing	215,613
Adjustment to record actual balance of compensated absences liability at June 30, 2003	<u>(2,072,516)</u>
Net assets - July 1, 2003, as restated	<u>\$ 59,954,416</u>

Note 13 - Accounting and Reporting Changes (Continued)

	Component Units	
	Tax Increment Financing Authority - District #3	Pontiac Hospital Finance Authority
Net assets - June 30, 2003	\$ (46,885,166)	\$ 38,700,382
Prior period adjustments:		
To adjust lease receivable and record long-term debt	-	(5,004,830)
To record bonds payable	-	(44,345,000)
To adjust balance of investment in direct financing lease	-	10,649,448
Write off uncollectible accounts receivable	(527,485)	-
Net assets - July 1, 2003, as restated	\$ (47,412,651)	\$ -

Note 14 - Contingent Liabilities

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

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

Note 14 - Contingent Liabilities

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

As of June 30, 2002, the final balance of the credit due to GM had been determined. The total due and payable to GM totaled \$15,302,737 with the balance \$8,467,763 being forgiven. The City has not made any payments to GM related to this agreement. The amount due to GM is recorded as an accrued liability in the financial statements as follows; \$6,274,122 General Fund, \$1,530,274 Sanitation Fund, \$4,590,821 Parking Fund, \$1,989,356 Chapter 20 Drain Fund and \$918,164 in the Capital Improvement Fund. The City has had several meetings with GM in an attempt to restructure the current balance due into a long-term pay arrangement but no agreement has been reached to date.

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

Undistributed Property Taxes - During the year ended June 30, 2004, the City received notice from the State of Michigan (State) regarding unpaid industrial facilities property tax collections due them for the tax years 1995 through 2002. The City had not filed the required annual reports so the State calculated a balance due totaling \$6,610,878 from information they had on file. The City completed the annual reports for all years noted above and has calculated a balance due totaling \$2,783,422. The City has forwarded the annual reports to the State and is awaiting their final approval of the amount due. A liability totaling \$2,783,422 is recorded in the Current Tax Collection-Winter Levy agency fund at June 30, 2004.

Note 15 – Transfer of North Oakland Medical Center Operations

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

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

Note 15 – 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 exceeds \$5,000,000. The terms of the ground lease is coterminous with the hospital facilities lease agreement, and will also be automatically renewed in the event the Lease Agreement is automatically renewed for 30 years. Annual rent during the renewal term will be \$50,000, adjusted for inflation. Upon termination of the ground lease, PGHMC, if it continues to operate the hospital, will be required to renegotiate the purchase or lease of PGHMC land with the City. Payment of rent under the ground lease is payable on a par with payments due under the lease agreement. The ground lease also includes covenants of PGHMC regarding affirmative action, Pontiac residency preference for employees, indigent care, and community service and community economic development. The City is accounting for this lease as an operating lease.

Required Supplemental Information

City of Pontiac, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
Revenue				
Taxes	\$ 24,965,400	\$ 24,965,400	\$ 26,973,583	\$ 2,008,183
Licenses and permits	1,863,000	1,863,000	2,029,494	166,494
Federal sources	185,500	185,500	179,718	(5,782)
State sources	14,017,528	14,017,528	12,941,908	(1,075,620)
Charges for services	2,832,890	2,872,890	1,713,707	(1,159,183)
Fines and forfeitures	104,500	104,500	3,986	(100,514)
Investment income	600,000	600,000	839,538	239,538
Other	1,340,689	1,380,689	1,510,325	129,636
Rental income	1,006,500	1,006,500	287,908	(718,592)
Charges to other funds for administrative services and reimbursements	6,778,649	6,778,649	5,538,871	(1,239,778)
Transfers in	-	-	1,180,686	1,180,686
Contribution from component unit	4,172,605	4,172,605	2,727,605	(1,445,000)
Total revenue	57,867,261	57,947,261	55,927,329	(2,019,932)
Expenditures				
General government:				
City council	1,032,114	1,032,114	818,078	214,036
City clerk	566,972	566,972	544,269	22,703
Attorney	1,170,652	1,170,652	1,255,546	(84,894)
Finance	5,293,503	5,293,503	4,939,964	353,539
Executive office	920,254	920,254	939,247	(18,993)
Personnel	813,080	813,080	807,221	5,859
Total general government	9,796,575	9,796,575	9,304,325	492,250
Public safety:				
Police	17,103,500	17,103,500	19,250,029	(2,146,529)
Fire	11,625,339	11,655,339	11,700,243	(44,904)
Total public safety	28,728,839	28,758,839	30,950,272	(2,191,433)
Public works and utilities	7,549,215	7,549,215	6,373,565	1,175,650
Community development	3,236,705	3,236,705	3,113,150	123,555
Community and human services	2,912,734	2,912,734	3,099,884	(187,150)
General and special programs	3,484,429	3,539,479	6,800,590	(3,261,111)
Transfers out	2,206,477	2,201,427	4,642,092	(2,440,665)
Total expenditures	57,914,974	57,994,974	64,283,878	(6,288,904)
Excess of Revenue Over (Under) Expenditures	(47,713)	(47,713)	(8,356,549)	(8,308,836)
Fund Balances - Beginning of year	(394,722)	(394,722)	(12,489,420)	(12,094,698)
Fund Balances - End of year	\$ (442,435)	\$ (442,435)	\$ (20,845,969)	\$ (20,403,534)

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2004

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
<u>General Employees' Retirement System</u>						
12/31/97 #	\$ 287,764,412	\$ 189,207,579	\$ (98,556,833)	152.1	\$ 18,295,631	-
12/31/98	315,420,281	194,984,577	(120,435,704)	161.8	18,362,384	-
12/31/99 *	350,846,897	209,172,136	(141,674,761)	167.7	18,747,510	-
12/31/00 *	378,063,942	217,942,909	(160,121,033)	173.5	18,728,688	-
12/31/01 #	395,743,819	227,901,435	(167,842,384)	173.6	19,887,803	-
12/31/02 *	393,214,033	235,422,367	(157,791,666)	167.0	20,039,136	-
<u>Police and Fire Retirement System</u>						
12/31/97 *#	172,614,468	167,325,706	(5,288,762)	103.2	12,233,535	-
12/31/98	199,564,679	173,110,779	(26,453,900)	115.3	12,176,366	-
12/31/99	221,634,281	181,139,103	(40,495,178)	122.4	12,851,614	-
12/31/00	239,667,248	191,594,863	(48,072,385)	125.1	13,462,955	-
12/31/01	245,966,812	203,166,600	(42,800,212)	121.1	13,710,467	-
12/31/02	239,657,864	204,588,488	(35,069,376)	117.1	13,528,501	-

* Plan amended

Certain assumptions revised

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2004

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>
<u>General Employees' Retirement System</u>			
06/30/99	12/31/98	\$ 598,231	165.40
06/30/00	12/31/99	133,572	218.90
06/30/01	12/31/00	175,021	100.00
06/30/02	12/31/01	139,583	119.00
06/30/03	12/31/02	46,888	166.00
06/30/04	12/31/03	10,608	100.00
<u>Police and Fire Retirement System</u>			
06/30/99	12/31/98	\$ 3,488,410	102.90
06/30/00	12/31/99	3,072,341	116.90
06/30/01	12/31/00	2,231,028	106.70
06/30/02	12/31/01	2,168,043	100.00
06/30/03	12/31/02	1,809,736	100.00
06/30/04	12/31/03	2,008,947	100.00

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2002, the latest actuarial valuation, follows:

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2004

General Employees' Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, closed periods
Amortization period (perpetual)	12 - 21 years
Asset valuation method	Market value with five-year smoothing of gains and losses
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5% - 9.4%
*Includes inflation at	4.5%
Cost of living adjustments	2% (2.5% Court/MAPE) of original amount, subject to a maximum that varies by group

Police and Fire Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, closed periods
Amortization period (perpetual)	22 - 35 years
Asset valuation method	Market value with four-year smoothing of changes in security prices
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases**	5.5 % to 14.1%
**Includes inflation at	4.5%
Cost of living adjustments	2%

City of Pontiac, Michigan

Note to Required Supplemental Information June 30, 2004

Note - Budgetary Information

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

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as an “other financing source”
- Reimbursements from other funds have been included 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	\$ 49,207,772	\$ 54,102,915
Operating transfers	1,180,686	4,642,092
Reimbursements from other funds recorded as revenue	<u>5,538,871</u>	<u>5,538,871</u>
Amounts per budgetary comparison schedule	<u>\$ 55,927,329</u>	<u>\$ 64,283,878</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, 2004

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
General Fund:		
Attorney	\$ 1,170,652	\$ 1,255,546
Executive office	920,254	939,247
Police	17,103,500	19,250,029
Fire	11,655,339	11,700,243
Community and human services	2,912,734	3,099,884
General and special programs	3,539,479	6,800,590
Transfers out	2,201,427	4,642,092

Other Supplemental Information

City of Pontiac, Michigan

Other Supplemental Information Summary Combining Balance Sheet Nonmajor Governmental Fund Types June 30, 2004

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,897,865	\$ 2,827,454	\$ 188,724	\$ 11,914,043
Investments	-	15,598,161	-	15,598,161
Receivables - Net				
Property taxes	57,124	18,988	-	76,112
Accrued interest receivable	-	9,520	-	9,520
Other receivables	764,375	2,800	146,995	914,170
Due from other funds - Advances	883,457	-	-	883,457
Due from other governmental units	3,029,042	133,973	-	3,163,015
Restricted assets	2,593,303	-	832,549	3,425,852
Total assets	<u>\$ 16,225,166</u>	<u>\$ 18,590,896</u>	<u>\$ 1,168,268</u>	<u>\$ 35,984,330</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 998,561	\$ 1,565,102	\$ 41,548	\$ 2,605,211
Other accrued liabilities	3,894,838	918,164	342	4,813,344
Deposits	106,011	-	-	106,011
Due to other funds - Advances	1,708,144	83,457	-	1,791,601
Due to component units	3,956,849	-	-	3,956,849
Deferred revenue	2,327,140	133,973	146,995	2,608,108
Total liabilities	12,991,543	2,700,696	188,885	15,881,124
Fund Balances				
Reserved:				
Endowment	-	-	1,138,794	1,138,794
Fire safety	-	68,675	-	68,675
City-wide park improvements	-	2,000,000	-	2,000,000
Unreserved, reported in:				
Special Revenue Funds	3,233,623	-	-	3,233,623
Capital Projects Fund	-	13,821,525	-	13,821,525
Permanent Fund	-	-	(159,411)	(159,411)
Total fund balances	3,233,623	15,890,200	979,383	20,103,206
Total liabilities and fund balance	<u>\$ 16,225,166</u>	<u>\$ 18,590,896</u>	<u>\$ 1,168,268</u>	<u>\$ 35,984,330</u>

City of Pontiac, Michigan

Other Supplemental Information Summary Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds June 30, 2004

	Debt Service		Permanent Fund		Total Nonmajor Governmental Funds
	Special Revenue Funds	Funds	Capital Project Funds	Cemetery Care	
Revenue					
Taxes	\$ 3,211,944	\$ -	\$ 1,230,869	-	\$ 4,442,813
Federal grants	3,237,130	-	-	-	3,237,130
State grants	4,887,845	-	745,280	-	5,633,125
Charges for services	831,871	-	-	345,102	1,176,973
Fines and forfeitures	2,147,776	-	-	-	2,147,776
Investment income	73,594	17	245,030	7,145	325,786
Contribution from component units	47,183	361,863	7,850,000	-	8,259,046
Other	1,429,212	-	311,862	301,440	2,042,514
	<u>15,866,555</u>	<u>361,880</u>	<u>10,383,041</u>	<u>653,687</u>	<u>27,265,163</u>
Total revenue					
Expenditures					
Current:					
General government	-	-	63,895	-	63,895
District court	3,916,509	-	-	-	3,916,509
Public safety	610,575	-	280,906	-	891,481
Public works and utilities	8,516,904	-	5,323,539	1,016,320	14,856,763
Community development	3,189,541	-	8,059	-	3,197,600
Community and human services	20,448	-	8,059	-	28,507
General and special programs	1,898,804	-	2,177,225	-	4,076,029
Commercial & industrial development	31,955	-	7,899,275	-	7,931,230
Debt service	620,990	5,712,512	-	-	6,333,502
	<u>18,805,726</u>	<u>5,712,512</u>	<u>15,760,958</u>	<u>1,016,320</u>	<u>41,295,516</u>
Total expenditures					
Excess of Revenue Over (Under) Expenditures	(2,939,171)	(5,350,632)	(5,377,917)	(362,633)	(14,030,353)
Other Financing Sources (Uses)					
Transfers in	4,271,629	5,328,241	1,219,205	594,548	11,413,623
Transfers out	(3,332,367)	(431,386)	(4,259,356)	(8,706)	(8,031,815)
	<u>939,262</u>	<u>4,896,855</u>	<u>(3,040,151)</u>	<u>585,842</u>	<u>3,381,808</u>
Total other financing sources (uses)					
Special Item - Return of unspent contributions to component units	(3,126,074)	-	(1,468,464)	-	(4,594,538)
Net Change in Fund Balances	(5,125,983)	(453,777)	(9,886,532)	223,209	(15,243,083)
Fund Balances - Beginning of year	8,359,606	453,777	25,776,732	756,174	35,346,289
Fund Balances - End of year	<u>\$ 3,233,623</u>	<u>\$ -</u>	<u>\$ 15,890,200</u>	<u>\$ 979,383</u>	<u>\$ 20,103,206</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2004

	Major Roads	Local Roads	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events	Local Law Enforcement Block Grant
Assets							
Cash and investments	\$ -	\$ 149,297	\$ 1,128,820	\$ 456,772	\$ 2,796,764	\$ 75,951	\$ 273,919
Receivables - Net							
Property taxes	-	-	42,979	-	14,145	-	-
Other receivables	-	-	753,010	-	-	-	-
Due from other funds - Advances	883,457	-	-	-	-	-	-
Due from other governmental units	872,371	186,372	-	-	-	-	-
Restricted cash and cash equivalents	-	-	2,593,303	-	-	-	-
Total assets	\$ 1,755,828	\$ 335,669	\$ 4,518,112	\$ 456,772	\$ 2,810,909	\$ 75,951	\$ 273,919
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 27,578	\$ 17,790	\$ 278,965	\$ 81,564	\$ -	\$ -	\$ 23,507
Other accrued liabilities	-	-	1,530,274	375,208	1,989,356	-	-
Deposits	-	-	-	-	-	-	-
Due to other funds - Advances	252,657	-	-	-	-	-	-
Due to component units	3,956,849	-	-	-	-	-	-
Deferred revenue	255,546	-	795,989	-	-	-	250,412
Total liabilities	4,492,630	17,790	2,605,228	456,772	1,989,356	-	273,919
Fund Balances - Unreserved, undesignated	(2,736,802)	317,879	1,912,884	-	821,553	75,951	-
Total liabilities and fund balances	\$ 1,755,828	\$ 335,669	\$ 4,518,112	\$ 456,772	\$ 2,810,909	\$ 75,951	\$ 273,919

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2004

	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan	Beaudette Park Improvement	Orchard Lake Road Reconstruction	Police Training Grant Act 302
Assets							
Cash and investments	\$ 384,426	\$ 100	\$ 183,200	\$ -	\$ -	\$ -	\$ 46,505
Receivables - Net							
Property taxes	-	-	-	-	-	-	-
Other receivables	-	-	-	11,365	-	-	-
Due from other funds - Advances	-	-	-	-	-	-	-
Due from other governmental units	138,360	385,983	-	-	16,554	800,000	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Total assets	\$ 522,786	\$ 386,083	\$ 183,200	\$ 11,365	\$ 16,554	\$ 800,000	\$ 46,505
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 138,360	\$ 385,983	\$ 3,768	\$ 634	\$ -	\$ -	\$ 205
Other accrued liabilities	-	-	-	-	-	-	-
Deposits	-	-	106,011	-	-	-	-
Due to other funds - Advances	-	-	-	10,731	16,554	800,000	-
Due to component units	-	-	-	-	-	-	-
Deferred revenue	384,426	-	-	11,365	-	-	-
Total liabilities	522,786	385,983	109,779	22,730	16,554	800,000	205
Fund Balances - Unreserved, undesignated	-	100	73,421	(11,365)	-	-	46,300
Total liabilities and fund balances	\$ 522,786	\$ 386,083	\$ 183,200	\$ 11,365	\$ 16,554	\$ 800,000	\$ 46,505

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Special Revenue Funds June 30, 2004

	Sale of Land Fund	Budget Stabilization	Neighborhood Revitalization	CERT Grant Fund	Food Fund	Computer Purchase Control Fund	Targeted Capacity Expansion Grant	Total Nonmajor Special Revenue Funds
Assets								
Cash and investments	\$ 353,556	\$ 2,849,729	\$ 157,775	\$ 28,390	\$ 2,044	\$ 10,617	\$ -	\$ 8,897,865
Receivables - Net								
Property taxes	-	-	-	-	-	-	-	57,124
Other receivables	-	-	-	-	-	-	-	764,375
Due from other funds - Advances	-	-	-	-	-	-	-	883,457
Due from other governmental units	-	-	-	-	-	-	629,402	3,029,042
Restricted cash and cash equivalents	-	-	-	-	-	-	-	2,593,303
Total assets	\$ 353,556	\$ 2,849,729	\$ 157,775	\$ 28,390	\$ 2,044	\$ 10,617	\$ 629,402	\$ 16,225,166
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 28,390	\$ -	\$ 10,617	\$ 1,200	\$ 998,561
Other accrued liabilities	-	-	-	-	-	-	-	3,894,838
Deposits	-	-	-	-	-	-	-	106,011
Due to other funds - Advances	-	-	-	-	-	-	628,202	1,708,144
Due to component units	-	-	-	-	-	-	-	3,956,849
Deferred revenue	-	-	-	-	-	-	629,402	2,327,140
Total liabilities	-	-	-	28,390	-	10,617	1,258,804	12,991,543
Fund Balances - Unreserved, undesignated	353,556	2,849,729	157,775	-	2,044	-	(629,402)	3,233,623
Total liabilities and fund balances	\$ 353,556	\$ 2,849,729	\$ 157,775	\$ 28,390	\$ 2,044	\$ 10,617	\$ 629,402	\$ 16,225,166

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds June 30, 2004

	Major Roads	Local Roads	Sanitation Fund	District Court	Chapter 20 Drain	Phoenix Center Plaza Events	Local Law Enforcement Block Grant	Drug Awareness Grant DARE
Revenue								
Taxes	\$ -	\$ -	\$ 2,671,391	\$ -	\$ 540,553	\$ -	\$ -	\$ -
Federal grants	-	8,823	-	-	-	-	-	-
State grants	3,642,110	1,093,587	-	-	-	-	-	-
Charges for services	-	-	701,412	-	-	-	-	-
Fines and forfeitures	-	-	-	2,147,776	-	-	-	-
Investment income (loss)	(887)	(4,740)	31,323	12,284	-	-	582	-
Contribution from component units	-	-	-	-	-	-	-	-
Other	64,475	79,087	1,030,204	24,430	-	8,728	-	25,000
Total revenue	3,705,698	1,176,757	4,434,330	2,184,490	540,553	8,728	582	25,000
Expenditures								
Current:								
District court	-	-	-	3,916,509	-	-	-	-
Public safety	-	-	-	-	-	-	195,805	231,627
Public works and utilities	2,758,500	1,212,808	3,637,076	-	85,340	-	-	-
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	73,115	-	-	-
Commercial & industrial development	-	-	-	-	-	31,955	-	-
Debt service	-	-	-	-	620,990	-	-	-
Total expenditures	2,758,500	1,212,808	3,637,076	3,916,509	779,445	31,955	195,805	231,627
Excess of Revenue Over (Under) Expenditures	947,198	(36,051)	797,254	(1,732,019)	(238,892)	(23,227)	(195,223)	(206,627)
Other Financing Sources (Uses)								
Transfers in	139,832	544,224	10,196	1,470,081	-	-	61,867	53,990
Transfers out	(1,603,334)	(151,475)	(30,272)	(149,312)	-	-	(518)	(3,384)
Total other financing sources (uses)	(1,463,502)	392,749	(20,076)	1,320,769	-	-	61,349	50,606
Special Item - Return of unspent contributions to component units	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(516,304)	356,698	777,178	(411,250)	(238,892)	(23,227)	(133,874)	(156,021)
Fund Balances - Beginning of year, as restated	(2,220,498)	(38,819)	1,135,706	411,250	1,060,445	99,178	133,874	156,021
Fund Balances - End of year	\$ (2,736,802)	\$ 317,879	\$ 1,912,884	\$ -	\$ 821,553	\$ 75,951	\$ -	\$ -

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds (Continued) June 30, 2004

	Community Development Block Grant	HOME Investment Partnerships Grant	Drug Enforcement Fund	COPS Grant	MDEQ Grant Pontiac Creek Stormwater Plan	Beaudette Park Improvement	University Drive Widening	Walton Boulevard Improvements
Revenue								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	1,802,182	697,652	153,478	-	-	16,554	-	-
State grants	-	-	-	-	115,123	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income (loss)	-	1,154	1,970	-	-	-	-	-
Contribution from component units	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	86,238
Total revenue	1,802,182	698,806	155,448	-	115,123	16,554	-	86,238
Expenditures								
Current:								
District court	-	-	-	-	-	-	-	-
Public safety	-	-	122,381	3,774	-	-	-	-
Public works and utilities	-	-	-	-	70,017	-	590,454	-
Community development	1,863,487	836,055	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial & industrial development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total expenditures	1,863,487	836,055	122,381	3,774	70,017	-	590,454	-
Excess of Revenue Over (Under) Expenditures	(61,305)	(137,249)	33,067	(3,774)	45,106	16,554	(590,454)	86,238
Other Financing Sources (Uses)								
Transfers in	69,777	-	-	-	28,890	50,278	550,674	-
Transfers out	(8,472)	(1,580)	(5,000)	(4,117)	-	-	-	(86,092)
Total other financing sources (uses)	61,305	(1,580)	(5,000)	(4,117)	28,890	50,278	550,674	(86,092)
Special Item - Return of unspent contributions to component units	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	(138,829)	28,067	(7,891)	73,996	66,832	(39,780)	146
Fund Balances - Beginning of year, as restated	-	138,929	45,354	7,891	(85,361)	(66,832)	39,780	(146)
Fund Balances - End of year	\$ -	\$ 100	\$ 73,421	\$ -	\$ (11,365)	\$ -	\$ -	\$ -

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds (Continued) June 30, 2004

	Franklin/Bagley Connector	South Saginaw Enhancement Grant	Police Training Grant Act 302	Sale of Land Fund	Budget Stabilization	Neighborhood Revitalization	City Wide Traffic Modernization	CERT Grant Fund
Revenue								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	-	-	445,272	37,169
State grants	-	-	37,025	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income (loss)	7,604	22,834	-	-	-	528	-	-
Contribution from component units	-	-	-	-	-	-	-	-
Other	-	-	-	62,253	-	-	-	-
Total revenue	<u>7,604</u>	<u>22,834</u>	<u>37,025</u>	<u>62,253</u>	<u>-</u>	<u>528</u>	<u>445,272</u>	<u>37,169</u>
Expenditures								
Current:								
District court	-	-	-	-	-	-	-	-
Public safety	-	-	19,819	-	-	-	-	37,169
Public works and utilities	133,281	29,428	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	12,453	-	-	-	-
Commercial & industrial development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total expenditures	<u>133,281</u>	<u>29,428</u>	<u>19,819</u>	<u>12,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,169</u>
Excess of Revenue Over (Under) Expenditures	(125,677)	(6,594)	17,206	49,800	-	528	445,272	-
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(50,443)	-	(40,000)	(280,710)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,443)</u>	<u>-</u>	<u>(40,000)</u>	<u>(280,710)</u>	<u>-</u>
Special Item - Return of unspent contributions to component units	(1,512,547)	(1,447,743)	-	-	-	-	-	-
Net Change in Fund Balances	(1,638,224)	(1,454,337)	17,206	(643)	-	(39,472)	164,562	-
Fund Balances - Beginning of year, as restated	1,638,224	1,454,337	29,094	354,199	2,849,729	197,247	(164,562)	-
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,300</u>	<u>\$ 353,556</u>	<u>\$ 2,849,729</u>	<u>\$ 157,775</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds (Continued) June 30, 2004

	Food Fund	Employee Sick & Vacation Fund	Computer Purchase Control Fund	Targeted Capacity Expansion Grant	Emergency Shelter Grant	Other Special Revenue Fund	Total Nonmajor Special Revenue Funds
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,211,944
Federal grants	-	-	-	-	76,000	-	3,237,130
State grants	-	-	-	-	-	-	4,887,845
Charges for services	-	-	130,459	-	-	-	831,871
Fines and forfeitures	-	-	-	-	-	-	2,147,776
Investment income (loss)	-	-	-	-	-	942	73,594
Contribution from component units	-	47,183	-	-	-	-	47,183
Other	16,115	30,271	176	-	-	2,235	1,429,212
Total revenue	16,115	77,454	130,635	-	76,000	3,177	15,866,555
Expenditures							
Current:							
District court	-	-	-	-	-	-	3,916,509
Public safety	-	-	-	-	-	-	610,575
Public works and utilities	-	-	-	-	-	-	8,516,904
Community development	-	-	-	413,999	76,000	-	3,189,541
Community and human services	20,368	-	-	-	-	80	20,448
General and special programs	-	1,163,675	647,600	-	-	1,961	1,898,804
Commercial & industrial development	-	-	-	-	-	-	31,955
Debt service	-	-	-	-	-	-	620,990
Total expenditures	20,368	1,163,675	647,600	413,999	76,000	2,041	18,805,726
Excess of Revenue Over (Under) Expenditures	(4,253)	(1,086,221)	(516,965)	(413,999)	-	1,136	(2,939,171)
Other Financing Sources (Uses)							
Transfers in	-	1,136,692	-	-	-	155,128	4,271,629
Transfers out	-	-	(648,854)	-	-	(268,804)	(3,332,367)
Total other financing sources (uses)	-	1,136,692	(648,854)	-	-	(113,676)	939,262
Special Item - Return of unspent contributions to component units	-	-	-	-	-	(165,784)	(3,126,074)
Net Change in Fund Balances	(4,253)	50,471	(1,165,819)	(413,999)	-	(278,324)	(5,125,983)
Fund Balances - Beginning of year, as restated	6,297	(50,471)	1,165,819	(215,403)	-	278,324	8,359,606
Fund Balances - End of year	\$ 2,044	\$ -	\$ -	\$ (629,402)	\$ -	\$ -	\$ 3,233,623

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds June 30, 2004

	Capital Improvement	GM Pontiac North Complex Development 2001	North Telegraph Extension	Caesar Chavez Enhancements	TIFA 2 Major Street Improvement	MTF Bond Construction 2000	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements	Pontiac Woods Development
Assets									
Cash and cash equivalents	\$ -	\$ 89,815	\$ -	\$ 326,854	\$ -	\$ 943,353	\$ -	\$ -	\$ 175,055
Investments	2,477,480	-	1,143,413	-	1,122,457	-	1,094,103	2,146,022	-
Receivables - Net									
Property taxes	18,988	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	9,520	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Total assets	\$ 2,496,468	\$ 89,815	\$ 1,143,413	\$ 326,854	\$ 1,122,457	\$ 952,873	\$ 1,094,103	\$ 2,146,022	\$ 175,055
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 4,654	\$ -	\$ -	\$ -	\$ 200,857	\$ -	\$ -	\$ 507,540	\$ 4,394
Other accrued liabilities	918,164	-	-	-	-	-	-	-	-
Due to other funds - Advances	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	922,818	-	-	-	200,857	-	-	507,540	4,394
Fund Balances									
Reserved:									
Fire safety	68,675	-	-	-	-	-	-	-	-
City-wide park improvements	2,000,000	-	-	-	-	-	-	-	-
Unreserved	(495,025)	89,815	1,143,413	326,854	921,600	952,873	1,094,103	1,638,482	170,661
Total fund balances	1,573,650	89,815	1,143,413	326,854	921,600	952,873	1,094,103	1,638,482	170,661
Total liabilities and fund balances	\$ 2,496,468	\$ 89,815	\$ 1,143,413	\$ 326,854	\$ 1,122,457	\$ 952,873	\$ 1,094,103	\$ 2,146,022	\$ 175,055

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Project Funds (Continued) June 30, 2004

	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	Golf Course Construction	GM Project	ML King Construction	Clinton River Linear Park Trail	Total Nonmajor Capital Project Funds
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 1,273,223	\$ -	\$ 6,578	\$ -	\$ 12,576	\$ 2,827,454
Investments	1,017,982	5,516,977	1,079,727	-	-	-	-	15,598,161
Receivables - Net								
Property taxes	-	-	-	-	-	-	-	18,988
Accrued interest receivable	-	-	-	-	-	-	-	9,520
Other receivables	-	-	-	2,800	-	-	-	2,800
Due from other governmental units	-	-	-	-	-	83,457	50,516	133,973
Total assets	\$ 1,017,982	\$ 5,516,977	\$ 2,352,950	\$ 2,800	\$ 6,578	\$ 83,457	\$ 63,092	\$ 18,590,896
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 112,001	\$ 44,362	\$ 621,624	\$ -	\$ 6,578	\$ -	\$ 63,092	\$ 1,565,102
Other accrued liabilities	-	-	-	-	-	-	-	918,164
Due to other funds - Advances	-	-	-	-	-	83,457	-	83,457
Deferred revenue	-	-	-	-	-	83,457	50,516	133,973
Total liabilities	112,001	44,362	621,624	-	6,578	166,914	113,608	2,700,696
Fund Balances								
Reserved:								
Fire safety	-	-	-	-	-	-	-	68,675
City-wide park improvements	-	-	-	-	-	-	-	2,000,000
Unreserved	905,981	5,472,615	1,731,326	2,800	-	(83,457)	(50,516)	13,821,525
Total fund balances	905,981	5,472,615	1,731,326	2,800	-	(83,457)	(50,516)	15,890,200
Total liabilities and fund balances	\$ 1,017,982	\$ 5,516,977	\$ 2,352,950	\$ 2,800	\$ 6,578	\$ 83,457	\$ 63,092	\$ 18,590,896

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds June 30, 2004

	GM Pontiac North Complex				TIFA 2 Major	MTF Bond	Kennett Road	CVC
	Capital	Development	North Telegraph	Caesar Chavez	Street	Construction	Bridge	CVC
	Improvement	2001	Extension	Enhancements	Improvement	2000	Reconstruction	Improvements
Revenue								
Taxes	\$ 1,230,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	371,830	-	-	-	-	-	-
Investment income (loss)	16,159	32,735	19,279	5,399	7,688	34,830	15,759	39,939
Contribution from component units	2,000,000	-	-	-	750,000	-	100,000	-
Other	69,333	125,029	-	-	-	-	-	-
Total revenue	3,316,361	529,594	19,279	5,399	757,688	34,830	115,759	39,939
Expenditures								
General government	63,895	-	-	-	-	-	-	-
Public safety	280,906	-	-	-	-	-	-	-
Public works and utilities	30,312	4,411,220	44,569	27,467	349,211	29,115	213	-
Community development	8,059	-	-	-	-	-	-	-
Community and human services	8,059	-	-	-	-	-	-	-
General and special programs	18,938	-	-	-	-	-	-	-
Commercial & industrial development	-	-	-	-	-	-	-	4,173,397
Total expenditures	410,169	4,411,220	44,569	27,467	349,211	29,115	213	4,173,397
Excess of Revenue Over (Under)								
Expenditures	2,906,192	(3,881,626)	(25,290)	(22,068)	408,477	5,715	115,546	(4,133,458)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,945,582)	-	(53,740)	-	-	(1,584,125)	-	-
Total other financing sources (uses)	(1,945,582)	-	(53,740)	-	-	(1,584,125)	-	-
Special Item - Return of unspent contributions to component units								
	(117,013)	-	-	-	-	-	-	-
Net Change in Fund Balances	843,597	(3,881,626)	(79,030)	(22,068)	408,477	(1,578,410)	115,546	(4,133,458)
Fund Balances - Beginning of year, restated	730,053	3,971,441	1,222,443	348,922	513,123	2,531,283	978,557	5,771,940
Fund Balances - End of year	<u>\$ 1,573,650</u>	<u>\$ 89,815</u>	<u>\$ 1,143,413</u>	<u>\$ 326,854</u>	<u>\$ 921,600</u>	<u>\$ 952,873</u>	<u>\$ 1,094,103</u>	<u>\$ 1,638,482</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds (Continued) June 30, 2004

	Pontiac Woods Development	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	1987 G.O. Bond Construction - Local Streets	Street Paving Fund - 1987 Bonds	1993 Bond Construction - Roads	Golf Course Construction
Revenue								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	-	-
Investment income (loss)	-	60,634	942	(13,001)	101	-	201	(731)
Contribution from component units	-	-	-	5,000,000	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenue	-	60,634	942	4,986,999	101	-	201	(731)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works and utilities	70,352	-	-	-	-	-	-	44,968
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	2,158,287	-	-	-	-	-	-
Commercial & industrial development	-	-	360,997	3,361,096	-	-	-	-
Total expenditures	70,352	2,158,287	360,997	3,361,096	-	-	-	44,968
Excess of Revenue Over (Under)								
Expenditures	(70,352)	(2,097,653)	(360,055)	1,625,903	101	-	201	(45,699)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	242,052
Transfers out	-	-	-	-	(14,452)	(3,623)	(21,149)	-
Total other financing sources (uses)	-	-	-	-	(14,452)	(3,623)	(21,149)	242,052
Special Item - Return of unspent contributions to component units	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(70,352)	(2,097,653)	(360,055)	1,625,903	(14,351)	(3,623)	(20,948)	196,353
Fund Balances - Beginning of year, restated	241,013	3,003,634	5,832,670	105,423	14,351	3,623	20,948	(193,553)
Fund Balances - End of year	<u>\$ 170,661</u>	<u>\$ 905,981</u>	<u>\$ 5,472,615</u>	<u>\$ 1,731,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,800</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds (Continued) June 30, 2004

	GM Project	1995 MDOT Construction Fund	TIFA Construction 96 Series	1996 GBA Construction	Centerpointe Hotel	1999 Centerpointe Construction	ML King Construction	Johnson Street Widening & Resurfacing
Revenue								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	114,848	-	-	-	-	-	-	-
Investment income (loss)	95	-	2,561	3,142	-	-	(3,300)	4,927
Contribution from component units	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenue	114,943	-	2,561	3,142	-	-	(3,300)	4,927
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works and utilities	203,710	-	-	-	-	-	49,257	-
Community development	-	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-	-	-
Commercial & industrial development	-	-	-	-	-	-	-	-
Total expenditures	203,710	-	-	-	-	-	49,257	-
Excess of Revenue Over (Under)								
Expenditures	(88,767)	-	2,561	3,142	-	-	(52,557)	4,927
Other Financing Sources (Uses)								
Transfers in	618,102	-	-	-	-	-	160,306	135,673
Transfers out	-	-	-	(636,685)	-	-	-	-
Total other financing sources (uses)	618,102	-	-	(636,685)	-	-	160,306	135,673
Special Item - Return of unspent contributions to component units								
	-	(182,779)	(240,422)	-	(98,180)	(29,320)	-	-
Net Change in Fund Balances	529,335	(182,779)	(237,861)	(633,543)	(98,180)	(29,320)	107,749	140,600
Fund Balances - Beginning of year, restated	(529,335)	182,779	237,861	633,543	98,180	29,320	(191,206)	(140,600)
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (83,457)	\$ -

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Capital Project Funds (Continued) June 30, 2004

	GM			Total Nonmajor Capital Projects Funds
	Rails to Trails Grant	Infrastructure Improvements	Clinton River Linear Park Trail	
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ 1,230,869
State grants	258,602	-	-	745,280
Investment income (loss)	(949)	18,620	-	245,030
Contribution from component units	-	-	-	7,850,000
Other	117,500	-	-	311,862
Total revenue	375,153	18,620	-	10,383,041
Expenditures				
General government	-	-	-	63,895
Public safety	-	-	-	280,906
Public works and utilities	-	-	63,145	5,323,539
Community development	-	-	-	8,059
Community and human services	-	-	-	8,059
General and special programs	-	-	-	2,177,225
Commercial & industrial development	-	3,785	-	7,899,275
Total expenditures	-	3,785	63,145	15,760,958
Excess of Revenue Over (Under)				
Expenditures	375,153	14,835	(63,145)	(5,377,917)
Other Financing Sources (Uses)				
Transfers in	50,443	-	12,629	1,219,205
Transfers out	-	-	-	(4,259,356)
Total other financing sources (uses)	50,443	-	12,629	(3,040,151)
Special Item - Return of unspent contributions to component units	-	(800,750)	-	(1,468,464)
Net Change in Fund Balances	425,596	(785,915)	(50,516)	(9,886,532)
Fund Balances - Beginning of year, restated	(425,596)	785,915	-	25,776,732
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,516)</u>	<u>\$ 15,890,200</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Debt Service Funds June 30, 2004

	1993 State of Michigan Bond Loan	Capitalized Lease Fund	1996 General Obligation Paving Bond	Land Contract Fund	1995 Michigan Transportation Bonds	2000 Michigan Transportation Bonds	District Court Debt	Refinanced Golf Course Bonds	Total Nonmajor Debt Service Funds
Revenue									
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 17
Contribution from component unit	-	-	-	-	-	-	-	361,863	361,863
Total revenue	-	-	-	-	-	-	-	361,880	361,880
Expenditures - Debt service	331,800	1,661,901	-	1,183,240	155,055	1,629,810	-	750,706	5,712,512
Excess of Revenue Over (Under) Expenditures	(331,800)	(1,661,901)	-	(1,183,240)	(155,055)	(1,629,810)	-	(388,826)	(5,350,632)
Other Financing Sources (Uses)									
Transfers in	316,777	1,661,901	-	1,183,240	149,649	1,621,310	-	395,364	5,328,241
Transfers out	-	-	(426,963)	-	-	-	(4,423)	-	(431,386)
Total other financing sources (uses)	316,777	1,661,901	(426,963)	1,183,240	149,649	1,621,310	(4,423)	395,364	4,896,855
Net Change in Fund Balances	(15,023)	-	(426,963)	-	(5,406)	(8,500)	(4,423)	6,538	(453,777)
Fund Balances - Beginning of year	15,023	-	426,963	-	5,406	8,500	4,423	(6,538)	453,777
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2004

	Equipment Revolving Fund	Communications Revolving Fund	Self Insurance Workers Compensation	Dental Insurance Fund	Self Insurance Optical & Hearing	Insurance Fund	Totals
Assets							
Current assets:							
Cash and cash equivalents	\$ 9,398	\$ 8,755	\$ 2,980,571	\$ 91,065	\$ -	\$ -	\$ 3,089,789
Investments	-	-	1,220,030	-	-	2,360,421	3,580,451
Accounts receivable	-	-	-	165,399	11,320	1,070,696	1,247,415
Inventory	64,504	-	-	-	-	-	64,504
Total current assets	73,902	8,755	4,200,601	256,464	11,320	3,431,117	7,982,159
Noncurrent assets - Depreciable capital assets, net	1,270,270	-	-	-	-	-	1,270,270
Total assets	1,344,172	8,755	4,200,601	256,464	11,320	3,431,117	9,252,429
Liabilities							
Current liabilities:							
Accounts payable	73,902	8,755	601	-	-	4,117	87,375
Accrued liabilities	-	-	4,200,000	91,065	-	3,427,000	7,718,065
Total liabilities	73,902	8,755	4,200,601	91,065	-	3,431,117	7,805,440
Net Assets							
Invested in capital assets	1,270,270	-	-	-	-	-	1,270,270
Unrestricted	-	-	-	165,399	11,320	-	176,719
Total net assets	<u>\$ 1,270,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,399</u>	<u>\$ 11,320</u>	<u>\$ -</u>	<u>\$ 1,446,989</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, 2004

	Equipment Revolving Fund	Xerox Revolving Fund	Communications Revolving Fund	Self Insurance Workers Compensation	Dental Insurance Fund	Self Insurance Optical & Hearing	Insurance Fund	Totals
Operating Revenue - Charges for services	\$ 2,320,193	\$ 79,472	\$ 723,608	\$ 1,760	\$ 184,053	\$ 146,926	\$ 21,688,728	\$ 25,144,740
Operating Expenses								
Operations and maintenance	1,335,586	7,953	700,889	-	-	-	-	2,044,428
Insurance	-	-	-	834,799	1,183,069	77,114	20,162,130	22,257,112
Administration	167,366	-	-	-	-	-	609,719	777,085
Depreciation	203,151	-	-	-	-	-	-	203,151
Refunds	-	-	-	2,095,340	1,704,621	-	-	3,799,961
Total operating expenses	<u>1,706,103</u>	<u>7,953</u>	<u>700,889</u>	<u>2,930,139</u>	<u>2,887,690</u>	<u>77,114</u>	<u>20,771,849</u>	<u>29,081,737</u>
Operating Income (Loss)	614,090	71,519	22,719	(2,928,379)	(2,703,637)	69,812	916,879	(3,936,997)
Nonoperating Income (Loss)								
Investment income (loss)	4,685	-	-	112,045	39,933	(842)	(39,696)	116,125
Gain on sale of property	<u>65,541</u>	-	-	-	-	-	<u>2,775</u>	<u>68,316</u>
Total nonoperating income (loss)	70,226	-	-	112,045	39,933	(842)	(36,921)	184,441
Transfers to Other Funds	<u>(503,893)</u>	<u>(83,954)</u>	-	-	-	-	<u>(9,006)</u>	<u>(596,853)</u>
Change in Net Assets	180,423	(12,435)	22,719	(2,816,334)	(2,663,704)	68,970	870,952	(4,349,409)
Net Assets - Beginning of year	<u>1,089,847</u>	<u>12,435</u>	<u>(22,719)</u>	<u>2,816,334</u>	<u>2,829,103</u>	<u>(57,650)</u>	<u>(870,952)</u>	<u>5,796,398</u>
Net Assets - End of year	<u>\$ 1,270,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,399</u>	<u>\$ 11,320</u>	<u>\$ -</u>	<u>\$ 1,446,989</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2004

	Equipment Revolving Fund	Xerox Revolving Fund	Communications Revolving Fund	Self Insurance Workers Compensation	Insurance Dental	Self Insurance Optical & Hearing	Insurance Fund	Totals
Cash Flows from Operating Activities								
Receipts from customers	\$ 2,321,377	\$ 79,472	\$ 723,608	\$ 1,760	\$ 249,322	\$ 151,412	\$ 21,887,746	\$ 25,414,697
Payments to suppliers	(1,005,231)	(7,953)	(756,189)	(2,930,555)	(2,957,201)	(78,362)	(20,535,790)	(28,271,281)
Payments to employees	(520,398)	-	-	-	-	-	(255,870)	(776,268)
Internal activities - payments from (to) other funds	-	-	-	28,000	2,681,460	(807,890)	1,264,346	3,165,916
Net cash provided by (used in) operating activities	795,748	71,519	(32,581)	(2,900,795)	(26,419)	(734,840)	2,360,432	(466,936)
Cash Flows from Non-capital Financing Activities - Transfers to other funds	(503,893)	(83,954)	-	-	-	-	(9,006)	(596,853)
Cash Flows from Capital and Related Financing Activities								
Acquisition of capital assets	(564,883)	-	-	-	-	-	-	(564,883)
Proceeds from sale of capital assets	65,541	-	-	-	-	-	2,775	68,316
Net cash provided by (used in) capital and related financing activities	(499,342)	-	-	-	-	-	2,775	(496,567)
Cash Flows from Investing Activities -								
Purchase of investments	-	-	-	(1,220,030)	-	-	(2,360,421)	(3,580,451)
Investment income (loss)	4,685	-	-	112,045	39,933	(842)	(39,696)	116,125
Net cash provided by (used in) investing activities	4,685	-	-	(1,107,985)	39,933	(842)	(2,400,117)	(3,464,326)
Net Increase (Decrease) in Cash and Cash Equivalents	(202,802)	(12,435)	(32,581)	(4,008,780)	13,514	(735,682)	(45,916)	(5,024,682)
Cash and Cash Equivalents - July 1, 2003	212,200	12,435	41,336	6,989,351	77,551	735,682	45,916	8,114,471
Cash and Cash Equivalents - June 30, 2004	<u>\$ 9,398</u>	<u>\$ -</u>	<u>\$ 8,755</u>	<u>\$ 2,980,571</u>	<u>\$ 91,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,089,789</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, 2004

	Equipment Revolving Fund	Xerox Revolving Fund	Communications Revolving Fund	Self Insurance Workers Compensation	Insurance Dental	Self Insurance Optical & Hearing	Insurance Fund	Totals
Reconciliation of operating income (loss) to net cash from operating activities:								
Operating income (loss)	\$ 614,090	\$ 71,519	\$ 22,719	\$ (2,928,379)	\$ (2,703,637)	\$ 69,812	\$ 916,879	\$ (3,936,997)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Depreciation	203,151	-	-	-	-	-	-	203,151
Changes in assets and liabilities:								
Accounts receivable	1,184	-	-	-	65,269	4,486	199,018	269,957
Inventory and supplies	(56,163)	-	-	-	-	-	4,369	(51,794)
Due from other funds	-	-	-	28,000	2,681,460	-	1,264,346	3,973,806
Accounts payable	33,486	-	(55,300)	(416)	-	(1,248)	(24,052)	(47,530)
Accrued liabilities	-	-	-	-	(69,511)	-	(128)	(69,639)
Due to other funds	-	-	-	-	-	(807,890)	-	(807,890)
Net cash provided by (used in) operating activities	<u>\$ 795,748</u>	<u>\$ 71,519</u>	<u>\$ (32,581)</u>	<u>\$ (2,900,795)</u>	<u>\$ (26,419)</u>	<u>\$ (734,840)</u>	<u>\$ 2,360,432</u>	<u>\$ (466,936)</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2004

Pension Trust Funds - December 31, 2003

	General City				Totals
	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	
Assets					
Cash and cash equivalents	\$ 100,551	\$ 100,551	\$ 2,236,190	\$ -	\$ 2,437,292
Cash and investments held as collateral for securities lending	41,670,729	26,785,584	-	-	68,456,313
Investments:					
Money markets and mutual funds	7,034,654	5,710,915	-	16,188,053	28,933,622
Preferred securities	545,470	-	-	-	545,470
Convertible securities	43,223	-	-	-	43,223
U.S. government obligations	17,327,164	10,570,931	-	-	27,898,095
Corporate and other bonds	61,140,445	36,600,949	-	-	97,741,394
Equities	256,114,366	139,044,783	-	-	395,159,149
U.S. government agency mortgage pools	47,914,595	22,779,578	-	-	70,694,173
Real estate	18,688,402	18,092,768	-	-	36,781,170
Interest in CAP Commercial Mortgage, LLC	-	5,986,949	-	-	5,986,949
Due from broker pending transactions	487,626	241,867	-	-	729,493
Accrued interest receivable	1,665,225	713,575	-	-	2,378,800
Receivables - other	30,205	195,657	38,945	-	264,807
Total assets	<u>452,762,655</u>	<u>266,824,107</u>	<u>2,275,135</u>	<u>16,188,053</u>	<u>738,049,950</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	714,317	257,167	29,545	1,614,100	2,615,129
Amount due broker under securities lending agreement	41,670,729	26,785,584	-	-	68,456,313
Total liabilities	<u>42,385,046</u>	<u>27,042,751</u>	<u>29,545</u>	<u>1,614,100</u>	<u>71,071,442</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 410,377,609</u>	<u>\$ 239,781,356</u>	<u>\$ 2,245,590</u>	<u>\$ 14,573,953</u>	<u>\$ 666,978,508</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds (Continued) June 30, 2004

	Agency Funds								Totals
	District Court	Current Tax Collection Fund - Summer Levy	Current Tax Collection Fund - Winter Levy	Payroll Fund	Fire Insurance Trust Fund	Pontiac Growth Group Administration	Retirement System Administration	Housing Commission Administration	
Assets									
Cash and cash equivalents	\$ 368,897	\$ 878,711	\$ -	\$ 1,548,706	\$ 425,584	\$ 886	\$ -	\$ -	\$ 3,222,784
Investments	-	3,734,567	-	-	-	-	-	-	3,734,567
Receivables - other	-	-	16,382	33,184	-	-	524,583	242,004	816,153
Total assets	\$ 368,897	\$ 4,613,278	\$ 16,382	\$ 1,581,890	\$ 425,584	\$ 886	\$ 524,583	\$ 242,004	\$ 7,773,504
Liabilities									
Due to other governmental units	\$ -	\$ 4,613,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,613,278
Accrued and other liabilities	-	-	16,382	1,581,890	425,584	886	524,583	242,004	2,791,329
Deposits	368,897	-	-	-	-	-	-	-	368,897
Total liabilities	\$ 368,897	\$ 4,613,278	\$ 16,382	\$ 1,581,890	\$ 425,584	\$ 886	\$ 524,583	\$ 242,004	\$ 7,773,504

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2004

Pension Trust Funds - December 31, 2003

	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Totals
Additions					
Investment income:					
Interest and dividends	\$ 10,576,786	\$ 6,652,518	\$ 48,285	\$ 249,600	\$ 17,527,189
Net increase (decrease) in fair value of investments	56,784,221	28,527,157	273,102	3,342,189	88,926,669
Less investment expenses	<u>(1,591,910)</u>	<u>(1,245,273)</u>	<u>-</u>	<u>(25,000)</u>	<u>(2,862,183)</u>
Net investment income	65,769,097	33,934,402	321,387	3,566,789	103,591,675
Securities lending income:					
Interest and fees	455,914	237,373	-	-	693,287
Less borrower rebates and bank fees	<u>(400,650)</u>	<u>(208,135)</u>	<u>-</u>	<u>-</u>	<u>(608,785)</u>
Net securities lending income	55,264	29,238	-	-	84,502
Contributions:					
Employer	10,608	382,794	678,888	3,113,968	4,186,258
Employee	<u>25,847</u>	<u>2,008,947</u>	<u>-</u>	<u>-</u>	<u>2,034,794</u>
Total contributions	<u>36,455</u>	<u>2,391,741</u>	<u>678,888</u>	<u>3,113,968</u>	<u>6,221,052</u>
Total additions	65,860,816	36,355,381	1,000,275	6,680,757	109,897,229
Deductions					
Pension benefit payments	13,167,229	11,815,325	-	-	24,982,554
Retiree health benefit payments	-	-	-	1,363,688	1,363,688
Member refunds and withdrawals	-	100,589	-	-	100,589
Other expenses	202,625	44,655	27,878	28,253	303,411
Administrative expenses	<u>305,612</u>	<u>138,950</u>	<u>-</u>	<u>-</u>	<u>444,562</u>
Total deductions	<u>13,675,466</u>	<u>12,099,519</u>	<u>27,878</u>	<u>1,391,941</u>	<u>27,194,804</u>
Net Increase (Decrease) in Net Assets	52,185,350	24,255,862	972,397	5,288,816	82,702,425
Net Assets Held in Trust for Pension Benefits					
Beginning of year	<u>358,192,259</u>	<u>215,525,494</u>	<u>1,273,193</u>	<u>9,285,137</u>	<u>584,276,083</u>
End of year	<u>\$ 410,377,609</u>	<u>\$ 239,781,356</u>	<u>\$ 2,245,590</u>	<u>\$ 14,573,953</u>	<u>\$ 666,978,508</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet Governmental Fund Component Units June 30, 2004

	Tax Increment Financing Authority			Downtown Development Authority		Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4	District 1	District 2			
Assets								
Cash and cash equivalents	\$ -	\$ 546,155	\$ 310,131	\$ -	\$ 200	\$ 85,660	\$ 408,394	\$ 1,350,540
Investments	-	-	-	-	-	1,693,871	171,734	1,865,605
Receivables - Net								
Property taxes	14,429	6,315	2,552	-	37,721	-	-	61,017
Other receivables	76,851	-	-	-	-	68,896	-	145,747
Due from other component units - Advances	-	184,016	-	-	-	-	-	184,016
Total assets	<u>\$ 91,280</u>	<u>\$ 736,486</u>	<u>\$ 312,683</u>	<u>\$ -</u>	<u>\$ 37,921</u>	<u>\$ 1,848,427</u>	<u>\$ 580,128</u>	<u>\$ 3,606,925</u>
Liabilities and Fund Balance (Deficit)								
Liabilities								
Accounts payable	\$ 1,998,255	\$ 1,037	\$ -	\$ 9,971	\$ 125,808	\$ 98,095	\$ -	\$ 2,233,166
Due to other component units - Advances	1,950,167	-	-	18,006	166,010	-	-	2,134,183
Due to other governmental units	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-
Deposits	7,716	-	-	-	-	11,339	-	19,055
Deferred revenue	76,851	-	-	-	-	656,046	-	732,897
Total liabilities	<u>4,032,989</u>	<u>1,037</u>	<u>-</u>	<u>27,977</u>	<u>291,818</u>	<u>765,480</u>	<u>-</u>	<u>5,119,301</u>
Fund Balance (Deficit)								
Reserved	-	-	-	-	-	328,223	-	328,223
Unreserved, Undesignated	<u>(3,941,709)</u>	<u>735,449</u>	<u>312,683</u>	<u>(27,977)</u>	<u>(253,897)</u>	<u>754,724</u>	<u>580,128</u>	<u>(1,840,599)</u>
Total fund balance (deficit)	<u>(3,941,709)</u>	<u>735,449</u>	<u>312,683</u>	<u>(27,977)</u>	<u>(253,897)</u>	<u>1,082,947</u>	<u>580,128</u>	<u>(1,512,376)</u>
Total liabilities and fund balance (deficit)	<u>\$ 91,280</u>	<u>\$ 736,486</u>	<u>\$ 312,683</u>	<u>\$ -</u>	<u>\$ 37,921</u>	<u>\$ 1,848,427</u>	<u>\$ 580,128</u>	<u>\$ 3,606,925</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance Governmental Fund Component Units June 30, 2004

	Tax Increment Financing Authority			Downtown Development Authority		Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4	District 1	District 2			
Revenue								
Taxes	\$ 4,624,725	\$ 2,228,521	\$ 520,885	\$ 445,087	\$ 338,744	\$ -	\$ 110,516	\$ 8,268,478
Investment income (loss)	62,190	156,563	5,060	-	2,884	34,296	8,486	269,479
Contributions from Silverdome	2,000,000	-	-	-	-	-	-	2,000,000
Other	31,526	300	-	8,971	22,600	261,738	50	325,185
Total revenue	6,718,441	2,385,384	525,945	454,058	364,228	296,034	119,052	10,863,142
Expenditures								
Commercial & industrial development	14,444,496	1,072,945	516,796	48,035	950,245	48,077	26,574	17,107,168
Debt service	2,772,738	2,189,756	210,238	-	-	-	-	5,172,732
Total expenditures	17,217,234	3,262,701	727,034	48,035	950,245	48,077	26,574	22,279,900
Excess of Revenue Over (Under) Expenditures	(10,498,793)	(877,317)	(201,089)	406,023	(586,017)	247,957	92,478	(11,416,758)
Special item - Return of unspent contributions from primary government	4,054,324	-	423,201	-	117,013	-	-	4,594,538
Net Change in Fund Balances	(6,444,469)	(877,317)	222,112	406,023	(469,004)	247,957	92,478	(6,822,220)
Fund Balances (Deficit) - Beginning of year	2,502,760	1,612,766	90,571	(434,000)	215,107	834,990	487,650	5,309,844
Fund Balance (Deficit) - End of year	\$ (3,941,709)	\$ 735,449	\$ 312,683	\$ (27,977)	\$ (253,897)	\$ 1,082,947	\$ 580,128	\$ (1,512,376)