

City of Pontiac, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

City of Pontiac, Michigan

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Independent Auditors' Report

To the Honorable Emergency Finance Manager, Fred Leeb
Honorable Mayor Clarence E. Phillips
and Members of the City Council of the City of Pontiac

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, 2009, 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 Employees' Retiree Health & Insurance Benefits Trust and Police and Fire Retiree Prefunded Group Health and Insurance Trusts ("Health Trusts"), which statements reflect total assets of \$649,060,133 as of December 31, 2008 and total additions of \$6,346,497 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.

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.

Auditors' Report
City of Pontiac, Michigan
(Continued)

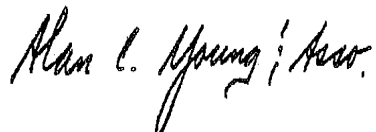
As discussed in Note 17, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees.

In our opinion, 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, 2009 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.

In accordance with Government Auditing Standards, we will also be issuing a report on our consideration of the City of Pontiac, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedule and pension system schedules of funding progress, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United State of America. 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 combining and individual non-major funds financial statements have been subjected to the auditing procedures applied by us and other auditors in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



February 4, 2010

City of Pontiac, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Pontiac, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. 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, 2009:

- Expenses of governmental activities increased \$3.7 million from prior year, a 6 percent increase. The majority of the increase is due to the City implementing the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City was required to record \$6.3 million of OPEB liability and corresponding governmental activities expenditure in the current year. Total governmental activities expenses actually decreased by \$2.6 million (4 percent) before this year's new accounting pronouncement described above.
- The General Fund's excess of expenditures over revenue before other financing sources and special items was \$2.4 million. The General Fund had a reduction of approximately \$5.4 million in total revenue and decreased total expenditures by approximately \$5.1 million. In addition, the total net change in fund balance was an increase of approximately \$1,400,000, which was an improvement of \$2.3 million from the prior year.
- Property and income tax revenue increased slightly in the current year compared to the prior year from \$26.2 million to approximately \$26.3 million.
- Fiscal year 2009 property tax revenues are based on December 31, 2007 actual assessments. Management expects significant decreases in future years due to the lag effect of economic conditions since December 31, 2007.
- The City's subsidy of the District Court operations increased by approximately \$418,000 from prior year's subsidy. Total subsidy in the current year was approximately \$2.5 million.
- The City sold the remaining assets of the North Oakland Medical Center for \$2 million. The proceeds of the sale are recorded as a special item revenue in the financial statements.
- During the year, the City reviewed and revised its methodology for allocating medical and dental costs to active employees and retirees to make it more accurate, which resulted in a savings to the General Fund of approximately \$868,000.
- Excluding the sale of the hospital, the net change in fund balance for the year in the General Fund was approximately negative \$600,000 in 2009 compared to approximately negative \$3.3 million in 2008 excluding the credit enhancement fee received for the TIFA bond refinancing.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

- The General Fund, as mentioned above, had a net change in fund balance (net of other financing sources and special items) of a positive \$1,400,319, decreasing the total fund deficit to \$5,607,638. Excluding the sale of the hospital, the General Fund's cumulative deficit was \$7,607,638 in 2009 compared to \$7,007,957 in 2008. An Emergency Finance Manager was appointed March 19, 2009 to develop a plan to eliminate the current and cumulative deficit. See Note 16 for more detail.

Using this Annual Report

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

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

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

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the City's Enterprise Funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses Internal Service Funds (the other type of proprietary fund) to report activities that provide supplies and services for other programs and activities, such as the Equipment Revolving Fund.
- Fiduciary funds - The City is the trustee, or fiduciary, for its employees' pension plans and VEBA plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

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

	June 30					
	2009	2008	2009	2008	2009	2008
	Governmental Activities		Business-type Activities		Total	
Assets						
Current and other	\$ 39.4	\$ 42.9	\$ 13.6	\$ 18.0	\$ 53.0	\$ 60.9
Capital assets	<u>84.8</u>	<u>83.0</u>	<u>54.4</u>	<u>53.4</u>	<u>139.2</u>	<u>136.4</u>
Total assets	124.2	125.9	68.0	71.4	192.2	197.3
Liabilities						
Current liabilities	15.2	21.3	2.7	1.8	17.9	23.1
Long-term liabilities	<u>51.3</u>	<u>43.3</u>	<u>7.6</u>	<u>7.8</u>	<u>58.9</u>	<u>51.1</u>
Total liabilities	<u>66.5</u>	<u>64.6</u>	<u>10.3</u>	<u>9.6</u>	<u>76.8</u>	<u>74.2</u>
Net Assets						
Invested in capital assets - Net of related debt	76.8	82.0	47.3	46.1	124.1	128.1
Restricted	17.3	11.3	3.1	3.1	20.4	14.4
Unrestricted (deficit)	<u>(36.4)</u>	<u>(32.0)</u>	<u>7.3</u>	<u>12.6</u>	<u>(29.1)</u>	<u>(19.4)</u>
Total net assets	<u>\$ 57.7</u>	<u>\$ 61.3</u>	<u>\$ 57.7</u>	<u>\$ 61.8</u>	<u>\$ 115.4</u>	<u>\$ 123.1</u>

A portion of the net assets of the City's governmental activities is either restricted as to the purpose for which they can be used or they are invested in capital assets net of related debt. Consequently, unrestricted net assets were a deficit of \$36.4 million. A deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. The long-term commitments have been accrued as part of the governmental activities liabilities and will be paid in future years with future revenue sources as payments come due.

Although the unrestricted business-type net assets total \$7.3 million, these resources are restricted for operations of their respective operations and cannot be used to make up for declines in governmental net assets.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased 6 percent from a year ago - decreasing from \$123.1 million to \$115.4 million. Looking at only the governmental activities, the net assets decreased \$3.6 million. The decrease is primarily due to the City implementing the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City was required to record \$6.3 million of OPEB liability and corresponding governmental activities expenditure in the current year. This is a liability of the governmental activities only and does not affect the General Fund.

Looking at business-type activities, the net assets went down \$4.1 million. The decrease is due primarily to a decrease in water and sewer consumption.

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

	Year Ended June 30					
	2009	2008	2009	2008	2009	2008
	Governmental Activities		Business-type Activities		Total	
Revenue						
Program revenue:						
Charges for services	\$ 6.4	\$ 9.9	\$ 23.1	\$ 24.5	\$ 29.5	\$ 34.4
Operating grants and contributions	7.9	7.7	-	-	7.9	7.7
Capital grants and contributions	0.3	0.8	-	-	0.3	0.8
General revenue:						
Property taxes	22.0	20.8	-	(0.1)	22.0	20.7
Income taxes	11.5	13.1	-	-	11.5	13.1
State-shared revenue	11.8	12.1	-	-	11.8	12.1
Unrestricted investment earnings	0.4	1.1	0.2	0.3	0.6	1.4
Unrestricted cable revenue	0.6	0.5	-	-	0.6	0.5
Contribution from component units	0.8	3.2	-	0.1	0.8	3.3
Miscellaneous	0.1	0.1	0.1	0.1	0.2	0.2
Total revenue	61.8	69.3	23.4	24.9	85.2	94.2
Program Expenses						
General government	15.0	16.0	-	-	15.0	16.0
Public safety	30.8	28.9	-	-	30.8	28.9
Public works	15.4	14.4	-	-	15.4	14.4
Community and human services	4.7	3.2	-	-	4.7	3.2
Interest on long-term debt	1.5	1.2	-	-	1.5	1.2
Water	-	-	12.7	12.9	12.7	12.9
Sewer	-	-	11.6	10.8	11.6	10.8
Parking	-	-	2.1	1.8	2.1	1.8
Golf course	-	-	1.1	1.0	1.1	1.0
Total program expenses	67.4	63.7	27.5	26.5	94.9	90.2
Excess of Revenue Over (Under) Expenses						
Before Transfers and Special Items	(5.6)	5.6	(4.1)	(1.6)	(9.7)	4.0
Transfers	-	0.2	-	(0.2)	-	-
Special Items	2.0	3.0	-	-	2.0	3.0
Change in Net Assets	\$ (3.6)	\$ 8.8	\$ (4.1)	\$ (1.8)	\$ (7.7)	\$ 7.0

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

As illustrated in Figure 1, the City's largest source of revenue on a government-wide basis is charges for services, followed by property taxes, state-shared revenue, income taxes, and grants and contributions, respectively.

Figure 1
CITY OF PONTIAC, MICHIGAN
Sources of Revenue - Government-wide
Year Ended June 30, 2009
Total Revenues - \$85.2 Million

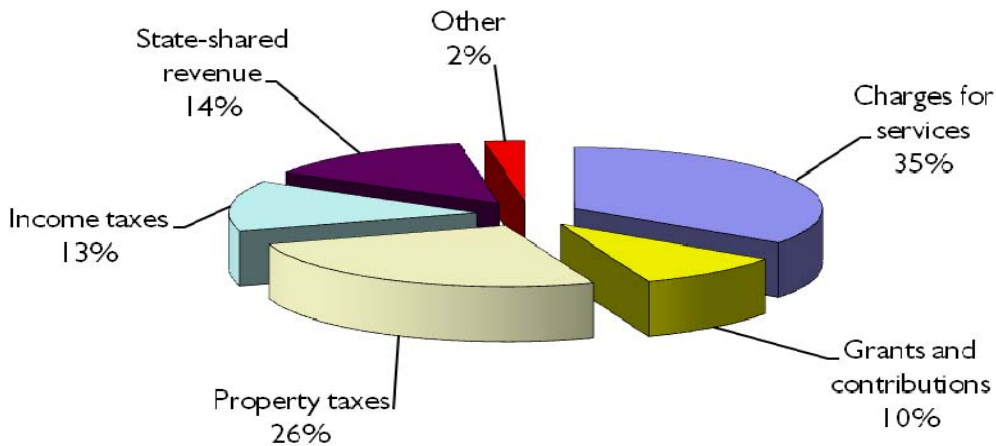
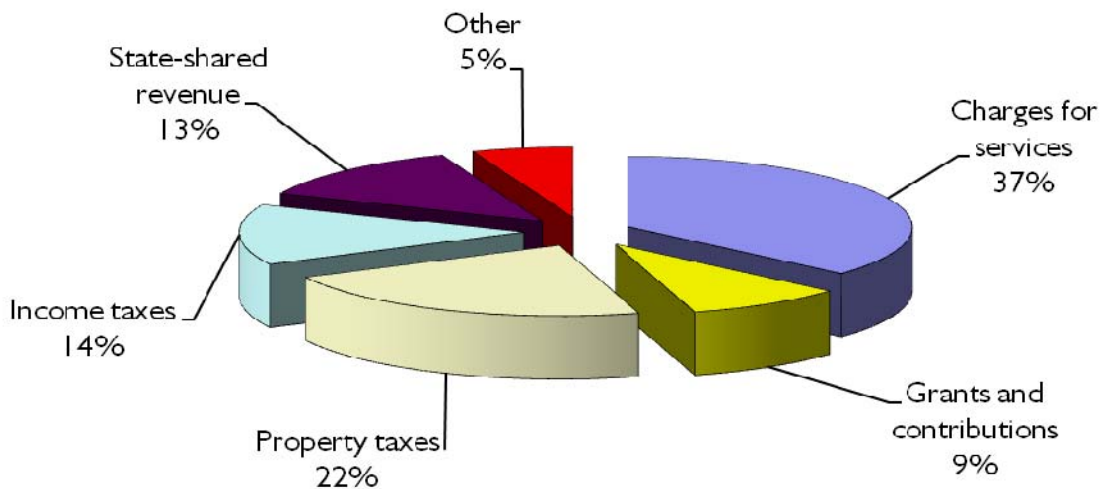


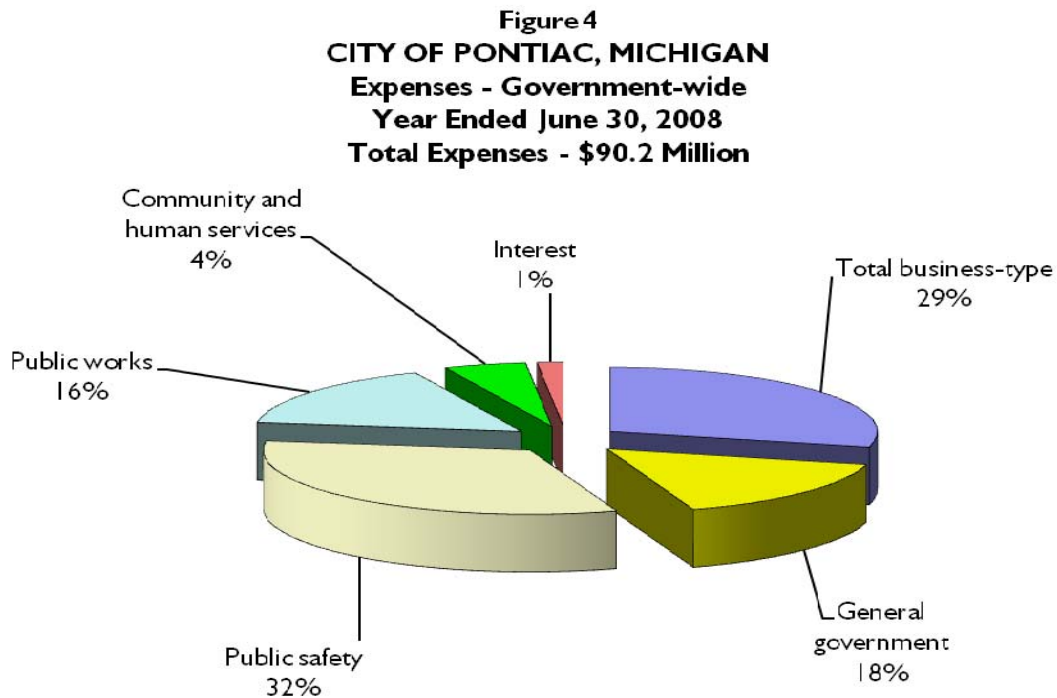
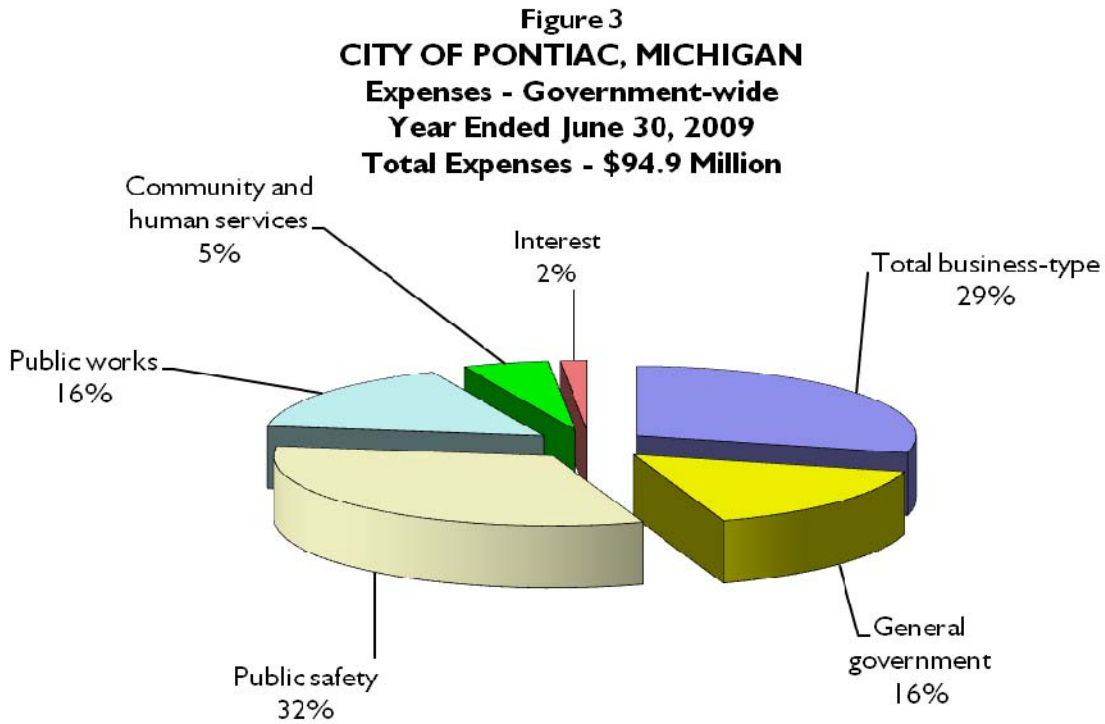
Figure 2
CITY OF PONTIAC, MICHIGAN
Sources of Revenue - Government-wide
Year Ended June 30, 2008
Total Revenues - \$94.2 Million



City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

As illustrated in Figure 3, the City's largest use of resources on a government-wide basis is public safety (police and fire protection), followed by the total business-type expenses, which is the total of the Water, Sewer, Parking, and Golf Course Funds.



City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Expenses for the City's governmental activities totaled \$67.4 million, which is a 6 percent increase from last year's total of \$63.7 million. Total governmental expenditures excluding the \$6.3 million OPEB liability in the current year were \$61.1 million, which is a decrease of 4 percent from the prior year.

Although the expenses of governmental activities (excluding the OPEB obligation expenditure) decreased from prior year, revenue also decreased. Revenues totaled \$61.8 million for the year ended June 30, 2009, which is a decrease of \$7.5 million from last year's total of \$69.3 million. The decrease in revenues is primarily due to a decrease in charges for services revenue (less inspection fees) and decreases in income tax revenue. In addition, the City received a \$3.2 million credit enhancement fee from component units in the prior year which was not received in the current year.

Business-type Activities

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

The City provides water to residents from the Detroit water system. The City provides sewage treatment through a City-owned and operated sewage treatment plant. The Water and Sewer Funds had a combined operating loss of approximately \$2.42 million, which includes \$3.0 million of depreciation expense. The funds had operating losses of \$437,000 in the prior year, including \$2.9 million of depreciation. The primary reason for the fluctuation of operating results is that water and sewer revenue decreased \$1.3 million while the cost of water and sewage disposal operations remained fairly consistent with the prior year. The Water and Sewer Funds had a net cash flow deficit of approximately \$3,596,000 (excluding interfund borrowings repaid from the General Fund). During fiscal year 2010, the City adjusted the water and sewer rates to ensure the funds generate sufficient cash flow to cover the annual operating, maintenance, and replacement costs.

The Parking Fund accounts for the activity of numerous City-owned parking lots and continues to rely on contributions from other funds to offset operating losses. The operating loss for 2009 was approximately \$1.11 million, compared to \$753,000 in 2008. Depreciation expense contributed approximately \$539,000 and \$546,000 to the losses in 2009 and 2008, respectively.

The City-owned golf course sustained an operating loss in the current year totaling approximately \$333,600, which is more than prior year's operating loss of \$206,000. Depreciation expense contributed approximately \$264,000 and \$275,000 to the losses in 2009 and 2008, respectively. Charges for services decreased 8 percent from the prior year while operations and maintenance costs increased 11.6 percent. In addition, the 2000 Municipal Golf Course bonds are the responsibility of the golf course. The bond agreement states if the golf course does not have sufficient net income to pay the debt service on the bond, TIFA 4 will be responsible for the current year's debt service. During the current year, the golf course had a net loss of approximately \$279,000. TIFA 4 paid the debt service of approximately \$755,000.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages or grants. The only governmental major fund for the year ended June 30, 2009 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 \$25.7 million during the year ended June 30, 2009. These two service areas represent 63 percent of the General Fund's operating expenses and are primarily funded through general revenues such as taxes and state-shared revenues.

The General Fund had total revenues of \$43.5 million and total expenses of \$41.0 million. In addition, the fund incurred net other financing uses and special items of \$1.03 million, resulting in a net increase in fund balance of approximately \$1,400,000.

The General Fund transferred a total of \$3.7 million to other funds, including operating subsidies to the District Court and Cemetery Funds totaling \$2,501,184 and \$642,383, respectively.

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

	June 30				
	2005	2006	2007	2008	2009
Fund balance (deficit):					
Unreserved	\$ (31,761,547)	\$ (4,177,203)	\$ (6,142,240)	\$ (7,071,957)	\$ (5,607,638)
Reserved	64,000	64,000	64,000	64,000	-
Total fund balance (deficit)	<u>\$ (31,697,547)</u>	<u>\$ (4,113,203)</u>	<u>\$ (6,078,240)</u>	<u>\$ (7,007,957)</u>	<u>\$ (5,607,638)</u>

The 2006 improvement was primarily attributable to the issuance of fiscal stabilization bonds, as well as a structure repayment for the General Motors tax appeal obligation. During 2009, the excess of revenues over expenditures (including interfund transfers and special items) was increased to approximately \$1.4 million.

General Fund Budgetary Highlights

The General Fund generated a surplus of \$1,400,319 during the year ended June 30, 2009, decreasing the cumulative deficit to \$5,607,638. Actual revenue was more than budget by approximately \$1.6 million primarily due to the proceeds from the sale of the hospital building for \$2 million. The sales proceeds were offset by income tax revenue, state-shared revenue, and investment income being less than budget by approximately \$539,000.

City of Pontiac, Michigan

Management's Discussion and Analysis (Continued)

Total expenditures were more than budget by approximately \$217,000. The City kept expenses within or under budget in most areas by monitoring expenses closely during the year except for three key areas that were over budget including approximately \$388,000 in the police department, \$1,348,000 in the fire department, and \$345,000 in Silverdome subsidy.

See the Economic Factors and Net Year's Budgets and Rates section for more information on City plans to eliminate the deficit.

Capital Asset and Debt Administration

At the end of 2009, the City had invested \$12.5 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.

New debt incurred during the year included capital leases of \$4,152,403 for police vehicles and road equipment for the DPW department.

Economic Factors and Next Year's Budgets and Rates

As previously discussed, the General Fund's cumulative deficit decreased from \$7 million to \$5.6 million for the year ended June 30, 2009. The City's adopted budget for the 2010 fiscal year is balanced and includes significant decreases in income tax, property taxes, revenue sharing, and most other revenue categories. The significant revenue decreases are projected to continue for several more years. Economic conditions statewide driving these decreases continue to be a challenge for the City in fiscal year 2010 and beyond. The City must continue to balance the annual budget while trying to maintain as many basic city services as economically possible. The City is also working on a plan to eliminate the cumulative deficit noted above. The 2010 revised deficit reduction plan anticipated approximately \$6 million from the sale of the Silverdome property to reduce the cumulative deficit; however, no amounts were included in the 2010 operating budget. Actual proceeds were \$583,000 (see Note 15 for more detail). The City is in discussions with retirees and unions regarding healthcare costs. A new fire department collective bargaining agreement was signed October 31, 2009 which will significantly reduce overtime expenses.

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, Michigan's finance director's office, 47450 Woodward Ave., Pontiac, Michigan 48342.

City of Pontiac, Michigan

Statement of Net Assets (Deficit) June 30, 2009

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 13,875,172	\$ 1,430,969	\$ 15,306,141	\$ 5,614,123
Receivables - Net (Note 4):				
Property and income taxes	5,251,983	14,077	5,266,060	29,579
Customer receivables	-	9,913,749	9,913,749	-
Special assessments receivable	-	71,448	71,448	-
Other receivables	5,578,350	23,576	5,601,926	122,022
Internal balances	(2,485)	2,485	-	-
Due from other governmental units	5,873,556	-	5,873,556	-
Prepaid and other assets	3,701,351	-	3,701,351	-
Restricted assets (Note 8)	4,214,330	2,168,197	6,382,527	-
Long-term lease receivable (Note 7)	900,000	-	900,000	-
Capital assets (Note 5):				
Nondepreciable capital assets	24,457,704	6,718,034	31,175,738	-
Depreciable capital assets - Net	60,331,397	47,684,685	108,016,082	7,062,296
Total assets	124,181,358	68,027,220	192,208,578	12,828,020
Liabilities				
Accounts payable	5,624,828	1,985,778	7,610,606	117,974
Other accrued liabilities	8,123,120	465,643	8,588,763	-
Deposits	811,509	20,087	831,596	1,400
Due to other governmental units	594,150	-	594,150	-
Accrued interest payable	-	189,664	189,664	336,284
Deferred revenue (Note 4)	-	-	-	686,155
Long-term liabilities (Note 7):				
Due within one year	5,524,865	54,736	5,579,601	2,030,000
Due within one year - Payable from restricted assets	-	690,000	690,000	-
Due in more than one year	45,824,253	6,892,787	52,717,040	54,076,833
Total liabilities	66,502,725	10,298,695	76,801,420	57,248,646
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	76,808,427	47,340,326	124,148,753	7,062,296
Restricted for:				
Streets	1,122,955	-	1,122,955	-
Sanitation	1,752,385	-	1,752,385	-
Drains	943,125	-	943,125	-
Senior activities	807,499	-	807,499	-
Library	1,494,813	-	1,494,813	-
Grants	362,211	-	362,211	-
Capital projects	8,977,955	-	8,977,955	-
Cemetery endowment	991,960	-	991,960	-
Cable television	808,290	-	808,290	-
Debt service	-	880,526	880,526	-
Water and sewer bond reserves	-	2,168,197	2,168,197	-
Revolving loan program	-	-	-	1,236,708
Unrestricted (deficit)	(36,390,987)	7,339,476	(29,051,511)	(52,719,630)
Total net assets (deficit)	\$ 57,678,633	\$ 57,728,525	\$ 115,407,158	\$ (44,420,626)

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

City of Pontiac, Michigan

Statement of Activities Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net Expense
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 14,995,285	\$ 215,845	\$ -	\$ -	\$ (14,779,440)
Public safety	30,826,617	4,483,819	198,286	-	(26,144,512)
Public works	15,441,184	1,576,694	4,724,702	355,085	(8,784,703)
Community and human services	4,735,692	136,610	2,985,563	-	(1,613,519)
Interest on long-term debt	1,546,149	-	-	-	(1,546,149)
Total governmental activities	67,544,927	6,412,968	7,908,551	355,085	(52,868,323)
Business-type activities:					
Water	12,709,070	12,496,665	-	-	(212,405)
Sewer	11,626,754	8,949,598	-	-	(2,677,156)
Parking	2,059,735	954,425	-	-	(1,105,310)
Golf course	1,054,235	720,596	-	-	(333,639)
Total business-type activities	27,449,794	23,121,284	-	-	(4,328,510)
Total primary government	\$ 94,994,721	\$ 29,534,252	\$ 7,908,551	\$ 355,085	\$ (57,196,833)
Component units:					
Tax Increment Financing Authority	\$ 4,979,205	\$ -	\$ 210,002	\$ -	\$ (4,769,203)
Downtown Development Authority	459,768	-	-	-	(459,768)
Economic Development Corporation	282,972	-	4,128	-	(278,844)
Brownfield Redevelopment Authority	-	-	-	-	-
Pontiac Silverdome	1,616,982	586,699	-	-	(1,030,283)
Total component units	\$ 7,338,927	\$ 586,699	\$ 214,130	\$ -	\$ (6,538,098)

City of Pontiac, Michigan

Statement of Activities (Continued) Year Ended June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net expense from previous page	\$ (52,868,323)	\$ (4,328,510)	\$ (57,196,833)	\$ (6,538,098)
General revenues:				
Property taxes	21,986,409	-	21,986,409	7,863,701
Income taxes	11,540,925	-	11,540,925	-
State-shared revenues	11,820,835	-	11,820,835	-
Unrestricted investment earnings	390,203	152,038	542,241	142,303
Unrestricted cable revenue	605,661	-	605,661	-
Gain on sale of fixed assets	-	-	-	101,325
Contribution from component units	796,175	40,000	836,175	-
Miscellaneous	92,796	62,257	155,053	115,460
Total general revenues	47,233,004	254,295	47,487,299	8,222,789
Special item - Gain on sale of hospital	2,000,000	-	2,000,000	-
Extraordinary item - Asset impairment (Note 15)	-	-	-	(12,691,105)
Transfers	31,229	(31,229)	-	-
Total general revenues, special items, extraordinary item, and transfers	49,264,233	223,066	49,487,299	(4,468,316)
Change in Net Assets	(3,604,090)	(4,105,444)	(7,709,534)	(11,006,414)
Net Assets (Deficit) - Beginning of year	61,282,723	61,833,969	123,116,692	(33,414,212)
Net Assets (Deficit) - End of year	\$ 57,678,633	\$ 57,728,525	\$ 115,407,158	\$ (44,420,626)

City of Pontiac, Michigan

Governmental Funds Balance Sheet June 30, 2009

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 699,584	\$ 13,111,746	\$ 13,811,330
Receivables - Net (Note 4):			
Property and income taxes	5,212,545	39,438	5,251,983
Other receivables	1,505,877	163,753	1,669,630
Due from other governmental units	3,662,600	2,210,956	5,873,556
Inventory	-	19,382	19,382
Due from other funds (Note 6)	1,134,379	526,600	1,660,979
Due from other funds - Advances (Note 6)	-	4,615,000	4,615,000
Restricted cash and cash equivalents (Note 8)	-	4,214,330	4,214,330
Total assets	\$ 12,214,985	\$ 24,901,205	\$ 37,116,190
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable	\$ 2,824,877	\$ 1,278,902	\$ 4,103,779
Other accrued liabilities	230,000	75,960	305,960
Deposits	811,509	-	811,509
Due to other funds (Note 6)	-	1,113,464	1,113,464
Due to other funds - Advances (Note 6)	8,715,000	-	8,715,000
Due to other governmental units	594,150	-	594,150
Deferred revenue	4,647,087	1,479,301	6,126,388
Total liabilities	17,822,623	3,947,627	21,770,250
Fund Balances (Deficit)			
Reserved for:			
Endowment	-	991,960	991,960
Landfill postclosure costs	-	3,222,370	3,222,370
Unreserved, reported in:			
General Fund	(5,607,638)	-	(5,607,638)
Special Revenue Funds	-	7,667,879	7,667,879
Capital Projects Funds	-	9,071,369	9,071,369
Total fund balances (deficit)	(5,607,638)	20,953,578	15,345,940
Total liabilities and fund balances (deficit)	\$ 12,214,985	\$ 24,901,205	\$ 37,116,190

City of Pontiac, Michigan

Governmental Funds Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities Year Ended June 30, 2009

Fund Balance - Total Governmental Funds	\$ 15,345,940
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	80,335,559
Long-term lease receivable from component unit to repay building authority bonds is not reported in the funds since the bonds payable are not recorded in the fund	900,000
Accrued interest on long-term debt is not included in the governmental funds but is included in the government-wide statements	(190,160)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(47,810,828)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds	6,126,388
Internal Service Funds are included as part of governmental activities	<u>2,971,734</u>
Net Assets - Governmental Activities	<u>\$ 57,678,633</u>

City of Pontiac, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2009

	Major Fund - General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 26,318,910	\$ 6,742,122	\$ 33,061,032
Licenses and permits	1,682,301	-	1,682,301
Federal sources	-	2,985,442	2,985,442
State sources	12,165,151	5,017,628	17,182,779
Charges for services	2,464,716	1,148,741	3,613,457
Fines and forfeitures	-	1,728,538	1,728,538
Investment (loss) income	(159,925)	380,832	220,907
Contribution from component units	-	1,126,230	1,126,230
Other	1,002,268	573,529	1,575,797
Total revenue	43,473,421	19,703,062	63,176,483
Expenditures			
Current:			
General government	1,569,485	73,738	1,643,223
District court	-	4,035,819	4,035,819
Public safety	25,734,599	583,928	26,318,527
Public works and utilities	2,681,175	10,939,657	13,620,832
Community development	1,530,452	2,826,432	4,356,884
Community and human services	248,002	1,100,421	1,348,423
General and special programs	6,776,755	923,572	7,700,327
Commercial and industrial development	-	205,182	205,182
Debt service	2,160,613	1,431,625	3,592,238
Contribution to component units	345,000	-	345,000
Total expenditures	41,046,081	22,120,374	63,166,455
Excess of Revenue Over (Under) Expenditures	2,427,340	(2,417,312)	10,028
Other Financing Sources (Uses)			
Transfers in	709,121	4,810,235	5,519,356
Transfers out	(3,736,142)	(1,740,950)	(5,477,092)
Total other financing sources (uses)	(3,027,021)	3,069,285	42,264
Special Item - Gain on sale of hospital	2,000,000	-	2,000,000
Net Change in Fund Balances	1,400,319	651,973	2,052,292
Fund Balances (Deficit) - Beginning of year	(7,007,957)	20,301,605	13,293,648
Fund Balances (Deficit) - End of year	\$ (5,607,638)	\$ 20,953,578	\$ 15,345,940

City of Pontiac, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 2,052,292
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay reported in governmental funds	3,213,158
Depreciation reported in the statement of activities	(4,993,481)
Certain revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	573,239
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,256,163
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(6,290,072)
Increase in the landfill closure and postclosure costs is recognized in the statement of activities, but not in the governmental funds	(897,743)
Amortization of bond discount is not recorded in governmental funds; in the statement of activities, this is recorded as an adjustment to interest expense	66,794
Interest expense is recorded when incurred in the statement of activities	36,979
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	44,493
Internal Service Funds are also included as governmental activities	<u>334,088</u>
Change in Net Assets of Governmental Activities	<u>\$ (3,604,090)</u>

City of Pontiac, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Major Funds			Nonmajor	Governmental	
				Fund	Activities -	
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents (Note 3)	\$ 838,083	\$ 172,793	\$ 301,699	\$ 118,394	\$ 1,430,969	\$ 63,842
Receivables - Net (Note 4):						
Customer receivables	5,533,023	4,380,726	-	-	9,913,749	-
Taxes receivable	-	-	14,077	-	14,077	-
Special assessments receivable	17,449	53,999	-	-	71,448	-
Other receivables	-	6,920	16,656	-	23,576	3,908,720
Due from other funds	-	2,485	-	-	2,485	886,500
Prepaid and other assets	-	-	-	-	-	3,681,969
Total current assets	6,388,555	4,616,923	332,432	118,394	11,456,304	8,541,031
Noncurrent assets:						
Restricted cash and cash equivalents	903,549	1,264,648	-	-	2,168,197	-
Due from other funds - Advances (Note 6)	-	-	-	-	-	4,100,000
Nondepreciable capital assets (Note 5)	1,799,990	1,017,830	3,166,454	733,760	6,718,034	-
Depreciable capital assets - Net (Note 5)	15,876,726	18,341,757	11,720,941	1,745,261	47,684,685	4,453,542
Total noncurrent assets	18,580,265	20,624,235	14,887,395	2,479,021	56,570,916	8,553,542
Total assets	24,968,820	25,241,158	15,219,827	2,597,415	68,027,220	17,094,573
Liabilities						
Current liabilities:						
Accounts payable	1,088,371	805,236	38,484	53,687	1,985,778	1,521,049
Accrued and other liabilities	202,149	253,107	10,296	91	465,643	7,627,000
Deposits	-	-	20,087	-	20,087	-
Due to other funds	-	-	-	-	-	1,436,500
Current portion of long-term debt	-	54,736	-	-	54,736	-
Total current liabilities	1,290,520	1,113,079	68,867	53,778	2,526,244	10,584,549
Noncurrent liabilities (Note 7):						
Payable from restricted assets:						
Accrued interest on long-term debt	79,621	110,043	-	-	189,664	-
Current portion of long-term debt	280,000	410,000	-	-	690,000	-
Long-term debt - Net of current portion	2,315,000	3,557,393	500,000	-	6,372,393	3,538,290
Other postemployment benefit obligation	292,565	182,805	38,293	6,731	520,394	-
Total noncurrent liabilities	2,967,186	4,260,241	538,293	6,731	7,772,451	3,538,290
Total liabilities	4,257,706	5,373,320	607,160	60,509	10,298,695	14,122,839
Net Assets						
Investment in capital assets - Net of related debt	15,081,716	15,392,194	14,387,395	2,479,021	47,340,326	915,252
Restricted	903,549	1,264,648	880,526	-	3,048,723	-
Unrestricted	4,725,849	3,210,996	(655,254)	57,885	7,339,476	2,056,482
Total net assets	\$ 20,711,114	\$ 19,867,838	\$ 14,612,667	\$ 2,536,906	\$ 57,728,525	\$ 2,971,734

City of Pontiac, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Major Funds			Nonmajor Fund		Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund			
Operating Revenue							
Charges for services	\$ 12,496,665	\$ 8,949,598	\$ 954,425	\$ 720,596	\$ 23,121,284	\$ 25,226,572	
Other	-	62,257	-	-	62,257	-	
Total operating revenue	12,496,665	9,011,855	954,425	720,596	23,183,541	25,226,572	
Operating Expenses							
Purchased water	5,050,065	-	-	-	5,050,065	-	
Operations and maintenance	2,938,499	8,115,548	1,362,188	721,042	13,137,277	1,288,635	
Insurance	-	-	-	-	-	22,369,299	
Administrative expenses	3,613,767	1,250,580	158,192	68,699	5,091,238	640,310	
Depreciation	938,549	2,020,592	539,355	264,494	3,762,990	544,293	
Total operating expenses	12,540,880	11,386,720	2,059,735	1,054,235	27,041,570	24,842,537	
Operating Income (Loss)	(44,215)	(2,374,865)	(1,105,310)	(333,639)	(3,858,029)	384,035	
Nonoperating Revenue (Expenses)							
Interest revenue	82,545	60,196	7,985	1,312	152,038	169,296	
Interest expense	(168,190)	(240,034)	-	-	(408,224)	(208,208)	
Contribution from component unit	-	-	40,000	-	40,000	-	
Total nonoperating revenue (expenses)	(85,645)	(179,838)	47,985	1,312	(216,186)	(38,912)	
Income (Loss) - Before transfers	(129,860)	(2,554,703)	(1,057,325)	(332,327)	(4,074,215)	345,123	
Transfers							
Transfers in	-	-	56,543	53,659	110,202	-	
Transfers out	(23,694)	(117,737)	-	-	(141,431)	(11,035)	
Total transfers (out) in	(23,694)	(117,737)	56,543	53,659	(31,229)	(11,035)	
Change in Net Assets	(153,554)	(2,672,440)	(1,000,782)	(278,668)	(4,105,444)	334,088	
Net Assets - Beginning of year	20,864,668	22,540,278	15,613,449	2,815,574	61,833,969	2,637,646	
Net Assets - End of year	\$ 20,711,114	\$ 19,867,838	\$ 14,612,667	\$ 2,536,906	\$ 57,728,525	\$ 2,971,734	

City of Pontiac, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Major Funds				Nonmajor Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund			
Cash Flows from Operating Activities							
Receipts from customers	\$ 12,596,961	\$ 9,089,554	\$ 952,994	\$ 720,596	\$ 23,360,105	\$ 24,431,274	
Payments to employees	(3,096,795)	(3,918,591)	(673,534)	(203,892)	(7,892,812)	(616,051)	
Payments to suppliers	(8,034,565)	(4,744,754)	(789,218)	(574,705)	(14,143,242)	(26,761,267)	
Net cash provided by (used in) operating activities	1,465,601	426,209	(509,758)	(58,001)	1,324,051	(2,946,044)	
Cash Flows from Noncapital Financing Activities							
Transfers from other funds	-	-	56,543	53,659	110,202	-	
Transfers to other funds	(23,694)	(117,737)	-	-	(141,431)	(897,535)	
Interfund loans - Proceeds and collections	2,700,000	1,908,569	-	-	4,608,569	3,036,500	
Component unit loans - Proceeds and collections	-	-	40,000	-	40,000	-	
Net cash provided by noncapital financing activities	2,676,306	1,790,832	96,543	53,659	4,617,340	2,138,965	
Cash Flows from Capital and Related Financing Activities							
Purchase of capital assets	(3,124,161)	(1,588,853)	-	-	(4,713,014)	-	
Proceeds from sale of capital assets	-	-	-	-	-	(813,224)	
Property taxes	-	-	13,883	-	13,883	-	
Proceeds from special assessments	2,081	5,691	-	-	7,772	-	
Principal and interest paid on capital debt	(358,569)	(567,192)	-	-	(925,761)	-	
Net cash (used in) provided by capital and related financing activities	(3,480,649)	(2,150,354)	13,883	-	(5,617,120)	(813,224)	
Cash Flows from Investing Activities - Investment income	82,545	60,196	7,985	1,312	152,038	169,296	
Net Increase (Decrease) in Cash and Cash Equivalents	743,803	126,883	(391,347)	(3,030)	476,309	(1,451,007)	
Cash and Cash Equivalents - Beginning of year	997,829	1,310,558	693,046	121,424	3,122,857	1,514,849	
Cash and Cash Equivalents - End of year	<u>\$ 1,741,632</u>	<u>\$ 1,437,441</u>	<u>\$ 301,699</u>	<u>\$ 118,394</u>	<u>\$ 3,599,166</u>	<u>\$ 63,842</u>	
Balance Sheet Classification of Cash and Cash Equivalents							
Cash and cash equivalents	\$ 838,083	\$ 172,793	\$ 301,699	\$ 118,394	\$ 1,430,969	\$ 63,842	
Restricted cash and cash equivalents (Note 8)	903,549	1,264,648	-	-	2,168,197	-	
Total cash and cash equivalents	<u>\$ 1,741,632</u>	<u>\$ 1,437,441</u>	<u>\$ 301,699</u>	<u>\$ 118,394</u>	<u>\$ 3,599,166</u>	<u>\$ 63,842</u>	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities							
Operating income (loss)	\$ (44,215)	\$ (2,374,865)	\$ (1,105,310)	\$ (333,639)	\$ (3,858,029)	\$ 384,035	
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation and amortization	938,549	2,020,592	539,355	264,494	3,762,990	544,293	
Changes in assets and liabilities:							
Accounts receivable	100,296	77,699	(1,431)	-	176,564	(795,298)	
Prepays and other assets	-	-	-	-	-	(3,381,698)	
Accounts payable	84,454	527,960	22,492	4,439	639,345	302,624	
Accrued liabilities	386,517	174,823	37,456	6,705	605,501	-	
Deposits	-	-	(2,320)	-	(2,320)	-	
Net cash provided by (used in) operating activities	<u>\$ 1,465,601</u>	<u>\$ 426,209</u>	<u>\$ (509,758)</u>	<u>\$ (58,001)</u>	<u>\$ 1,324,051</u>	<u>\$ (2,946,044)</u>	

City of Pontiac, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2009

	Pension and Other Employee Benefits Trust Funds (1)	Agency Funds
Assets		
Cash and cash equivalents	\$ 209,904	\$ 850,147
Cash and investments held as collateral for securities lending	75,539,418	-
Accrued interest and dividends receivable	2,002,936	-
Investments:		
Money markets and mutual funds	54,243,161	-
U.S. government obligations	2,908,457	-
U.S. government agency notes and debentures	6,841,959	-
Corporate and other bonds	44,292,207	-
Equities	297,173,011	-
U.S. government agency mortgage pools	75,236,144	-
Commercial mortgage pools	5,592,963	-
Asset-backed securities	4,140,427	-
High yield bonds	18,456,078	-
Other fixed income	35,924,136	-
Other	26,173,976	-
Due from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust	37,068	-
Due from City of Pontiac	191,164	-
Due from GERS VEBA	93,368	-
Other	3,756	1,904,851
Total assets	649,060,133	\$ 2,754,998
Liabilities		
Due to City of Pontiac	1,733,845	\$ -
Due to City of Pontiac General Employees' Retirement System	93,368	-
Due to City of Pontiac and Fire Retirement System	40,824	-
Accounts payable	986,879	49,704
Amount due broker under securities lending agreement	77,083,203	-
Due to other governmental units	-	964,036
Accrued liabilities	-	1,646,597
Deposits	-	94,661
Total liabilities	79,938,119	\$ 2,754,998
Net Assets - Held in trust for pension and other employee benefits	\$ 569,122,014	

(1) The General City Employees' Retirement, Police and Fire Retirement Systems, General Employees' Retiree Health and Insurance Benefits Trust, and Police and Fire Retiree Prefunded Group Health and Insurance Trust financial information is reported as of December 31, 2008.

City of Pontiac, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2009

	Pension and Other Employee Benefits Trust Funds (1)
Additions	
Securities lending income:	
Interest and fees	\$ 3,736,914
Less borrower rebates and bank fees	(3,119,492)
Net securities lending income	617,422
Contributions:	
Employer	5,085,629
Employee	277,987
Total contributions	5,363,616
Other - Miscellaneous and litigation revenue	365,459
Total additions	6,346,497
Deductions	
Investment (loss) income:	
Interest and dividends	17,142,468
Net decline in fair value of investments	(221,451,430)
Less investment expenses	(3,823,034)
Net investment loss	(208,131,996)
Other deductions:	
Retiree pension benefit payments	(33,657,058)
Retiree health benefit payments	(1,898,386)
Member refunds and withdrawals	(394,582)
Other expenses	(459,683)
Administrative expenses	(389,180)
Total deductions	(244,930,885)
Net Decrease in Net Assets Held in Trust	(238,584,388)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	807,706,402
End of year	\$ 569,122,014

(1) The General City Employees' Retirement, Police and Fire Retirement Systems, General Employees' Retiree Health and Insurance Benefits Trust, and Police and Fire Retiree Prefunded Group Health and Insurance Trust financial information is reported as of December 31, 2008.

City of Pontiac, Michigan

	Governmental Activities			
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
Assets				
Current:				
Cash and investments	\$ 3,188,224	\$ 200	\$ 1,863,374	\$ 275,585
Receivables - Net:				
Property taxes	15,002	14,577	-	-
Other receivables	-	-	122,022	-
Total current assets	3,203,226	14,777	1,985,396	275,585
Noncurrent assets:				
Due from other component units - Advances	873,642	-	-	-
Depreciable capital assets - Net	-	-	6,479,296	-
Total noncurrent assets	873,642	-	6,479,296	-
Total assets	4,076,868	14,777	8,464,692	275,585
Liabilities				
Current liabilities:				
Accounts payable	8,200	-	224	-
Accrued liabilities	336,284	-	-	-
Deposits	-	1,400	-	-
Deferred revenue	7,384	14,577	664,194	-
Total current liabilities	351,868	15,977	664,418	-
Noncurrent liabilities:				
Due within one year	2,030,000	-	-	-
Due to other component units - Advances	-	873,642	-	-
Due in more than one year	54,016,450	-	-	-
Other postemployment benefit obligation	21,566	17,318	21,499	-
Total noncurrent liabilities	56,068,016	890,960	21,499	-
Total liabilities	56,419,884	906,937	685,917	-
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	-	-	6,479,296	-
Restricted for revolving loans	-	-	1,236,708	-
Unrestricted	(52,343,016)	(892,160)	62,771	275,585
Total net assets (deficit)	\$ (52,343,016)	\$ (892,160)	\$ 7,778,775	\$ 275,585

Component Units
Statement of Net Assets (Deficit)
June 30, 2009

Business-type Activities		
Pontiac Silverdome	Totals	
\$ 286,740	\$ 5,614,123	
-	29,579	
<u>-</u>	<u>122,022</u>	
286,740	5,765,724	
-	873,642	
<u>583,000</u>	<u>7,062,296</u>	
<u>583,000</u>	<u>7,935,938</u>	
869,740	13,701,662	
109,550	117,974	
-	336,284	
-	1,400	
<u>-</u>	<u>686,155</u>	
109,550	1,141,813	
-	2,030,000	
-	873,642	
-	54,016,450	
<u>-</u>	<u>60,383</u>	
-	56,980,475	
<u>109,550</u>	<u>58,122,288</u>	
583,000	7,062,296	
-	1,236,708	
<u>177,190</u>	<u>(52,719,630)</u>	
<u>\$ 760,190</u>	<u>\$ (44,420,626)</u>	

City of Pontiac, Michigan

Component Units Statement of Activities Year Ended June 30, 2009

	Program Revenues				Net Revenue (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental activities:					
Tax Increment Financing Authority:					
Commercial and industrial development	\$ 2,054,490	\$ -	\$ 210,002	\$ -	\$ (1,844,488)
Interest on long-term debt	2,924,715	-	-	-	(2,924,715)
Total Tax Increment Financing Authority	4,979,205	-	210,002	-	(4,769,203)
Downtown Development Authority - Commercial and industrial development	459,768	-	-	-	(459,768)
Economic Development Corporation - Commercial and industrial development	282,972	-	4,128	-	(278,844)
Brownfield Redevelopment Authority - Commercial and industrial development	-	-	-	-	-
Total governmental activities	5,721,945	-	214,130	-	(5,507,815)
Business-type activities - Pontiac Silverdome	1,616,982	586,699	-	-	(1,030,283)
Total component units	\$ 7,338,927	\$ 586,699	\$ 214,130	\$ -	\$ (6,538,098)

City of Pontiac, Michigan

Component Units (Continued) Statement of Activities Year Ended June 30, 2009

	Governmental Activities				Business-type	Totals
	Tax Increment Financing Authority	Downtown	Economic	Brownfield	Activities	
		Development Authority	Development Corporation	Redevelopment Authority	Pontiac Silverdome	
Net revenue (expense) from previous page	\$ (4,769,203)	\$ (459,768)	\$ (278,844)	\$ -	\$ (1,030,283)	\$ (6,538,098)
General revenues:						
Property taxes	7,515,799	295,280	-	52,622	-	7,863,701
Unrestricted investment earnings	115,058	(4,366)	22,211	4,805	4,595	142,303
Gain on sale of fixed assets	101,125	-	200	-	-	101,325
Miscellaneous	(3,112)	11,910	6,662	-	100,000	115,460
Total general revenues	7,728,870	302,824	29,073	57,427	104,595	8,222,789
Extraordinary item - Impairment of asset	-	-	-	-	(12,691,105)	(12,691,105)
Total general revenues and extraordinary item	7,728,870	302,824	29,073	57,427	(12,586,510)	(4,468,316)
Change in Net Assets	2,959,667	(156,944)	(249,771)	57,427	(13,616,793)	(11,006,414)
Net Assets (Deficit) - Beginning of year	(55,302,683)	(735,216)	8,028,546	218,158	14,376,983	(33,414,212)
Net Assets (Deficit) - End of year	\$ (52,343,016)	\$ (892,160)	\$ 7,778,775	\$ 275,585	\$ 760,190	\$ (44,420,626)

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units

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

Note I - Summary of Significant Accounting Policies (Continued)

The General Employees' Retirement System has been blended into the City's financial statements. The governing body consists of 12 trustees as follows: the mayor of the City of Pontiac, the finance director of the City of Pontiac, a City Council member, three active members of the retirement system (elected), an employee representative, an elected retiree representative, three citizen trustees, and one deferred vested member of the retirement system formerly employed by Pontiac General Hospital. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retirement System are reported as a Pension Fiduciary Fund. Audited financial statements for the General Employees' Retirement System can be obtained from the City of Pontiac Retirement Office at 47450 Woodward, Pontiac, Michigan 48342.

The Police and Fire Retirement System has been blended into the City's financial statements. The system is governed by five members as follows: the mayor of the City; the finance director of the City; two additional members, one of whom shall be an active member of and elected by members of the Fire Department, and one of whom shall be an active member of and elected by members of the Police Department; and a fifth trustee elected by the other four trustees. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the Police and Fire Retirement System are reported as a Pension Fiduciary Fund. Audited financial statements for the Police and Fire Retirement System can be obtained from the City of Pontiac Retirement Office at 47450 Woodward, Pontiac, Michigan 48342.

The General Employees' Retiree VEBA Trust has been blended into the City's financial statements. The governing body consists of five trustees as follows: the mayor of the City of Pontiac or the mayor's designee, the finance director of the City of Pontiac or his/her designee, a City Council member or its citizen designee, an employee representative, and a retiree representative. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the General Employees' Retiree Health System are reported as an Other Employee Benefits Fiduciary Fund. Audited financial statements for the General Employees' Retiree VEBA Trust can be obtained from the City of Pontiac Retirement Office at 47450 Woodward, Pontiac, Michigan 48342.

Note I - Summary of Significant Accounting Policies (Continued)

The Police and Fire Retirement System VEBA has been blended into the City's financial statements. The governing body consists of five trustees: the mayor of the City of Pontiac, the finance director of the City of Pontiac, a fire trustee, a police trustee, and a fifth trustee elected by the other four trustees. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the system. The operations of the Police and Fire Retirement System VEBA are reported as an Other Employee Benefits Fiduciary Fund. Audited financial statements for the Police and Fire Retirement System VEBA can be obtained from the City of Pontiac Retirement Office at 47450 Woodward, Pontiac, Michigan 48342.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 I - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

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

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

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

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

The City of Pontiac 2008 tax is levied and collectible on July 1, 2008 and is recognized as revenue in the year ended June 30, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the City of Pontiac totaled approximately \$1.6 billion (a portion of which is abated and a portion of which is captured by the TIFA, DDA, and Brownfield), on which taxes levied consisted of 11.2737 mills for operating purposes, 2.8183 mills for refuse collection and disposal, 1.4091 mills for capital improvement, 1.0000 mills for library purposes, and .5000 mills for senior activities. This resulted in \$13.84 million for operating, \$3.36 million for refuse collection and disposal, \$1.68 million for capital improvement, \$1.19 million for library purposes, and \$.6 million for senior activities. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Capital Project Fund financial statements as tax revenue.

In the prior year, the City levied .8172 mills for police services and .5000 mills for recreation activities. This resulted in \$.96 million for police services and \$.78 million for recreation activities. The City subsequently received a legal opinion stating the entire levy for police services and recreation activities was to be refunded. The City refunded these levies as a credit on the July 1, 2008 tax bills.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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)

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

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

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

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

Noncompliance with Legal or Contractual Provisions - The City was not in compliance with legal provisions as follows:

- The City is in violation of the State Budget Act by incurring deficits and exceeding budgeted appropriations as discussed in the required supplemental information section of this report.
- Several funds of the City and one of the City's component units reported advances due to other funds and component units related to operating cash flow needs, as disclosed in Note 6. There are no formal repayment terms or interest provisions in place for any of these borrowings.

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

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

Major governmental fund - General Fund	\$ (5,607,638)
Nonmajor governmental funds:	
MDEQ Grant Pontiac Creek Stormwater Plan	(3,295)
ML King Construction	<u>(65,261)</u>
Total nonmajor governmental funds	(68,556)
Major Enterprise - Parking Fund	(655,254)
Component Unit - Downtown Development Authority	<u>(874,842)</u>
Total	<u><u>\$ (7,206,290)</u></u>

A deficit elimination plan is being filed with the Local Audit and Finance Division of the State of Michigan (see Note 16).

Enterprise Fund Deficit

A deficit elimination plan was originally filed with the State for the Parking Fund and approved on October 21, 2005. The plan called for a decrease in operating costs and a review of charges for services to ensure the deficit was eliminated within the required five years. During the current year, the Parking Fund decreased the cumulative deficit by approximately \$108,000 net of approximately \$38,000 in OPEB obligations.

Component Unit Deficit

The Downtown Development Authority has a fund deficit of \$874,842 as of June 30, 2009. A deficit elimination plan was originally filed with the State and approved on October 21, 2005. The plan stated the DDA would reduce spending by \$100,000 per year for the next five years to eliminate the deficit. During the current year, County chargebacks were larger than expected, therefore increasing the deficit. An updated deficit elimination plan will be filed with the Local Audit and Finance Division of the State of Michigan.

Note 3 - Deposits and Investments

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

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

The City has designated 10 banks for the deposit of its funds. The City's deposits and investment policies are in accordance with statutory authority.

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

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

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

Note 3 - Deposits and Investments (Continued)

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

The City, pension funds, and other employee benefit trust funds' cash and investments are subject to several types of risk, which are examined in more detail below. The following information includes the Police and Fire Retirement System, General Employees' Retirement System, Police and Fire Retirement System VEBA, and General City Employees' Retirement System VEBA balances as of December 31, 2008 because, as disclosed in Notes 10 and 12, these funds are maintained on a calendar year basis.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

City - The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,299,779 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Police and Fire Retirement System - The PFRS does not have a deposit policy for custodial credit risk. At year end, the system had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The PFRS continues to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

General Employees' Retirement System - The GERS does not have a deposit policy for custodial credit risk. At year end, the GERS had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The GERS continues to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

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

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

City - The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investments	Fair Value	Weighted Average Maturity
Bank investment pool	\$ 9,118,613	60 days
Guaranteed investment contracts	3,340,343	1 year

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Market Value	Weighted Average Maturity
Asset-backed securities	\$ 768,797	.795 years
Corporate and other bonds	10,793,327	5.733 years
Corporate and other bonds	11,552,023	Unavailable
U.S. government obligations	2,908,457	10.63 years
U.S. government agency mortgage pools:		
Government agencies	4,740,148	5.41 years
Government mortgage-backed securities	9,989,984	2.43 years
Government mortgage-backed securities	6,147,690	Unavailable
Commercial mortgage pools	2,299,307	Unavailable
Money market	7,344,442	Unavailable
Other fixed income	35,924,136	Unavailable
Other	16,270,086	Unavailable

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Market Value	Weighted Average Maturity
Asset-backed securities	\$ 3,074,629	1.76 years
Asset-backed securities	297,002	Unavailable
Commercial mortgage pools	3,293,656	3.45 years
Corporate and other bonds	36,545,219	4.17 years
Corporate and other bonds	24,549	Unavailable
U.S. government agency mortgage pools:		
Government agencies	11,617,012	5.92 years
Government bonds	6,841,959	11.69 years
Government mortgage-backed securities	30,165,007	2.97 years
Government mortgage-backed securities	12,576,303	Unavailable
Other	403,090	1.86 years
Other	9,500,800	Unavailable
Money market funds	18,860,671	Unavailable

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

Investment	Fair Value	Weighted Average Maturity
Mutual fund	\$ 5,841,752	3.5 years

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

Investment	Fair Value	Weighted Average Maturity
Mutual fund	\$ 1,880,997	5.5 years

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

City - The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investments	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 10,525,995	AAAm	Standard & Poor's
Guaranteed investment contracts	3,340,343	AA	Standard & Poor's
Bank investment pools	5,395,994	Not rated	N/A

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

Investment Type	Fair Market Value	Moody's Rating
Asset-backed securities	\$ 768,797	Aa
Corporate bonds	2,459,738	Aa
Corporate bonds	4,942,693	A
Corporate bonds	1,106,989	Baa
Corporate bonds	17,669,096	Unrated
U.S. government agency mortgage pools	4,740,148	Aaa
U.S. government obligations	2,908,457	Aaa
Commercial mortgage pools	2,299,307	Unrated
Other fixed income	1,033,184	Aaa
Other fixed income	34,890,952	Unrated
Money markets and mutual funds	7,907,993	Unrated
Other	8,244,498	Unrated

Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Market Value	Moody's Rating
Asset-backed securities	\$ 2,045,180	Aaa
Asset-backed securities	1,183,328	Aa
Asset-backed securities	142,123	Baa
Commercial mortgage pools	3,291,806	Aaa
Commercial mortgage pools	1,851	Unrated
Corporate bonds	577,428	Aaa
Corporate bonds	4,854,712	Aa
Corporate bonds	9,823,546	A
Corporate bonds	4,893,804	Baa
Corporate bonds	6,562,988	B
Corporate bonds	5,558,652	Caa
Corporate bonds	84,000	Ca
Corporate bonds	174,500	C
Corporate bonds	4,040,139	Unrated
U.S. government agency mortgage pools	11,617,012	Aaa
U.S. government agency mortgage pools	185,201	Unrated
Other	11,037,979	Unrated
Other	2,265,266	Aaa
Money market funds	18,860,671	Unrated

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Police and Fire Retirement System VEBA - The PFVEBA has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Mutual fund	\$ 144,538	Aaa
Mutual fund	361,345	Aa
Mutual fund	662,467	A
Mutual fund	933,476	Baa
Mutual fund	132,493	Ba
Mutual fund	12,045	B
Mutual fund	325,211	Caa
Mutual fund	174,650	Ca
Mutual fund	3,089,504	N/A

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

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Mutual fund	\$ 1,517,965	AAA
Mutual fund	54,549	Aa
Mutual fund	176,814	A
Mutual fund	131,670	Baa

Concentration of Credit Risk

City - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in guaranteed investment contracts; these investments are 17.34 percent of the City's total investments.

Police and Fire Retirement System - The PFRS's investment policy states that an investment manager may not have an investment in one single issuer in excess of 5 percent of that manager's total assets without written consent of the board. There is no concentration of credit risk to disclose.

Note 3 - Deposits and Investments (Continued)

General Employees' Retirement System - The GERS places no limit on the amount it may invest in any one issuer. There is no concentration of credit risk to disclose.

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

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

Foreign Currency Risk

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

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

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

General Employees' Retirement System - The GERS limits total assets in international equities and fixed income funds to 10 percent of the total pension systems' market value. There were no securities subject to foreign currency risk.

Police and Fire Retirement System VEBA - The PFVEBA had the following securities subject to foreign currency risk:

	<u>Fair Market Value</u>
European euro	\$ 1,228,386
Japanese yen	548,436
British pound	299,402
Latin American peso	173,485
S. African comm rand	162,292
Other	181,879

Note 3 - Deposits and Investments (Continued)

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

Securities Lending

Police and Fire Retirement System - As permitted by state statutes and under the provisions of a securities lending authorization agreement, the PFRS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The PFRS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2008, only United States currency was received as collateral.

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

The PFRS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2008 was 18 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, 2008, the PFRS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the PFRS as of December 31, 2008 was \$21,455,832 and \$21,580,570, respectively.

General Employees' Retirement System - As permitted by state statutes and under the provisions of a securities lending authorization agreement, the GERS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The GERS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2008, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

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

The GERS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2008 was 18 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, 2008, the GERS had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the GERS as of December 31, 2008 was \$54,083,586 and \$54,463,692, respectively.

Police and Fire Retirement System VEBA - The PFVEBA had no securities lending transactions.

General City Employees' Retirement System VEBA - The GEVEBA had no securities lending transactions.

Note 4 - Receivables and Deferred Revenue

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

	Major Funds					Total
	Governmental	Proprietary Funds			Nonmajor and Other Funds	
	Funds	Enterprise	Enterprise	Enterprise		
	General Fund	Fund - Water Fund	Fund - Sewer Fund	Fund - Parking Fund		
Receivables:						
Taxes	\$ 5,467,545	\$ -	\$ -	\$ 57,077	\$ 157,438	\$ 5,682,060
Accounts	-	5,533,023	4,380,726	-	-	9,913,749
Special assessments	-	17,449	53,999	-	-	71,448
Intergovernmental	3,662,600	-	-	-	2,210,956	5,873,556
Other	1,505,877	-	6,920	16,656	4,072,473	5,601,926
Less allowance for uncollectibles	(255,000)	-	-	(43,000)	(118,000)	(416,000)
Net receivables	<u>\$ 10,381,022</u>	<u>\$ 5,550,472</u>	<u>\$ 4,441,645</u>	<u>\$ 30,733</u>	<u>\$ 6,322,867</u>	<u>\$ 26,726,739</u>

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Receivables and Deferred Revenue (Continued)

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

	Governmental Funds			Governmental
	Unavailable	Unearned	Total	Activities Unearned
Delinquent property taxes and payments in lieu of taxes	\$ 161,650	\$ -	\$ 161,650	\$ -
Income tax receivables	3,980,708	-	3,980,708	-
Sanitation receivables	8,985	-	8,985	-
Road maintenance receivables	412,351	-	412,351	-
Grant receivables	932,056	-	932,056	-
Other receivables	630,638	-	630,638	-
Total	<u>\$ 6,126,388</u>	<u>\$ -</u>	<u>\$ 6,126,388</u>	<u>\$ -</u>

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Governmental Activities				
Other governmental capital assets:				
Capital assets not being depreciated:				
Land	\$ 16,191,079	\$ 199,417	\$ -	\$ 16,390,496
Construction in progress	7,912,320	607,116	(452,228)	8,067,208
Subtotal	24,103,399	806,533	(452,228)	24,457,704
Capital assets being depreciated:				
Streets and bridges	52,958,320	2,140,303	(204,309)	54,894,314
Land improvements	5,782,212	270,879	(40,676)	6,012,415
Buildings and improvements	45,973,042	20,460	(4,092)	45,989,410
Equipment	13,617,613	266,363	(9,120)	13,874,856
Vehicles	11,148,352	-	-	11,148,352
Furniture and fixtures	8,387,699	160,848	-	8,548,547
Subtotal	137,867,238	2,858,853	(258,197)	140,467,894
Accumulated depreciation:				
Streets and bridges	16,583,433	2,729,510	(204,309)	19,108,634
Land improvements	5,619,611	190,374	(40,676)	5,769,309
Buildings and improvements	26,082,623	1,045,299	(4,092)	27,123,830
Equipment	12,477,951	667,619	(9,120)	13,136,450
Vehicles	10,741,418	306,612	-	11,048,030
Furniture and fixtures	8,349,719	54,067	-	8,403,786
Subtotal	79,854,755	4,993,481	(258,197)	84,590,039
Net capital assets being depreciated	58,012,483	(2,134,628)	-	55,877,855
Net other governmental capital assets	\$ 82,115,882	\$ (1,328,095)	\$ (452,228)	\$ 80,335,559

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Internal Service Fund capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 52,998	\$ -	\$ -	\$ 52,998
Equipment	1,646,371	-	-	1,646,371
Vehicles	1,153,325	4,143,306	-	5,296,631
Furniture and fixtures	10,618	-	-	10,618
Subtotal	<u>2,863,312</u>	<u>4,143,306</u>	<u>-</u>	<u>7,006,618</u>
Accumulated depreciation:				
Buildings and improvements	18,791	8,650	-	27,441
Equipment	996,972	181,802	-	1,178,774
Vehicles	987,048	352,514	-	1,339,562
Furniture and fixtures	5,972	1,327	-	7,299
Subtotal	<u>2,008,783</u>	<u>544,293</u>	<u>-</u>	<u>2,553,076</u>
Net capital assets being depreciated	<u>854,529</u>	<u>3,599,013</u>	<u>-</u>	<u>4,453,542</u>
Governmental capital assets not being depreciated	24,103,399	806,533	(452,228)	24,457,704
Net governmental capital assets being depreciated	<u>58,867,012</u>	<u>1,464,385</u>	<u>-</u>	<u>60,331,397</u>
Net governmental activity capital assets	<u>\$ 82,970,411</u>	<u>\$ 2,270,918</u>	<u>\$ (452,228)</u>	<u>\$ 84,789,101</u>

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Water Fund				
Capital assets not being depreciated:				
Land	\$ 195,436	\$ -	\$ -	\$ 195,436
Construction in progress	-	1,604,554	-	1,604,554
Subtotal	195,436	1,604,554	-	1,799,990
Capital assets being depreciated:				
Land improvements	318,327	6,065	-	324,392
Building and improvements	2,922,309	59,182	(52,387)	2,929,104
Machinery and equipment	8,763,628	861,340	(1,536,983)	8,087,985
Vehicles	1,787,697	-	-	1,787,697
Water systems	20,282,628	593,020	-	20,875,648
Subtotal	34,074,589	1,519,607	(1,589,370)	34,004,826
Accumulated depreciation:				
Land improvements	190,702	19,997	-	210,699
Building and improvements	1,619,895	49,266	(52,387)	1,616,774
Machinery and equipment	5,531,504	366,130	(1,536,983)	4,360,651
Vehicles	1,695,291	41,556	-	1,736,847
Water systems	9,741,529	461,600	-	10,203,129
Subtotal	18,778,921	938,549	(1,589,370)	18,128,100
Net capital assets being depreciated	15,295,668	581,058	-	15,876,726
Net Water Fund capital assets	15,491,104	2,185,612	-	17,676,716
Sewer Fund				
Capital assets not being depreciated:				
Land	325,964	-	-	325,964
Construction in progress	-	691,866	-	691,866
Subtotal	325,964	691,866	-	1,017,830
Capital assets being depreciated:				
Land improvements	241,302	-	-	241,302
Building and improvements	11,696,638	11,925	-	11,708,563
Machinery and equipment	5,870,273	355,298	-	6,225,571
Vehicles	2,088,401	-	-	2,088,401
Sewer systems	46,775,229	529,764	-	47,304,993
Subtotal	66,671,843	896,987	-	67,568,830
Accumulated depreciation:				
Land improvements	119,032	11,121	-	130,153
Building and improvements	8,741,698	145,404	-	8,887,102
Machinery and equipment	5,457,328	150,382	-	5,607,710
Vehicles	1,688,495	98,600	-	1,787,095
Sewer systems	31,199,928	1,615,085	-	32,815,013
Subtotal	47,206,481	2,020,592	-	49,227,073
Net capital assets being depreciated	19,465,362	(1,123,605)	-	18,341,757
Net Sewer Fund capital assets	19,791,326	(431,739)	-	19,359,587

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
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	33,679,528	-	-	33,679,528
Machinery and equipment	78,976	-	-	78,976
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,722,400	-	-	34,722,400
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	21,432,652	535,745	-	21,968,397
Machinery and equipment	65,556	3,610	-	69,166
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	22,462,104	539,355	-	23,001,459
Net capital assets being depreciated	12,260,296	(539,355)	-	11,720,941
Net Parking Fund capital assets	15,426,750	(539,355)	-	14,887,395
Golf Course Fund				
Capital assets not being depreciated -				
Land	733,760	-	-	733,760
Capital assets being depreciated:				
Land improvements	4,526,154	-	-	4,526,154
Building and improvements	909,387	-	-	909,387
Machinery and equipment	438,749	-	-	438,749
Subtotal	5,874,290	-	-	5,874,290
Accumulated depreciation:				
Land improvements	2,932,978	212,581	-	3,145,559
Building and improvements	562,682	39,035	-	601,717
Machinery and equipment	368,875	12,878	-	381,753
Subtotal	3,864,535	264,494	-	4,129,029
Net capital assets being depreciated	2,009,755	(264,494)	-	1,745,261
Net Golf Course Fund capital assets	2,743,515	(264,494)	-	2,479,021
Business-type capital assets not being depreciated	4,421,614	2,296,420	-	6,718,034
Net business-type capital assets being depreciated	49,031,081	(1,346,396)	-	47,684,685
Net business-type activity capital assets	<u>\$ 53,452,695</u>	<u>\$ 950,024</u>	<u>\$ -</u>	<u>\$ 54,402,719</u>

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

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	Additions	Disposals and	Balance
	July 1, 2008		Adjustments	June 30, 2009
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	-	(43,288,687)	583,000
Equipment	20,104,441	-	(20,104,441)	-
Vehicles	450,372	-	(450,372)	-
Furniture and fixtures	4,801,449	-	(4,801,449)	-
Street and traffic signs	722,355	-	(722,355)	-
Scoreboard	4,397,725	-	(4,397,725)	-
Subtotal	81,423,724	-	(80,840,724)	583,000
Accumulated depreciation:				
Land improvements	7,075,695	-	(7,075,695)	-
Building and improvements	36,792,488	-	(36,792,488)	-
Equipment	19,807,656	-	(19,807,656)	-
Vehicles	450,372	-	(450,372)	-
Furniture and fixtures	4,689,849	-	(4,689,849)	-
Street and traffic signs	722,355	-	(722,355)	-
Scoreboard	4,290,405	-	(4,290,405)	-
Subtotal	73,828,820	-	(73,828,820)	-
Net capital assets being depreciated	7,594,904	-	(7,011,904)	583,000
Net capital assets - Pontiac Silverdome	\$ 13,274,104	\$ -	\$ (12,691,104)	\$ 583,000
Component Unit - Economic Development Corporation				
Capital assets being depreciated - Land improvements	\$ 7,004,644	\$ -	\$ -	\$ 7,004,644
Accumulated depreciation - Land improvements	350,232	175,116	-	525,348
Net capital assets - Economic Development Corporation	\$ 6,654,412	\$ (175,116)	\$ -	\$ 6,479,296

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 1,109,553
Public safety	958,500
Public works	2,925,428
Internal Service Funds	<u>544,293</u>

Total governmental activities	<u>\$ 5,537,774</u>
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Business-type activities:

Water	\$ 938,549
Sewer	2,020,592
Parking	539,355
Golf course	<u>264,494</u>

Total business-type activities	<u>\$ 3,762,990</u>
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Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Primary government:		
Governmental activities - Nonmajor funds:		
Oakland Plaza project	\$ 628,174	\$ 4,885,180
CVC infrastructure improvements	245,004	434,861
South Boulevard improvement	105,830	502,045
Martin Luther King Road improvements	<u>37,044</u>	<u>1,237,956</u>
Total governmental activities - Nonmajor funds	1,016,052	7,060,042
Business-type activities:		
Water system improvements	1,517,961	130,552
Sewer system improvements	<u>786,060</u>	<u>251,255</u>
Total business-type activities	<u>2,304,021</u>	<u>381,807</u>
Total primary government	<u>\$ 3,320,073</u>	<u>\$ 7,441,849</u>

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

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
Due from/to Other Funds		
General Fund	Nonmajor governmental fund - District Court	\$ 511,893
General Fund	Nonmajor governmental fund - Community Development Block Grant	72,486
General Fund	Nonmajor governmental fund - Internal Service Fund	550,000
Total General Fund		<u>1,134,379</u>
Nonmajor governmental funds	Nonmajor governmental funds	526,600
Nonmajor governmental fund - Internal Service Fund	Nonmajor governmental fund - Internal Service Fund	886,500
Sewer Fund	Nonmajor governmental funds - MDEQ Grant Pontiac Creek Stormwater Plan	2,485
Total		<u>\$ 2,549,964</u>
Advances from/to Other Funds		
Nonmajor governmental fund - Internal Service Fund	General Fund	\$ 4,100,000
Nonmajor governmental fund - Cable	General Fund	825,000
Nonmajor governmental fund - Chapter 20 Drains	General Fund	950,000
Nonmajor governmental fund - Capital Improvement	General Fund	2,840,000
Total		<u>\$ 8,715,000</u>
Advances to/from Other Component Units		
Component unit - Tax Increment Financing Authority	Component unit - Downtown Development Authority	\$ 873,642

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 fund - District Court	\$ 2,501,184 (1)
General Fund	Nonmajor governmental fund - Employee Sick and Vacation Fund	357,253 (2)
General Fund	Nonmajor governmental funds	181,663
General Fund	Nonmajor governmental fund - Permanent Fund - Cemetery	642,383 (1)
General Fund	Nonmajor business-type fund - Golf Course	<u>53,659 (1)</u>
Total General Fund		3,736,142
Nonmajor governmental funds	General Fund	709,121 (7)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Local Road	434,000 (3)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Debt Service Funds	66,871 (4)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Capital Project Funds	283,082 (5)
Nonmajor governmental fund - District Court	Parking Fund	56,543
Other nonmajor governmental funds	Nonmajor governmental fund - Employee Sick and Vacation Fund	67,709 (2)
Other nonmajor governmental funds	Other nonmajor governmental funds	<u>123,624 (4) (5)</u>
Total nonmajor governmental funds		1,740,950
Internal Service Funds	Nonmajor governmental funds	11,035 (2)
Water Fund	Nonmajor governmental funds	23,694 (2)
Sewer Fund	Nonmajor governmental funds	<u>117,737 (2) (6)</u>
Total		<u>\$ 5,629,558</u>

- (1) Transfer to subsidize operating shortfalls
- (2) Transfer of unrestricted resources to prefund employee sick and vacation liabilities
- (3) Transfer from Major Road Fund to Local Road Fund as allowed by Act 51
- (4) Transfer for payments of general obligation debt service
- (5) Transfers to cover road construction costs
- (6) Transfers to Stormwater Permit Activity Fund for related costs
- (7) Transfer of unrestricted funds

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.

Note 7 - Long-term Debt (Continued)

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:							
1995 Michigan Department of Transportation bonds							
Amount of issue - \$1,450,000		\$120,000 -					
Maturing through 2011	5.000%	\$140,000	\$ 400,000	\$ -	\$ (125,000)	\$ 275,000	\$ 135,000
2000 Municipal Golf Course bonds							
Amount of issue - \$6,505,000	5.965%	\$595,000 -					
Maturing through 2012		\$710,000	2,610,000	-	(595,000)	2,015,000	635,000
Building Authority Bonds #M043							
Amount of issue - \$10,000,000	4.625% -	\$275,000 -					
Maturing through 2027	4.700%	\$315,000	1,175,000	-	(275,000)	900,000	285,000
2006 Fiscal Stabilization Bonds							
Amount of issue - \$21,490,000	3.700% -	\$1,130,000 -					
Maturing through 2021	5.000%	\$2,050,000	20,360,000	-	(1,175,000)	19,185,000	1,220,000
Add: Unamortized Bond Premium			868,319	-	(66,794)	801,525	-
2006 Michigan Department of Transportation State Infrastructure Loan							
Amount of issue - \$937,500	3.000%	\$181,880 -					
Maturing through 2011		\$198,745	579,037	-	(187,336)	391,701	192,956
2006 General Motors Corporation Property Tax Reimbursement agreement - Maturing in annual installments over a 10-year period, based on an economic formula							
	N/A	Various	10,500,000	-	-	10,500,000	-
Capital lease obligations							
	Various	\$64,986 - \$145,256	1,034,510	-	(173,827)	860,683	111,137
Capital lease obligations							
	Various	\$456,976 - \$714,148	-	4,152,403	(614,113)	3,538,290	-
Other obligations:							
Compensated absences, separation, and longevity accrual			4,158,585	-	(44,493)	4,114,092	2,945,772
Other postemployment benefit obligation (Note 12)			-	6,290,072	-	6,290,072	-
Landfill closure and postclosure costs			1,580,012	897,743	-	2,477,755	-
Total governmental activities			43,265,463	11,340,218	(3,256,563)	51,349,118	5,524,865

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 debt:							
Parking Fund:							
2006 General Motors Corporation Property Tax Reimbursement Agreement							
Maturing in annual installments over a 10-year period, based on an economic formula	N/A	Various	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Other postemployment benefit obligation (Note 12)			-	38,293	-	38,293	-
Total Parking Fund			500,000	38,293	-	538,293	-
Revenue bonds:							
Water Fund:							
1995 Water Supply System							
Amount of issue - \$3,675,000	6.250%	\$215,000 -					
Maturing through 2015	6.350%	\$300,000	1,790,000	-	(215,000)	1,575,000	225,000
2002 Water Supply System							
Amount of issue - \$1,375,000	5.000%	\$55,000 -					
Maturing through 2022	5.800%	\$105,000	1,075,000	-	(55,000)	1,020,000	55,000
Other postemployment benefit obligation (Note 12)			-	292,565	-	292,565	-
Total Water Fund			2,865,000	292,565	(270,000)	2,887,565	280,000
Sewerage Fund:							
1995 Sewage Disposal System							
Amount of issue - \$2,100,000	6.100%	\$190,000 -					
Maturing through 2010	6.350%	\$205,000	395,000	-	(190,000)	205,000	205,000
2002 Sewage Disposal System							
Amount of issue - \$5,000,000	4.750%	\$190,000 -					
Maturing through 2022	5.850%	\$385,000	3,900,000	-	(195,000)	3,705,000	205,000
		\$49,785 -					
Capital lease obligation - 2007 vector	4.850%	\$57,393	164,330	-	(52,201)	112,129	54,736
Other postemployment benefit obligation (Note 12)			-	182,805	-	182,805	-
Total Sewerage Fund			4,459,330	182,805	(437,201)	4,204,934	464,736
Golf Course Fund - Other postemployment benefit obligation (Note 12)			-	6,731	-	6,731	-
Total business-type activities			7,824,330	520,394	(707,201)	7,637,523	744,736
Total governmental and business-type activities			\$ 51,089,793	\$ 11,860,612	\$ (3,963,764)	\$ 58,986,641	\$ 6,269,601

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

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:							
2002 TIFA Bonds #M0005							
Amount of issue - \$11,245,000	4.750% -	\$215,000 -					
Maturing through 2022	5.625%	\$1,180,000	\$ 5,100,000	\$ -	\$ (1,180,000)	\$ 3,920,000	\$ 215,000
Less unamortized bond discount			(353,769)	-	25,269	(328,500)	-
2007 C TIFA 1997 Marriott Refunding Bonds							
Amount of issue - \$1,315,000	3.500% -	\$125,000 -					
Maturing through 2017	5.000%	\$185,000	1,315,000	-	-	1,315,000	125,000
2007 C TIFA 1999 Marriott Refunding Bonds							
Amount of issue - \$3,280,000	3.500% -	\$145,000 -					
Maturing through 2024	5.000%	\$315,000	3,280,000	-	-	3,280,000	-
2007 C TIFA Bonds							
Amount of issue - \$1,385,000		\$85,000 -					
Maturing through 2013	3.750%	\$345,000	1,100,000	-	(345,000)	755,000	230,000
Other obligations:							
Lease payable - City of Pontiac General Building Authority							
	4.625% -	\$270,000 -					
	4.700%	\$315,000	1,175,000	-	(275,000)	900,000	285,000
County Contractual Agreement							
2006 County Building Authority Refunding Bonds							
Amount of issue - \$8,160,000	3.375% -	\$50,000 -					
Maturing through 2023	4.250%	\$2,850,000	7,960,000	-	(50,000)	7,910,000	50,000
County Contractual Agreement							
2006 County Building Authority Bonds							
Amount of issue - \$11,500,000	5.000% -	\$375,000 -					
Maturing through 2026	5.400%	\$900,000	10,775,000	-	(375,000)	10,400,000	400,000
Other postemployment benefit obligation (Note 12)							
			-	21,566	-	21,566	-
Total Tax Increment Finance Authority Area #2			30,351,231	21,566	(2,199,731)	28,173,066	1,305,000

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	4.500% -	\$180,000 -					
Maturing through 2031	6.250%	\$670,000	\$ 4,850,000	\$ -	\$ (465,000)	\$ 4,385,000	\$ 530,000
Less unamortized bond discount			(240,415)	-	18,494	(221,921)	-
2007 C TIFA Bonds							
Amount of issue - \$24,450,000	3.500% -	\$175,000 -	24,450,000	-	-	24,450,000	-
Maturing through 2031	5.000%	\$1,745,000	(980,771)	-	42,642	(938,129)	-
Less unamortized bond discount							
2007 C TIFA Bonds							
Amount of issue - \$650,000		\$25,000 -					
Maturing through 2031	3.750%	\$190,000	410,000	-	(190,000)	220,000	195,000
Total Tax Increment Finance Authority Area #3							
			28,488,814	-	(593,864)	27,894,950	725,000
Downtown Development Authority -							
Other postemployment benefit obligation (Note 12)			-	17,318	-	17,318	-
Economic Development Corporation -							
Other postemployment benefit obligation (Note 12)			-	21,499	-	21,499	-
Total component unit debt							
			\$ 58,840,045	\$ 60,383	\$ (2,793,595)	\$ 56,106,833	\$ 2,030,000

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

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 2,579,093	\$ 1,163,739	\$ 3,742,832	\$ 744,736	\$ 383,503	\$ 1,128,239
2011	3,287,172	1,269,184	4,556,356	572,393	342,014	914,407
2012	3,114,230	1,102,217	4,216,447	545,000	309,465	854,465
2013	2,203,136	929,154	3,132,290	575,000	277,666	852,666
2014	2,277,103	806,676	3,083,779	605,000	243,798	848,798
2015-2019	9,699,940	2,433,192	12,133,132	2,180,000	747,559	2,927,559
2020-2024	4,005,000	302,750	4,307,750	1,395,000	163,605	1,558,605
Total	\$ 27,165,674	\$ 8,006,912	\$ 35,172,586	\$ 6,617,129	\$ 2,467,610	\$ 9,084,739

Note 7 - Long-term Debt (Continued)

Year	Component Units		
	Principal	Interest	Total
2010	\$ 2,030,000	\$ 2,711,599	\$ 4,741,599
2011	2,165,000	2,617,451	4,782,451
2012	2,285,000	2,516,716	4,801,716
2013	4,810,000	2,409,170	7,219,170
2014	2,505,000	2,175,112	4,680,112
2015-2019	14,550,000	9,110,853	23,660,853
2020-2024	16,090,000	5,418,897	21,508,897
2025-2029	9,780,000	2,000,763	11,780,763
2030-2034	3,320,000	223,425	3,543,425
Total	<u>\$ 57,535,000</u>	<u>\$ 29,183,986</u>	<u>\$ 86,718,986</u>

Compensated absences and separation accruals of \$4,114,092 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and postclosure cost accrual of \$2,477,755 has no fixed maturity dates; therefore, they have been excluded from the above summary.

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the General Fund and 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 postclosure costs represent the cumulative amount of closure and postclosure care costs reported to date based on the use of 100 percent of the estimated capacity of the landfill.

Note 7 - Long-term Debt (Continued)

No Commitment Debt - The Economic Development Corporation, a component unit, issues tax-exempt revenue bonds and notes under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities which are leased to industrial and commercial enterprises under contracts which provide for sufficient revenue to pay principal and interest obligations of the bond issues and which further provide that the property be transferred to the lessee at the time that the indebtedness is paid in full. The debt instruments specifically indicate that the lender looks to the lessee for payment of the debt and that the Corporation and its officers are held harmless except to the extent of rentals they collect. The lease property and the bonds and notes are not considered to be assets or general obligations of the Corporation and, therefore, are not recognized in the financial statements of the City. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of June 30, 2009, no commitment debt outstanding has been determined.

Defeased Debt - In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2009, \$28,640,310 of bonds outstanding is considered defeased.

Future Revenues Pledged for Debt Payment

Governmental Activities - The City has pledged its state-shared revenue to repay the above 2006 fiscal stabilization bonds which were originally issued for \$21,490,000. Proceeds from the bonds were used to finance prior years' operating expenses of the General Fund. The bonds are payable solely from state-shared revenue. The remaining principal and interest to be paid on the bonds total \$25,858,463. During the current year, state-shared revenue was \$11,777,281 compared to annual debt requirements of \$2,156,713.

GM Property Tax Reimbursement Agreement - The City has a property tax refund obligation to General Motors Corporation (GM) as the result of a 1991 settlement related to the assessed valuation of GM property located within the City for fiscal years 1986 through 1992. The balance of the liability is \$11,000,000, of which \$10,500,000 is payable from the following governmental funds: General Fund, Sanitation Fund, Chapter 20 Drain Fund, and Capital Improvement Fund. The remaining \$500,000 is payable from the Parking Fund.

Note 7 - Long-term Debt (Continued)

The repayment agreement requires an annual payment, payable 60 days after the receipt of the annual audit report and is based on an economic growth formula (the agreement requires no payment in any year the economic growth formula produces a negative amount). The formula for payment due in the 2009/2010 fiscal year resulted in a negative amount; therefore, there is no current portion due on this liability.

The economic growth formula is determined by the increase in the sum of all property tax and income tax revenue to the City's General Fund over a baseline amount. The 2008/2009 General Fund property tax and income tax revenue was \$26,300,463. The baseline amount of \$28,510,813 was established using the 2005/2006 audited financial statements. The amount due GM annually beginning in the City's 2007/2008 fiscal year will be the difference between the annual property tax and income tax collections and the base year multiplied by a percentage. There was no amount due in the City's 2007/2008 or the 2008/2009 fiscal years. The percentage amounts are as follows:

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

Business-type Activities - The City has pledged substantially all revenue of the Water and Sewer Funds, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds of the bonds provided financing for the improvements and additions to the water and sewer supply systems. The bonds are paid solely from the net revenues of the water and sewer systems. The remaining principal and interest to be paid on the water and sewer bonds total \$3,420,240 and \$5,555,155, respectively. During the current year, net revenue of the water system was \$1,162,555 and net loss of the sewer system was \$170,256, compared to annual debt requirements of \$445,538 and \$626,223, respectively.

Note 7 - Long-term Debt (Continued)

Component Units - Tax Increment Finance Authority Area #2 (TIFA 2) and Tax Increment Finance Authority Area #3 (TIFA 3) have pledged captured property tax revenue to repay the above TIFA 2 and TIFA 3 county contractual agreements, lease payable, and revenue bonds. Proceeds of the bonds provided financing for the Marriott Hotel construction, GM Centerpointe improvements, Golf Course improvements, Phoenix Center renovations, and Clinton Valley Center Hospital Housing project. The bonds are paid solely from TIFA 2 and TIFA 3 captured property taxes. The remaining principal and interest to be paid on the TIFA 2 and TIFA 3 bonds are \$41,719,569 and \$46,496,612, respectively. During the current year, TIFA 2 and TIFA 3 captured property tax revenue totaled \$3,804,994 and \$2,831,211, respectively, compared to annual debt requirements of \$3,694,287 and \$2,028,670, respectively.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities			Business-type Activities		
	Sanitation Fund	Cemetery Fund	Total Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities
Cash and investments:						
Landfill closure and postclosure care	\$ 3,222,370	\$ -	\$ 3,222,370	\$ -	\$ -	\$ -
Cemetery endowments	-	991,960	991,960	-	-	-
Bond reserves	-	-	-	903,549	1,264,648	2,168,197
Total restricted assets	\$ 3,222,370	\$ 991,960	\$ 4,214,330	\$ 903,549	\$ 1,264,648	\$ 2,168,197

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 \$2,477,755 reported as landfill closure and postclosure liability at June 30, 2009 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.

Note 8 - Restricted Assets (Continued)

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Effective October 15, 2006, the City closed the landfill. The Michigan Department of Environmental Quality is in the process of examining closure/postclosure costs. On a volume basis versus site acreage basis, approximately 100 percent of landfill capacity is used as of June 30, 2009. 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, 2009, investments of \$3,222,370 are held for these purposes. These are reported as restricted assets on the balance sheet. Fund balance has been reserved by the same amount. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 9 - Risk Management

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

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

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Risk Management (Continued)

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

	Medical and Dental	Workers' Compensation	General Liability
Unpaid claims - June 30, 2007	\$ 1,016,068	\$ 4,200,000	\$ 2,500,000
Incurred claims	22,413,449	606,427	822,475
Claims paid	(22,502,517)	(606,427)	(822,475)
Unpaid claims - June 30, 2008	927,000	4,200,000	2,500,000
Incurred claims	22,108,125	734,677	1,036,740
Claims paid	(22,108,125)	(734,677)	(1,036,740)
Unpaid claims - June 30, 2009	<u>\$ 927,000</u>	<u>\$ 4,200,000</u>	<u>\$ 2,500,000</u>

Note 10 - Defined Benefit Pension Plan

General Employees' Retirement System

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

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

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended December 31, 2008, the City's annual pension cost of \$0 was equal to the City's actual contribution. The annual required contribution of \$0 was determined as part of an actuarial valuation at December 31, 2007, the latest actuarial valuation, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.6 percent to 9.4 percent per year, and (c) 2 percent (2.5 percent Court/MAPE) per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 30 years.

Reserves - As of December 31, 2008, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 2,661,860
Reserved for retired benefit payments	197,036,753

Three-year Trend Information

	Fiscal Year Ended December 31		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 15,695	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial Valuation as of December 31			
	2005	2006	2007
Actuarial value of assets	\$ 391,409,757	\$ 409,983,490	\$ 433,028,186
Actuarial accrued liability (AAL)			
(entry age normal)	\$ 260,103,260	\$ 266,457,429	\$ 257,940,349
Unfunded AAL (UAAL)	\$ (131,306,497)	\$ (143,526,061)	\$ (175,087,837)
Funded ratio	150.5%	153.9%	167.9%
Covered payroll	\$ 16,751,815	\$ 14,996,753	\$ 13,559,473
UAAL as a percentage of covered payroll	-	-	-

Note 10 - Defined Benefit Pension Plan (Continued)

Police and Fire Retirement System

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

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, 2008, the City's annual pension cost of \$1,829,115 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, 2007, the latest actuarial valuation, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of .5 percent to 11.0 percent per year, and (c) 2 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 20 years.

Reserves - As of December 31, 2008, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	\$ 3,226,121
Reserved for retired benefit payments	163,320,048

Note 10 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2006	2007	2008
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,324,011	\$ 2,344,231	\$ 1,829,115
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial Valuation as of December 31			
	2005	2006	2007
Actuarial value of assets	\$ 253,702,503	\$ 258,738,855	\$ 271,992,032
Actuarial accrued liability (AAL)			
(entry age normal)	\$ 229,779,819	\$ 231,715,863	\$ 235,981,324
Unfunded AAL (UAAL)	\$ (23,922,684)	\$ (27,022,992)	\$ (36,010,708)
Funded ratio	110.4%	111.7%	115.3%
Covered payroll	\$ 13,758,914	\$ 12,831,719	\$ 11,066,828
UAAL as a percentage of covered payroll	-	-	-

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 10 - Defined Benefit Pension Plan (Continued)

Financial Statement Information - As of December 31, 2008, the statement of net assets for the General Employees' Retirement System and the Police and Fire Retirement System is as follows:

	General Employees' Retirement System	Police and Fire Retirement System
Assets		
Cash	\$ 104,952	\$ 104,952
Cash and investments held as collateral for securities lending	54,083,586	21,455,832
Accrued interest and dividends receivable	1,672,446	330,490
Accounts receivable:		
Due from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Fund	-	37,068
Due from GEVEBA	93,368	-
Due from City of Pontiac	-	149,459
Other	-	3,756
Investments at fair value - Including loaned securities:		
Money market and mutual funds	19,813,055	7,344,442
U.S. government obligations	-	2,908,457
U.S. government agency notes and debentures	6,841,959	-
U.S. government agency mortgage pools	54,358,322	20,877,822
Corporate and other bonds	21,946,857	22,345,350
Equities	201,802,151	95,370,860
Commercial mortgage pools	3,293,656	2,299,307
Asset-backed securities	3,371,630	768,797
High yield bonds	14,622,911	3,833,167
Other fixed income	-	35,924,136
Other	9,903,890	16,270,086
Total investments	<u>335,954,431</u>	<u>207,942,424</u>
Total assets	391,908,783	230,023,981
Liabilities		
Due to City of Pontiac	65,187	-
Due to City of Pontiac Police and Fire Retirement System	3,711	-
Accounts payable and other liabilities	655,033	329,443
Amounts due to broker under securities lending agreement	55,195,306	21,887,897
Total liabilities	<u>55,919,237</u>	<u>22,217,340</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 335,989,546</u>	<u>\$ 207,806,641</u>

Note 10 - Defined Benefit Pension Plan (Continued)

As of December 31, 2008, the statements of changes in net assets for the General Employees' Retirement System and the Police and Fire Retirement System are as follows:

	<u>General Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>
Additions		
Securities lending income (loss):		
Interest and fees	\$ 2,704,008	\$ 1,032,906
Less borrower rebates and bank fees	<u>(2,247,097)</u>	<u>(872,395)</u>
Net securities lending income	456,911	160,511
Contributions:		
Employee	-	277,987
Employer	<u>-</u>	<u>1,829,115</u>
Total contributions	-	2,107,102
Other - Miscellaneous and litigation revenue	<u>168,879</u>	<u>196,580</u>
Total additions	625,790	2,464,193
Deductions		
Investment (loss) income:		
Interest and dividend income	11,439,442	4,752,088
Net decline in fair value	(141,306,582)	(65,810,781)
Investment advisor fees	<u>(2,683,011)</u>	<u>(1,125,023)</u>
Net investment loss	(132,550,151)	(62,183,716)
Other deductions:		
Retirees' pension benefits and retirement incentives	(19,436,881)	(14,220,177)
Member refunds and withdrawals	-	(394,582)
Other expenses	(288,466)	(158,145)
Charges from the City of Pontiac - Administrative expenses	<u>(266,342)</u>	<u>(122,838)</u>
Total deductions	<u>(152,541,840)</u>	<u>(77,079,458)</u>
Net Decrease in Net Assets Held in Trust for Pension Benefits	(151,916,050)	(74,615,265)
Net Assets Held in Trust for Pension Benefits - January 1, 2008	<u>487,905,596</u>	<u>282,421,906</u>
Net Assets Held in Trust for Pension Benefits - December 31, 2008	<u>\$ 335,989,546</u>	<u>\$ 207,806,641</u>

Note 11 - Defined Contribution Pension Plan

Defined Contribution Plan - Beginning January 1, 2002, the City began providing pension benefits to its full-time nonunion employees and elected officials through a 401(a) defined contribution plan. Nonunion employees and elected officials were given the option to participate in the defined contribution plan or the defined benefit plan. Effective July 1, 2005, SAEA members were also given the option to participate in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council, the City contributes 9 percent of the employees' gross earnings and employees are required to contribute 3 percent. Employer contributions for each employee plus interest allocated to the employees' account are immediately vested.

The City's total payroll during the current year was \$29,858,079. The current year contribution was calculated based on covered payroll of \$251,597, resulting in an employer contribution of \$22,643 and employee contributions of \$7,548.

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 two plans:

General Employees' Retiree Health and Insurance Benefits Trust

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

Note 12 - Other Postemployment Benefits (Continued)

Funding Policy - The City pays the cost of insurance premiums as they are due for payment. In addition, the City is required to make minimum contributions to the Trust 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. Amounts paid for current premiums and advance funding for the year ended June 30, 2009 are shown below.

Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 10,674,833
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	10,674,833
Amounts contributed:	
Payments of current premiums	(7,046,970)
Advance funding	(403,390)
	<hr/>
Increase in net OPEB obligation	3,224,473
OPEB obligation - Beginning of year	-
	<hr/>
OPEB obligation - End of year	<u>\$ 3,224,473</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Annual OPEB cost	\$ 10,674,833
Percentage contributed	69.79%
Net OPEB obligation	\$ 3,224,473

Note 12 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

	Actuarial Valuation as of December 31, 2006
Actuarial value of assets	\$ 4,928,700
Actuarial accrued liability (AAL)	\$ 154,823,626
Unfunded AAL (UAAL)	\$ 149,894,926
Funded ratio	3.18%
Accrual covered payroll	\$ 14,996,753
Ratio of UAAL to covered payroll	999.52%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented above presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Projects of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 12 - Other Postemployment Benefits (Continued)

In the December 31, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return compounded annually (net of administration expense), which consists of a real rate of return of 3.0 percent per year plus a long-term rate of inflation of 4.5 percent per year. It also included healthcare cost increases ranging from 4.5 percent to 10.0 percent for the years included in the valuation. The actuarial value of assets is set to equal fair market value. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006 was 25 years.

Police and Fire Retiree Prefunded Group Health and Insurance Trust

Plan Description - 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, 124 retirees are eligible for benefits under this plan. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Trust at 47450 Woodward, Pontiac, Michigan 48342.

Funding Policy - The City is required by ordinance to contribute on a percent of covered payroll which the trustees have deemed to be based on actuarial recommended amounts. An actuarial valuation was performed as of December 31, 2006 which arrived at a required employer contribution rate of 22.85 percent of police and fire wages.

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 5,594,865
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	5,594,865
Amounts contributed	<u>(2,678,324)</u>
	<hr/>
Increase in net OPEB obligation	2,916,541
OPEB obligation - Beginning of year	-
	<hr/>
OPEB obligation - End of year	<u>\$ 2,916,541</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Annual OPEB cost	\$ 5,594,865
Percentage contributed	47.87%
Net OPEB obligation	\$ 2,916,541

The funding progress of the plan as of the most recent valuation date is as follows:

	Actuarial Valuation as of December 31, 2006
	<hr/>
Actuarial value of assets	\$ 25,534,993
Actuarial accrued liability (AAL)	\$ 79,788,465
Unfunded AAL (UAAL)	\$ 54,253,472
Funded ratio	32.00%
Accrual covered payroll	\$ 12,831,719
Ratio of UAAL to covered payroll	422.81%

Note 12 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule funding progress, presented above, presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return compounded annually (net of administrative expenses), which consists of a real rate of return of 3.0 percent per year plus a long-term rate of inflation of 4.5 percent per year. The valuation did not include specific assumptions related to healthcare cost increases. The actuarial value of assets is set to equal fair market value. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006 was 30 years.

City of Pontiac, Michigan

Notes to Financial Statements June 30, 2009

Note 12 - Other Postemployment Benefits (Continued)

Financial Statement Information - As of December 31, 2008, the statements of net assets for the General Employees' Retiree Health and Insurance Benefits Trust and the Police and Fire Retiree Prefunded Group Health and Insurance Trust are as follows:

	General Employees' Retiree Health and Insurance Benefits Trust	Police and Fire Retiree Prefunded Group Health and Insurance Trust
Assets		
Investments at fair value	\$ 4,847,931	\$ 22,237,733
Due from City of Pontiac	41,705	-
Total assets	4,889,636	22,237,733
Liabilities		
Due to City of Pontiac	-	1,668,658
Due to City of Pontiac General Employees' Retirement System	93,368	-
Due to City of Pontiac Police and Fire Retirement System	45	37,068
Accounts payable	-	2,403
Total liabilities	93,413	1,708,129
Trust Net Assets	\$ 4,796,223	\$ 20,529,604

Note 12 - Other Postemployment Benefits (Continued)

As of December 31, 2008, the statements of changes in net assets for the General Employees' Retiree Health and Insurance Benefits Trust and the Police and Fire Retiree Prefunded Group Health and Insurance Trust are as follows:

	General Employees' Retiree Health and Insurance Benefits Trust	Police and Fire Retiree Prefunded Group Health and Insurance Trust
Additions - Contributions - Employer	\$ 447,181	\$ 2,809,333
Deductions		
Investment (loss) income:		
Interest and dividend income	172,598	778,340
Net decline in fair value of investments	(1,502,101)	(12,831,966)
Investment advisor fees	-	(15,000)
Net investment loss	(1,329,503)	(12,068,626)
Other deductions:		
Professional services	(3,965)	-
Retirees' health benefits	-	(1,898,386)
Other expenses	-	(9,107)
Total deductions	(1,333,468)	(13,976,119)
Net Decrease in Trust Net Assets	(886,287)	(11,166,786)
Trust Net Assets - January 1, 2008	5,682,510	31,696,390
Trust Net Assets - December 31, 2008	<u>\$ 4,796,223</u>	<u>\$ 20,529,604</u>

City of Pontiac Retiree Health Care Plan

Plan Description - The City also provides Medicare Part B reimbursement to eligible employees and health, optical, dental, and life insurance benefits to police and fire retirees not eligible for the Police and Fire Retiree Prefunded Group Health and Insurance Trust noted above. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements.

Note 12 - Other Postemployment Benefits (Continued)

Funding Policy - The collective bargaining agreements do not require employee contributions. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis).

Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,380,928
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	4,380,928
Amounts contributed:	
Payments of current premiums	(3,651,095)
Advance funding	-
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Increase in net OPEB obligation	729,833
OPEB obligation - Beginning of year	-
	<hr/>
OPEB obligation - End of year	<u>\$ 729,833</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for year ended June 30, 2009 were as follows:

Annual OPEB costs	\$ 4,380,928
Percentage contributed	83.34%
Net OPEB obligation	\$ 729,833

Note 12 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

	Actuarial Valuation as of December 31, 2006
Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	\$ 90,952,284
Unfunded AAL (UAAL)	\$ 90,952,284
Funded ratio	0.00%
Accrual covered payroll	\$ 29,840,682
Ratio of UAAL to covered payroll	304.79%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 12 - Other Postemployment Benefits (Continued)

In the December 31, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return which consists of a real rate of return of 1.0 percent per year plus a long-term rate of wage growth of 4.0 percent per year and annual healthcare cost trend rates as follows:

Medicare Part B	9% in 2009, grading to 4.0% in 2015
Medical and Prescription Drug	10% in 2008, grading to 4.0% in 2016
Dental	5% in 2008, grading to 4.0% in 2010
Vision	3%

The actuarial value of assets is set to equal fair market value. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006 was 30 years.

Note 13 - Contingent Liabilities

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

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

Note 14 - Transfer of North Oakland Medical Center Operations

In 1993, the Pontiac Hospital Finance Authority (PHFA), a discretely presented component unit, was incorporated by City Council. Effective December 30, 1993, the City transferred the operations of the Pontiac General Hospital and Medical Center (PGHMC), a Michigan nonprofit corporation, to PHFA. The transfer of the hospital's operations from the City occurred through the completion of two principal transactions: (1) the transfer of the hospital buildings, equipment, and substantially all other tangible and intangible assets of the hospital from North Oakland Medical Center (NOMC) to PHFA, to be leased as a going concern by PHFA to PGHMC and (2) a ground lease of the hospital land by the City to PGHMC. In consideration of the transfer of the hospital's operations, PHFA paid the City \$7,600,000 plus approximately \$803,000 to reimburse the City for its 1993 payments on the 1979 General Obligation Bonds and assumed an obligation to pay \$1,000,000 annually to the City for the next 30 years. PHFA also refunded the City's 1979 General Obligation 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 (Series 1993 Bonds). The Series 1993 Bonds and interest and premiums payable thereon are not obligations of the City and are only special limited obligations of PHFA. The base rent under the lease agreement between PHFA and PGHMC is for the principal, interest, and premiums or cost related to the Series 1993 Bonds, payable from PGHMC directly to the bond trustee. The lease of the hospital facilities and equipment is being accounted for as a direct financing lease by PHFA. The initial term of the going concern lease is 30 years. It contains an option provision for completing the privatization (purchase) of the facility during the lease term upon approval of PHFA and payment of funds according to a specified formula. The lease agreement also contains an automatic renewal clause for an additional 30-year term, if the privatization is not completed by the end of the 29th year of the initial lease term.

During fiscal year 2008, PGHMC defaulted on the 1993 revenue bonds noted above. The City received no payments from PGHMC during fiscal year 2008 and the lease was terminated by PGHMC in November 2008. The City is entitled to receive all assets and liabilities of PGHMC upon termination of the lease and subsequently sold the facility and equipment to another entity in November 2008 for \$2,000,000. As of June 30, 2009, the City continues litigation against PGHMC to determine the ultimate resolution of the remaining assets and liabilities.

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

On August 26, 2008, NOMC filed for Chapter 11 bankruptcy. The City has initiated proceedings against NOMC to recover money previously deposited in a trust that was created when the hospital was privatized in 1993. The City and various claimants are in the process of filing a mediated settlement. No amounts have been recorded in the financial statements as of June 30, 2009.

Note 15 - Asset Impairment

During the year ended June 30, 2009, the City determined that there was sufficient evidence of an impairment to write down the reported value of the Silverdome property. The recorded value was written down from a net book value of approximately \$13.2 million to \$583,000 and the charge was recognized in the current year statements as an “extraordinary item - asset impairment” expense. Subsequent to year end, the Silverdome was sold at auction for \$583,000.

Note 16 - Management’s Plans

The City prepared a formal deficit elimination plan and submitted it to the State of Michigan Department of Treasury (the “State”) in March 2007. The State did not certify the plan because it did not provide adequate assurances that the deficit would be eliminated. A preliminary review of the City’s financial condition was performed by the State on July 31, 2007 in accordance with Section 12(1) of Public Act 72 of 1990. The State concluded from the review that a serious financial problem did exist and the governor appointed a review team on April 28, 2008. The review team confirmed that a serious problem does exist and recommended to the governor that the City enter into a consent agreement rather than appointing an emergency financial manager (EFM). The consent agreement mandated seven remedial actions and 16 ongoing compliance requirements. The City was bound to adhere to the consent agreement or any noncompliance condition would result in immediate appointment of an EFM. The City failed to comply with the consent agreement and an EFM was appointed to run the City on March 19, 2009. Upon the appointment of the EFM, the consent agreement was no longer applicable.

Note 16 - Management's Plans (Continued)

The EFM prepared and adopted the 2009/2010 budget. The budget includes a loss of approximately \$5 million in revenue from the 2008/2009 fiscal year. The adopted budget also includes a balanced operating budget achieved through cost-cutting measures and significant expenditure reductions from employee wage and fringe benefit concessions. The adopted budget does not address the cumulative General Fund deficit; however, the June 30, 2009 deficit elimination plan for the 2010 fiscal year anticipated approximately \$6 million in proceeds from the sale of the Silverdome which would offset the cumulative deficit at June 30, 2009.

Prior to the EFM's arrival, the City's deficit elimination plan estimated the proceeds from the sale of some of the City's largest assets such as the Silverdome, cemeteries, golf course, and various other property would be more than sufficient to eliminate the cumulative deficit. The EFM has concluded after significant review and research that for the majority of the assets listed above, there is no market or the value in today's real estate market will not generate sufficient proceeds to eliminate much if any of the cumulative deficit.

The EFM continues to explore additional annual operating expenditure reductions and possible revenue enhancements to not only eliminate the annual operating deficits but to generate an operating surplus to reduce the cumulative General Fund deficit. The EFM will be updating the City's deficit elimination plan during the fiscal year ending June 30, 2010. The State requires a deficit elimination plan be filed for any fund with a deficit and the plan must show the deficit being eliminated in no more than five years.

Note 17 - New Accounting Standard

In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 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 pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$6,290,072, the business-type activities of \$520,394, and the component unit activities of \$60,383 in excess of what would have been reported in prior years.

Note 18 - Upcoming Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Required Supplemental Information

City of Pontiac, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	\$ 15,292,651	\$ 15,646,828	\$ 15,597,743	\$ (49,085)
Income taxes	13,000,000	11,168,322	11,011,408	(156,914)
State sources	12,041,756	11,899,487	11,777,281	(122,206)
Charges for services	4,570,932	4,214,447	4,382,255	167,808
Investment income	100,000	100,000	(159,925)	(259,925)
Other	789,563	679,348	627,910	(51,438)
Cable revenue	460,000	498,092	498,092	-
Rental	-	-	2,000,000	2,000,000
Charges to other funds for administrative services and reimbursements	3,539,580	3,605,489	3,760,596	155,107
Interdepartmental revenue	1,734,254	1,600,954	1,389,796	(211,158)
Transfer from other fund	564,185	564,185	709,121	144,936
Total revenue	52,092,921	49,977,152	51,594,277	1,617,125
Expenditures				
General government:				
City Council	563,829	563,829	508,073	55,756
City clerk	475,694	475,694	491,354	(15,660)
Attorney	842,782	842,782	922,835	(80,053)
Finance	2,704,640	2,704,640	2,509,845	194,795
Executive office	561,501	561,501	479,582	81,919
Personnel	446,371	446,371	418,392	27,979
Total general government	5,594,817	5,594,817	5,330,081	264,736
Public safety:				
Police	10,581,920	10,581,920	10,970,030	(388,110)
Fire	13,416,915	13,416,915	14,764,569	(1,347,654)
Total public safety	23,998,835	23,998,835	25,734,599	(1,735,764)
Public works and utilities	4,559,297	4,559,297	4,070,971	488,326
Community development	1,548,877	1,548,877	1,530,452	18,425
Community and human services	303,605	303,605	248,002	55,603
General and special programs	16,087,490	13,971,721	12,934,853	1,036,868
Contribution to component units	-	-	345,000	(345,000)
Total expenditures	52,092,921	49,977,152	50,193,958	(216,806)
Excess of Revenue Over Expenditures	-	-	1,400,319	1,400,319
Fund Balance (Deficit) - Beginning of year	(7,007,957)	(7,007,957)	(7,007,957)	-
Fund Balance (Deficit) - End of year	<u>\$ (7,007,957)</u>	<u>\$ (7,007,957)</u>	<u>\$ (5,607,638)</u>	<u>\$ 1,400,319</u>

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2009

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>						
12/31/02 *	\$ 393,214,033	\$ 235,422,367	\$ (157,791,666)	167.0	\$ 20,039,136	-
12/31/03	394,367,065	247,396,857	(146,970,208)	159.4	20,807,612	-
12/31/04	394,807,254	258,365,787	(136,441,467)	152.8	21,320,477	-
12/31/05	391,409,757	260,103,260	(131,306,497)	150.5	16,751,815	-
12/31/06	409,983,490	266,457,429	(143,526,061)	153.9	14,996,753	-
12/31/07	433,028,186	257,940,349	(175,087,837)	167.9	13,559,473	-
<u>Police and Fire Retirement System</u>						
12/31/02	\$ 239,657,864	\$ 204,588,488	\$ (35,069,376)	117.1	\$ 13,528,501	-
12/31/03 *#	244,770,438	216,553,276	(28,217,162)	113.0	15,308,134	-
12/31/04 #	249,927,425	225,466,883	(24,460,542)	110.8	15,830,247	-
12/31/05	253,702,503	229,779,819	(23,922,684)	110.4	13,758,914	-
12/31/06	258,738,855	231,715,863	(27,022,992)	111.7	12,831,719	-
12/31/07	271,992,032	235,981,324	(36,010,708)	115.3	11,066,828	-
<u>General Employees' Retiree Health and Insurance Benefits Trust</u>						
12/31/04	\$ 3,202,351	\$ 139,925,086	\$ 136,722,735	2.3	\$ 21,210,461	644.60%
12/31/05	3,973,887	157,048,845	153,074,958	2.5	16,751,815	913.78%
12/31/06	4,928,700	154,823,626	149,894,926	3.2	14,996,753	999.52%
<u>Police and Fire Retiree Prefunded Group Health and Insurance Trust</u>						
** 12/31/06	\$ 25,534,993	\$ 79,788,465	\$ 54,253,472	32.0	\$ 12,831,719	422.81%

* Plan amended

** Actuary valuation reports obtained for the plan for the fiscal years ended December 31, 2005 and 2004 do not disclose the actuarial accrued liability.

Certain assumptions revised

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2009

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage/ Amount Contributed
<u>General Employees' Retirement System</u>			
06/30/04	12/31/03	\$ 10,608	100.00%
06/30/05	12/31/04	2,767	392.90
06/30/06	12/31/05	16,926	100.00
06/30/07	12/31/06	15,695	100.00
06/30/08	12/31/07	-	100.00
06/30/09	12/31/08	-	100.00
<u>Police and Fire Retirement System</u>			
06/30/04	12/31/03	2,008,947	100.00
06/30/05	12/31/04	2,141,247	100.00
06/30/06	12/31/05	2,242,320	100.00
06/30/07	12/31/06	2,324,011	100.00
06/30/08	12/31/07	2,344,231	100.00
06/30/09	12/31/08	1,829,115	100.00
<u>General Employees' Retiree Health and Insurance Benefits Trust</u>			
06/30/07	12/31/05	*	** \$ 496,386
06/30/08	12/31/06	*	** 451,945
06/30/09	12/31/06	*	** 447,181
<u>Police and Fire Retiree Prefunded Group Health and Insurance Trust</u>			
06/30/07	12/31/05	*	2,799,008
06/30/08	12/31/06	*	2,908,138
06/30/09	12/31/09	*	** 2,809,333

* GASB Statement No. 45 is not required to be adopted until the fiscal year ending December 31, 2009.

** Represents contributions to the Trust for pre-funding and coverage provided to current retirees

City of Pontiac, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2009

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation, follows:

General Employees' Retirement System

Actuarial cost method	Individual entry age actuarial cost
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value with five-year smoothing of gains and losses
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	5.6% - 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
Remaining amortization period	20 years, open
Asset valuation method	Market value with five-year smoothing of changes in security prices
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	0.5% to 11.0%
*Includes inflation at	4.0%
Cost of living adjustments	2%

General Employees' Retiree Health and Insurance Benefits Trust

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	25 years, open
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected healthcare increases*	4.5% - 10.0%
*Includes inflation at	4.5%

Police and Fire Retiree Prefunded Group Health and Insurance Trust

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Actuarial assumptions:	
Investment rate of return*	7.5%
*Includes inflation at	4.5%

City of Pontiac, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Budgetary Information

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

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

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

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 43,473,421	\$ 41,046,081
Interdepartmental revenue	1,389,796	1,389,796
Property tax chargebacks reported as expenditures	261,343	261,343
Transfers in	709,121	-
Transfers out	-	3,736,142
Special item	2,000,000	-
Reimbursements from other funds recorded as revenue	<u>3,760,596</u>	<u>3,760,596</u>
Amounts per budgetary comparison schedule	<u>\$ 51,594,277</u>	<u>\$ 50,193,958</u>

Department heads normally 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 the City Council for review by June 1. The City Council makes edits, if necessary, and adopts the final budget request by June 30 each year.

City of Pontiac, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Budgetary Information (Continued)

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.

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		
Clerk	\$ 475,694	\$ 491,354
Attorney	842,782	922,835
Police	10,581,920	10,970,030
Fire	13,416,915	14,764,569
Contribution to component units	-	345,000

Medical insurance expenses were higher than expected in the Clerk, Police, and Fire departments. Additional outside legal expenditures accounted for the budget overage in the attorney's department. In addition, the fire department's overtime was greater during the year than the City anticipated. The General Fund provided a subsidy to the Silverdome in the current year resulting in a budget overage.

Other Supplemental Information

City of Pontiac, Michigan

Other Supplemental Information Summary Combining Balance Sheet Nonmajor Governmental Fund Types June 30, 2009

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Fund	Total Nonmajor Governmental Funds
Assets					
Cash and investments	\$ 6,304,968	\$ 6,746,602	\$ -	\$ 60,176	\$ 13,111,746
Receivables - Net:					
Property taxes	28,424	11,014	-	-	39,438
Other receivables	55,684	21,598	-	86,471	163,753
Due from other funds	526,600	-	-	-	526,600
Due from other funds - Advances	1,775,000	2,840,000	-	-	4,615,000
Due from other governmental units	2,062,780	148,176	-	-	2,210,956
Other assets	19,382	-	-	-	19,382
Restricted assets	3,222,370	-	-	991,960	4,214,330
Total assets	<u>\$ 13,995,208</u>	<u>\$ 9,767,390</u>	<u>\$ -</u>	<u>\$ 1,138,607</u>	<u>\$ 24,901,205</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 687,301	\$ 531,548	\$ -	\$ 60,053	\$ 1,278,902
Other accrued liabilities	75,837	-	-	123	75,960
Due to other funds	1,046,864	66,600	-	-	1,113,464
Deferred revenue	1,294,957	97,873	-	86,471	1,479,301
Total liabilities	3,104,959	696,021	-	146,647	3,947,627
Fund Balances					
Reserved for endowment	-	-	-	991,960	991,960
Reserved for landfill postclosure costs	3,222,370	-	-	-	3,222,370
Unreserved, reported in:					
Special Revenue Funds	7,667,879	-	-	-	7,667,879
Capital Project Funds	-	9,071,369	-	-	9,071,369
Total fund balances	10,890,249	9,071,369	-	991,960	20,953,578
Total liabilities and fund balance	<u>\$ 13,995,208</u>	<u>\$ 9,767,390</u>	<u>\$ -</u>	<u>\$ 1,138,607</u>	<u>\$ 24,901,205</u>

City of Pontiac, Michigan

Other Supplemental Information Summary Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2009

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Care	Total Nonmajor Governmental Funds
Revenue					
Taxes	\$ 5,089,473	\$ 1,652,649	\$ -	\$ -	\$ 6,742,122
Federal grants	2,964,424	21,018	-	-	2,985,442
State grants	4,924,775	92,853	-	-	5,017,628
Charges for services	919,160	-	-	229,581	1,148,741
Fines and forfeitures	1,728,538	-	-	-	1,728,538
Investment income	266,939	96,858	-	17,035	380,832
Contribution from component units	41,588	-	1,084,642	-	1,126,230
Other	398,965	-	-	174,564	573,529
Total revenue	16,333,862	1,863,378	1,084,642	421,180	19,703,062
Expenditures					
Current:					
General government	20,949	52,789	-	-	73,738
District court	4,035,819	-	-	-	4,035,819
Public safety	102,056	481,872	-	-	583,928
Public works and utilities	9,063,139	819,219	-	1,057,299	10,939,657
Community development	2,818,373	8,059	-	-	2,826,432
Community and human services	1,100,421	-	-	-	1,100,421
General and special programs	818,986	104,586	-	-	923,572
Commercial and industrial development	48,725	156,457	-	-	205,182
Debt service	-	204,708	1,226,917	-	1,431,625
Total expenditures	18,008,468	1,827,690	1,226,917	1,057,299	22,120,374
Excess of Revenue Over (Under) Expenditures	(1,674,606)	35,688	(142,275)	(636,119)	(2,417,312)
Other Financing Sources (Uses)					
Transfers in	3,742,495	283,082	142,275	642,383	4,810,235
Transfers out	(1,686,466)	(48,220)	-	(6,264)	(1,740,950)
Total other financing sources	2,056,029	234,862	142,275	636,119	3,069,285
Net Change in Fund Balances	381,423	270,550	-	-	651,973
Fund Balances - Beginning of year	10,508,826	8,800,819	-	991,960	20,301,605
Fund Balances - End of year	\$ 10,890,249	\$ 9,071,369	\$ -	\$ 991,960	\$ 20,953,578

City of Pontiac, Michigan

	Major Roads	Local Roads	PA 48 - Tele- communication Allocation	Sanitation Fund	District Court	Chapter 20 Drain
Assets						
Cash and investments	\$ 8,810	\$ 3,338	\$ 564,636	\$ 462,256	\$ 586,095	\$ 1,833,125
Receivables - Net:						
Property taxes	-	-	-	21,030	-	4,346
Other receivables	703	-	-	54,981	-	-
Due from other funds	66,600	350,000	-	-	-	110,000
Due from other funds - Advances	-	-	-	-	-	950,000
Due from other governmental units	943,499	158,509	-	-	-	-
Other assets	19,382	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	3,222,370	-	-
Total assets	\$ 1,038,994	\$ 511,847	\$ 564,636	\$ 3,760,637	\$ 586,095	\$ 2,897,471
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 73,285	\$ 7,443	\$ 39,443	\$ 320,961	\$ 3,475	\$ -
Accrued and other liabilities	-	-	-	5,110	70,727	-
Due to other funds	460,000	-	-	-	511,893	-
Deferred revenue	412,351	-	-	30,015	-	4,346
Total liabilities	945,636	7,443	39,443	356,086	586,095	4,346
Fund Balances (Deficit)						
Reserved for landfill postclosure costs	-	-	-	3,222,370	-	-
Unreserved, undesignated	93,358	504,404	525,193	182,181	-	2,893,125
Total fund balances (deficit)	93,358	504,404	525,193	3,404,551	-	2,893,125
Total liabilities and fund balances (deficit)	\$ 1,038,994	\$ 511,847	\$ 564,636	\$ 3,760,637	\$ 586,095	\$ 2,897,471

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009**

Phoenix Center Plaza Events	Community Development Block Grant	Senior Activities	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan
\$ -	\$ 54,918	\$ 821,785	\$ 22,429	\$ 267,061	\$ -
-	-	930	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	291,764	-	39,677	-	3,295
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 346,682</u>	<u>\$ 822,715</u>	<u>\$ 62,106</u>	<u>\$ 267,061</u>	<u>\$ 3,295</u>
\$ -	\$ 58,330	\$ 14,286	\$ 62,006	\$ 4,294	\$ 810
-	-	-	-	-	-
-	72,486	-	-	-	2,485
-	215,866	930	-	-	3,295
-	346,682	15,216	62,006	4,294	6,590
-	-	-	-	-	-
-	-	807,499	100	262,767	(3,295)
-	-	807,499	100	262,767	(3,295)
<u>\$ -</u>	<u>\$ 346,682</u>	<u>\$ 822,715</u>	<u>\$ 62,106</u>	<u>\$ 267,061</u>	<u>\$ 3,295</u>

City of Pontiac, Michigan

	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund	Police Millage	Recreation Millage	Library
Assets						
Cash and investments	\$ -	\$ 101,884	\$ -	\$ -	\$ -	\$ 1,544,096
Receivables - Net:						
Property taxes	-	-	-	22	237	1,859
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other funds - Advances	-	-	-	-	-	-
Due from other governmental units	626,036	-	-	-	-	-
Other assets	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	\$ 626,036	\$ 101,884	\$ -	\$ 22	\$ 237	\$ 1,545,955
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ -	\$ 2,440	\$ -	\$ -	\$ -	\$ 49,283
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	626,036	-	-	22	237	1,859
Total liabilities	626,036	2,440	-	22	237	51,142
Fund Balances (Deficit)						
Reserved for landfill postclosure costs	-	-	-	-	-	-
Unreserved, undesignated	-	99,444	-	-	-	1,494,813
Total fund balances (deficit)	-	99,444	-	-	-	1,494,813
Total liabilities and fund balances (deficit)	\$ 626,036	\$ 101,884	\$ -	\$ 22	\$ 237	\$ 1,545,955

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2009**

Neighborhood Revitalization	Computer Purchase Control Fund	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
\$ -	\$ 4,861	\$ 2,953	\$ 26,721	\$ 6,304,968
-	-	-	-	28,424
-	-	-	-	55,684
-	-	-	-	526,600
-	-	825,000	-	1,775,000
-	-	-	-	2,062,780
-	-	-	-	19,382
-	-	-	-	3,222,370
\$ -	\$ 4,861	\$ 827,953	\$ 26,721	\$ 13,995,208
\$ -	\$ 4,861	\$ 19,663	\$ 26,721	\$ 687,301
-	-	-	-	75,837
-	-	-	-	1,046,864
-	-	-	-	1,294,957
-	4,861	19,663	26,721	3,104,959
-	-	-	-	3,222,370
-	-	808,290	-	7,667,879
-	-	808,290	-	10,890,249
\$ -	\$ 4,861	\$ 827,953	\$ 26,721	\$ 13,995,208

City of Pontiac, Michigan

	Major Roads	Local Roads	PA 48 - Tele- communication Allocation	Sanitation Fund	District Court	Chapter 20 Drain
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ 3,305,416	\$ -	\$ (736)
Federal grants	-	-	-	-	-	-
State grants	3,667,285	981,565	211,005	-	-	-
Charges for services	-	-	-	771,362	-	-
Fines and forfeitures	-	-	-	-	1,625,915	-
Investment income (loss)	(987)	2,963	7,520	139,767	(3,429)	50,419
Contribution from component units	-	-	-	-	-	-
Other	67,589	104,778	-	10	12,087	-
Total revenue	3,733,887	1,089,306	218,525	4,216,555	1,634,573	49,683
Expenditures - Current						
General government	-	-	-	-	-	-
District court	-	-	-	-	4,035,819	-
Public safety	-	-	-	-	-	-
Public works and utilities	3,709,459	1,171,398	39,626	4,015,696	-	47,954
Community development	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-
Total expenditures	3,709,459	1,171,398	39,626	4,015,696	4,035,819	47,954
Excess of Revenue Over (Under) Expenditures	24,428	(82,092)	178,899	200,859	(2,401,246)	1,729
Other Financing Sources (Uses)						
Transfers in	48,220	434,000	-	-	2,501,184	-
Transfers out	(783,953)	(75,404)	-	(5,474)	(99,938)	-
Total other financing sources (uses)	(735,733)	358,596	-	(5,474)	2,401,246	-
Net Change in Fund Balances	(711,305)	276,504	178,899	195,385	-	1,729
Fund Balances (Deficit) - Beginning of year	804,663	227,900	346,294	3,209,166	-	2,891,396
Fund Balances (Deficit) - End of year	\$ 93,358	\$ 504,404	\$ 525,193	\$ 3,404,551	\$ -	\$ 2,893,125

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Special Revenue Funds
Year Ended June 30, 2009

Phoenix Center Plaza Events	Community Development Block Grant	Senior Activities	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan
\$ -	\$ -	\$ 596,767	\$ -	\$ -	\$ -
-	1,920,795	-	853,007	175,345	15,277
-	-	-	-	-	-
-	-	1,390	-	-	-
-	-	-	-	-	-
(39)	1,062	16,435	-	3,853	-
38,064	-	-	-	-	-
10,700	-	249	-	276	-
<u>48,725</u>	<u>1,921,857</u>	<u>614,841</u>	<u>853,007</u>	<u>179,474</u>	<u>15,277</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	82,783	-
-	-	-	-	-	8,009
-	1,966,493	-	851,880	-	-
-	-	273,565	-	-	-
-	-	-	-	-	-
<u>48,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>48,725</u>	<u>1,966,493</u>	<u>273,565</u>	<u>851,880</u>	<u>82,783</u>	<u>8,009</u>
-	(44,636)	341,276	1,127	96,691	7,268
-	50,853	-	-	-	491
-	(6,217)	-	(1,127)	-	-
-	<u>44,636</u>	<u>-</u>	<u>(1,127)</u>	<u>-</u>	<u>491</u>
-	-	341,276	-	96,691	7,759
-	-	<u>466,223</u>	<u>100</u>	<u>166,076</u>	<u>(11,054)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 807,499</u>	<u>\$ 100</u>	<u>\$ 262,767</u>	<u>\$ (3,295)</u>

City of Pontiac, Michigan

	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund	Police Millage	Recreation Millage	Library	Neighborhood Revitalization
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,188,026	\$ -
Federal grants	-	-	-	-	-	-	-
State grants	-	12,441	-	-	-	52,479	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	102,623	-
Investment income (loss)	-	1,846	4,178	-	-	33,199	1,190
Contribution from component units	-	-	-	-	-	-	-
Other	-	-	70,136	-	-	2,914	-
Total revenue	-	14,287	74,314	-	-	1,379,241	1,190
Expenditures - Current							
General government	-	-	-	-	-	-	-
District court	-	-	-	-	-	-	-
Public safety	-	19,273	-	-	-	-	-
Public works and utilities	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	826,856	-
General and special programs	-	-	9,096	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-
Total expenditures	-	19,273	9,096	-	-	826,856	-
Excess of Revenue Over (Under)							
Expenditures	-	(4,986)	65,218	-	-	552,385	1,190
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(537,126)	-	-	(5,232)	(171,995)
Total other financing sources (uses)	-	-	(537,126)	-	-	(5,232)	(171,995)
Net Change in Fund Balances	-	(4,986)	(471,908)	-	-	547,153	(170,805)
Fund Balances (Deficit) - Beginning of year	-	104,430	471,908	-	-	947,660	170,805
Fund Balances (Deficit) - End of year	\$ -	\$ 99,444	\$ -	\$ -	\$ -	\$ 1,494,813	\$ -

Other Supplemental Information

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued)**

Year Ended June 30, 2009

Employee Sick and Vacation Fund	Computer Purchase Control Fund	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 5,089,473
-	-	-	-	2,964,424
-	-	-	-	4,924,775
-	146,408	-	-	919,160
-	-	-	-	1,728,538
551	-	8,411	-	266,939
3,524	-	-	-	41,588
<u>22,657</u>	<u>-</u>	<u>107,569</u>	<u>-</u>	<u>398,965</u>
26,732	146,408	115,980	-	16,333,862
-	-	20,949	-	20,949
-	-	-	-	4,035,819
-	-	-	-	102,056
-	-	-	70,997	9,063,139
-	-	-	-	2,818,373
-	-	-	-	1,100,421
532,672	277,218	-	-	818,986
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,725</u>
<u>532,672</u>	<u>277,218</u>	<u>20,949</u>	<u>70,997</u>	<u>18,008,468</u>
(505,940)	(130,810)	95,031	(70,997)	(1,674,606)
505,940	130,810	-	70,997	3,742,495
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,686,466)</u>
<u>505,940</u>	<u>130,810</u>	<u>-</u>	<u>70,997</u>	<u>2,056,029</u>
-	-	95,031	-	381,423
<u>-</u>	<u>-</u>	<u>713,259</u>	<u>-</u>	<u>10,508,826</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,290</u>	<u>\$ -</u>	<u>\$ 10,890,249</u>

City of Pontiac, Michigan

	Capital Improvement	University Drive Widening	CVC Infrastructure Improvements	Pontiac Woods Development	Phoenix Plaza Renovations
Assets					
Cash and investments	\$ 8,044	\$ -	\$ 741,584	\$ 111,380	\$ 457,674
Property taxes receivable	11,014	-	-	-	-
Accounts receivable	-	21,598	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	2,840,000	-	-	-	-
Total assets	\$ 2,859,058	\$ 21,598	\$ 741,584	\$ 111,380	\$ 457,674
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 48,668	\$ -	\$ -	\$ -	\$ 401,304
Due to other funds	-	-	-	-	-
Deferred revenue	11,014	21,598	-	-	-
Total liabilities	59,682	21,598	-	-	401,304
Fund Balances (Deficit) - Unreserved	2,799,376	-	741,584	111,380	56,370
Total liabilities and fund balances (deficit)	\$ 2,859,058	\$ 21,598	\$ 741,584	\$ 111,380	\$ 457,674

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009**

Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Project Funds
\$ 5,073,054	\$ 320,963	\$ -	\$ 33,903	\$ -	\$ 6,746,602
-	-	-	-	-	11,014
-	-	-	-	-	21,598
-	-	148,176	-	-	148,176
-	-	-	-	-	2,840,000
\$ 5,073,054	\$ 320,963	\$ 148,176	\$ 33,903	\$ -	\$ 9,767,390
\$ -	\$ -	\$ 81,576	\$ -	\$ -	\$ 531,548
-	-	66,600	-	-	66,600
-	-	65,261	-	-	97,873
-	-	213,437	-	-	696,021
5,073,054	320,963	(65,261)	33,903	-	9,071,369
\$ 5,073,054	\$ 320,963	\$ 148,176	\$ 33,903	\$ -	\$ 9,767,390

City of Pontiac, Michigan

	CVC				
	Capital Improvement	University Drive Widening	Infrastructure Improvements	Pontiac Woods Development	Phoenix Plaza Renovations
Revenue					
Taxes	\$ 1,652,649	\$ -	\$ -	\$ -	\$ -
Federal grants	-	21,018	-	-	-
State grants	-	-	-	-	-
Investment income	41,493	-	9,370	1,941	9,114
Total revenue	<u>1,694,142</u>	<u>21,018</u>	<u>9,370</u>	<u>1,941</u>	<u>9,114</u>
Expenditures					
General government	52,789	-	-	-	-
Public safety	481,872	-	-	-	-
Public works and utilities	525,766	31,626	-	-	-
General and special programs	104,586	-	-	-	-
Commercial and industrial development	8,059	-	-	-	-
Debt service	-	204,708	-	-	-
Total expenditures	<u>1,173,072</u>	<u>236,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under)					
Expenditures	521,070	(215,316)	9,370	1,941	9,114
Other Financing Sources (Uses)					
Transfers in	-	241,502	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>241,502</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	521,070	26,186	9,370	1,941	9,114
Fund Balances (Deficit) - Beginning of year	<u>2,278,306</u>	<u>(26,186)</u>	<u>732,214</u>	<u>109,439</u>	<u>47,256</u>
Fund Balances (Deficit) - End of year	<u>\$ 2,799,376</u>	<u>\$ -</u>	<u>\$ 741,584</u>	<u>\$ 111,380</u>	<u>\$ 56,370</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Capital Project Funds
Year Ended June 30, 2009

Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,652,649
-	-	-	-	-	21,018
-	-	92,853	-	-	92,853
27,398	6,050	-	1,492	-	96,858
<u>27,398</u>	<u>6,050</u>	<u>92,853</u>	<u>1,492</u>	<u>-</u>	<u>1,863,378</u>
-	-	-	-	-	52,789
-	-	-	-	-	481,872
71,979	-	189,757	91	-	819,219
-	-	-	-	-	104,586
-	156,457	-	-	-	164,516
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,708</u>
<u>71,979</u>	<u>156,457</u>	<u>189,757</u>	<u>91</u>	<u>-</u>	<u>1,827,690</u>
(44,581)	(150,407)	(96,904)	1,401	-	35,688
-	-	41,580	-	-	283,082
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,220)</u>	<u>(48,220)</u>
-	-	41,580	-	(48,220)	234,862
(44,581)	(150,407)	(55,324)	1,401	(48,220)	270,550
<u>5,117,635</u>	<u>471,370</u>	<u>(9,937)</u>	<u>32,502</u>	<u>48,220</u>	<u>8,800,819</u>
<u>\$ 5,073,054</u>	<u>\$ 320,963</u>	<u>\$ (65,261)</u>	<u>\$ 33,903</u>	<u>\$ -</u>	<u>\$ 9,071,369</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds Year Ended June 30, 2009

	1995 Michigan Transportation Bonds	Refinanced Golf Course Bonds	GBA Bonds	Total Nonmajor Debt Service Funds
Revenue - Contribution from component unit	\$ -	\$ 754,587	\$ 330,055	\$ 1,084,642
Expenditures - Debt service	142,275	754,587	330,055	1,226,917
Excess of Expenditures Over Revenue	(142,275)	-	-	(142,275)
Other Financing Sources - Transfers in	142,275	-	-	142,275
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of year	-	-	-	-
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2009

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ 65	\$ 63,146	\$ 111	\$ 3	\$ 517	\$ 63,842
Accounts receivable	12,806	110,397	331,563	17,727	3,436,227	3,908,720
Due from other funds	886,500	-	-	-	-	886,500
Prepays and other assets	140,042	-	-	-	3,541,927	3,681,969
Total current assets	1,039,413	173,543	331,674	17,730	6,978,671	8,541,031
Noncurrent assets:						
Due from other funds - Advances	-	4,100,000	-	-	-	4,100,000
Depreciable capital assets - Net	4,453,542	-	-	-	-	4,453,542
Total noncurrent assets	4,453,542	4,100,000	-	-	-	8,553,542
Total assets	5,492,955	4,273,543	331,674	17,730	6,978,671	17,094,573
Liabilities						
Accounts payable	87,362	73,543	71,304	-	1,288,840	1,521,049
Accrued liabilities	-	4,200,000	-	-	3,427,000	7,627,000
Due to other funds	-	-	-	-	1,436,500	1,436,500
Leases payable	3,538,290	-	-	-	-	3,538,290
Total liabilities	3,625,652	4,273,543	71,304	-	6,152,340	14,122,839
Net Assets						
Invested in capital assets (net of related debt)	915,252	-	-	-	-	915,252
Unrestricted	952,051	-	260,370	17,730	826,331	2,056,482
Total net assets	\$ 1,867,303	\$ -	\$ 260,370	\$ 17,730	\$ 826,331	\$ 2,971,734

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, 2009

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Operating Revenue - Charges for services	\$ 2,013,441	\$ 649,763	\$ 1,057,528	\$ 110,189	\$ 21,395,651	\$ 25,226,572
Operating Expenses						
Operations and maintenance	1,288,635	-	-	-	-	1,288,635
Insurance	-	734,677	1,014,396	105,185	20,515,041	22,369,299
Administration	166,807	-	-	-	473,503	640,310
Depreciation	544,293	-	-	-	-	544,293
Total operating expenses	<u>1,999,735</u>	<u>734,677</u>	<u>1,014,396</u>	<u>105,185</u>	<u>20,988,544</u>	<u>24,842,537</u>
Operating Income (Loss)	13,706	(84,914)	43,132	5,004	407,107	384,035
Nonoperating Income (Expenses)						
Investment income	26,740	84,914	2,364	139	55,139	169,296
Interest expense	(208,208)	-	-	-	-	(208,208)
Total nonoperating income (expenses)	<u>(181,468)</u>	<u>84,914</u>	<u>2,364</u>	<u>139</u>	<u>55,139</u>	<u>(38,912)</u>
Transfers to Other Funds	<u>(7,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,175)</u>	<u>(11,035)</u>
Change in Net Assets	(175,622)	-	45,496	5,143	459,071	334,088
Net Assets - Beginning of year	<u>2,042,925</u>	<u>-</u>	<u>214,874</u>	<u>12,587</u>	<u>367,260</u>	<u>2,637,646</u>
Net Assets - End of year	<u>\$ 1,867,303</u>	<u>\$ -</u>	<u>\$ 260,370</u>	<u>\$ 17,730</u>	<u>\$ 826,331</u>	<u>\$ 2,971,734</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2009

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Cash Flows from Operating Activities						
Receipts from customers	\$ 2,001,448	\$ 577,208	\$ 993,196	\$ 107,507	\$ 20,751,915	\$ 24,431,274
Payments to employees	(465,642)	-	-	-	(150,409)	(616,051)
Payments to suppliers	(1,074,816)	(697,911)	(998,611)	(107,844)	(23,882,085)	(26,761,267)
Net cash provided by (used in) operating activities	460,990	(120,703)	(5,415)	(337)	(3,280,579)	(2,946,044)
Cash Flows from Noncapital Financing Activities						
Transfers to other funds	(894,360)	-	-	-	(3,175)	(897,535)
Interfund loans - Proceeds and collections	-	-	-	-	3,036,500	3,036,500
Net cash (used in) provided by noncapital financing activities	(894,360)	-	-	-	3,033,325	2,138,965
Cash Flows from Capital and Related Financing Activities -						
Principal and interest paid on capital lease	(813,224)	-	-	-	-	(813,224)
Cash Flows from Investing Activities - Investment income	26,740	84,914	2,364	139	55,139	169,296
Net Decrease in Cash and Cash Equivalents	(1,219,854)	(35,789)	(3,051)	(198)	(192,115)	(1,451,007)
Cash and Cash Equivalents - July 1, 2008	1,219,919	98,935	3,162	201	192,632	1,514,849
Cash and Cash Equivalents - June 30, 2009	\$ 65	\$ 63,146	\$ 111	\$ 3	\$ 517	\$ 63,842
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ 13,706	\$ (84,914)	\$ 43,132	\$ 5,004	\$ 407,107	\$ 384,035
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	544,293	-	-	-	-	544,293
Changes in assets and liabilities:						
Accounts receivable	(11,993)	(72,555)	(64,332)	(2,682)	(643,736)	(795,298)
Prepays and other assets	(38,452)	-	-	-	(3,343,246)	(3,381,698)
Accounts payable	(46,564)	36,766	15,785	(2,659)	299,296	302,624
Net cash provided by (used in) operating activities	\$ 460,990	\$ (120,703)	\$ (5,415)	\$ (337)	\$ (3,280,579)	\$ (2,946,044)

The Equipment Revolving Fund entered into a capital lease financing agreement with GE Government Finance, Inc. for \$4,152,403. Of this amount, \$4,143,306 was used in the current year to purchase vehicles and road equipment for the City.

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2009

Pension Trust Funds - December 31, 2008

	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Total
Assets					
Cash and cash equivalents	\$ 104,952	\$ 104,952	\$ -	\$ -	\$ 209,904
Cash and investments held as collateral for securities lending	54,083,586	21,455,832	-	-	75,539,418
Accrued interest and dividends receivable	1,672,446	330,490	-	-	2,002,936
Accounts receivable:					
Due from City of Pontiac Police and Fire Retiree VEBA	-	37,068	-	-	37,068
Due from City of Pontiac	-	149,459	41,705	-	191,164
Due from GEVEBA	93,368	-	-	-	93,368
Other	-	3,756	-	-	3,756
Total accounts receivable	93,368	190,283	41,705	-	325,356
Investments:					
Money markets and mutual funds	19,813,055	7,344,442	4,847,931	22,237,733	54,243,161
U.S. government obligations	-	2,908,457	-	-	2,908,457
U.S. government agency notes and debentures	6,841,959	-	-	-	6,841,959
Corporate and other bonds	21,946,857	22,345,350	-	-	44,292,207
Equities	201,802,151	95,370,860	-	-	297,173,011
U.S. government agency mortgage pools	54,358,322	20,877,822	-	-	75,236,144
Commercial mortgage pools	3,293,656	2,299,307	-	-	5,592,963
Asset-backed securities	3,371,630	768,797	-	-	4,140,427
High yield bonds	14,622,911	3,833,167	-	-	18,456,078
Other fixed income	-	35,924,136	-	-	35,924,136
Other	9,903,890	16,270,086	-	-	26,173,976
Total investments	335,954,431	207,942,424	4,847,931	22,237,733	570,982,519
Total assets	391,908,783	230,023,981	4,889,636	22,237,733	649,060,133
Liabilities					
Due to City of Pontiac	65,187	-	-	1,668,658	1,733,845
Due to City of Pontiac General Employees' Retirement System	-	-	93,368	-	93,368
Due to City of Pontiac Police and Fire Retirement System	3,711	-	45	37,068	40,824
Accounts payable	655,033	329,443	-	2,403	986,879
Amount due broker under securities lending agreement	55,195,306	21,887,897	-	-	77,083,203
Total liabilities	55,919,237	22,217,340	93,413	1,708,129	79,938,119
Net Assets - Held in trust for pension and other employee benefits	\$ 335,989,546	\$ 207,806,641	\$ 4,796,223	\$ 20,529,604	\$ 569,122,014

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2009

	Pension Trust Funds - December 31, 2008				
	General City	General City			Total
	Employees'	Police and Fire	Employees'	Police and Fire	
	Retirement System	Retirement System	Retirement System VEBA	Retirement System VEBA	
Additions					
Securities lending income:					
Interest and fees	\$ 2,704,008	\$ 1,032,906	\$ -	\$ -	\$ 3,736,914
Less borrower rebates and bank fees	(2,247,097)	(872,395)	-	-	(3,119,492)
Net securities lending income	456,911	160,511	-	-	617,422
Contributions:					
Employer	-	1,829,115	447,181	2,809,333	5,085,629
Employee	-	277,987	-	-	277,987
Total contributions	-	2,107,102	447,181	2,809,333	5,363,616
Other - Miscellaneous and litigation revenue	168,879	196,580	-	-	365,459
Total additions	625,790	2,464,193	447,181	2,809,333	6,346,497
Deductions					
Investment (loss) income:					
Interest and dividends	11,439,442	4,752,088	172,598	778,340	17,142,468
Net decline in fair value	(141,306,582)	(65,810,781)	(1,502,101)	(12,831,966)	(221,451,430)
Less investment expenses	(2,683,011)	(1,125,023)	-	(15,000)	(3,823,034)
Net investment loss	(132,550,151)	(62,183,716)	(1,329,503)	(12,068,626)	(208,131,996)
Other deductions:					
Retiree pension benefits and retirement incentives	(19,436,881)	(14,220,177)	-	-	(33,657,058)
Retiree health benefit payments	-	-	-	(1,898,386)	(1,898,386)
Member refunds and withdrawals	-	(394,582)	-	-	(394,582)
Other expenses	(288,466)	(158,145)	(3,965)	(9,107)	(459,683)
Administrative expenses	(266,342)	(122,838)	-	-	(389,180)
Total deductions	(152,541,840)	(77,079,458)	(1,333,468)	(13,976,119)	(244,930,885)
Net Decrease in Net Assets	(151,916,050)	(74,615,265)	(886,287)	(11,166,786)	(238,584,388)
Net Assets Held in Trust for Pension Benefits					
Beginning of year	487,905,596	282,421,906	5,682,510	31,696,390	807,706,402
End of year	\$ 335,989,546	\$ 207,806,641	\$ 4,796,223	\$ 20,529,604	\$ 569,122,014

City of Pontiac, Michigan

	Agency Funds			
	District Court	Current Tax Collection Fund -		Fire Insurance Trust Fund
		Winter	Payroll Fund	
Assets				
Cash and cash equivalents	\$ 94,661	\$ 102,723	\$ 12,759	\$ 633,838
Receivables - Other	-	-	1,000,000	-
Total assets	\$ 94,661	\$ 102,723	\$ 1,012,759	\$ 633,838
Liabilities				
Due to other governmental units	\$ -	\$ 59,185	\$ -	\$ -
Accounts payable	-	43,538	-	-
Accrued and other liabilities	-	-	1,012,759	633,838
Deposits	94,661	-	-	-
Total liabilities	\$ 94,661	\$ 102,723	\$ 1,012,759	\$ 633,838

Other Supplemental Information
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

Agency Funds			
Pontiac Growth Group Administration	Retirement System Administration	Housing Commission Administration	Totals
\$ 6,166	\$ -	\$ -	\$ 850,147
<u>-</u>	<u>720,524</u>	<u>184,327</u>	<u>1,904,851</u>
<u>\$ 6,166</u>	<u>\$ 720,524</u>	<u>\$ 184,327</u>	<u>\$ 2,754,998</u>
\$ -	\$ 720,524	\$ 184,327	\$ 964,036
6,166	-	-	49,704
-	-	-	1,646,597
<u>-</u>	<u>-</u>	<u>-</u>	<u>94,661</u>
<u>\$ 6,166</u>	<u>\$ 720,524</u>	<u>\$ 184,327</u>	<u>\$ 2,754,998</u>

City of Pontiac, Michigan

Other Supplemental Information Combining Balance Sheet Governmental Fund Component Units June 30, 2009

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
Assets							
Cash and investments	\$ 290,964	\$ 1,860,886	\$ 1,036,374	\$ 200	\$ 1,863,374	\$ 275,585	\$ 5,327,383
Due from other component units - Advances	873,642	-	-	-	-	-	873,642
Receivables - Net:							
Property taxes	7,618	5,523	1,861	14,577	-	-	29,579
Other receivables	-	-	-	-	122,022	-	122,022
Total assets	\$ 1,172,224	\$ 1,866,409	\$ 1,038,235	\$ 14,777	\$ 1,985,396	\$ 275,585	\$ 6,352,626
Liabilities and Fund Balance (Deficit)							
Liabilities							
Accounts payable	\$ 8,200	\$ -	\$ -	\$ -	\$ 224	\$ -	\$ 8,424
Due to other component units - Advances	-	-	-	873,642	-	-	873,642
Deposits	-	-	-	1,400	-	-	1,400
Deferred revenue	7,618	5,523	1,861	14,577	670,595	-	700,174
Total liabilities	15,818	5,523	1,861	889,619	670,819	-	1,583,640
Fund Balance (Deficit)							
Reserved	873,642	-	-	-	878,343	-	1,751,985
Unreserved, undesignated	282,764	1,860,886	1,036,374	(874,842)	436,234	275,585	3,017,001
Total fund balance (deficit)	1,156,406	1,860,886	1,036,374	(874,842)	1,314,577	275,585	4,768,986
Total liabilities and fund balance (deficit)	\$ 1,172,224	\$ 1,866,409	\$ 1,038,235	\$ 14,777	\$ 1,985,396	\$ 275,585	\$ 6,352,626

City of Pontiac, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Governmental Fund Component Units Year Ended June 30, 2009

	Tax Increment Financing Authority			Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
	District 2	District 3	District 4				
Revenue							
Taxes	\$ 3,804,994	\$ 2,831,211	\$ 879,594	\$ 295,280	\$ -	\$ 52,622	\$ 7,863,701
Federal grants	-	-	-	-	4,128	-	4,128
Investment income	39,144	50,176	25,738	(4,366)	22,211	4,805	137,708
Other	274,620	-	-	11,910	6,862	-	293,392
Total revenue	4,118,758	2,881,387	905,332	302,824	33,201	57,427	8,298,929
Expenditures							
Commercial and industrial development	393,441	1,186,424	28,527	442,450	30,781	-	2,081,623
Debt service	3,368,954	2,031,919	754,587	-	-	-	6,155,460
Total expenditures	3,762,395	3,218,343	783,114	442,450	30,781	-	8,237,083
Excess of Revenue Over (Under)							
Expenditures	356,363	(336,956)	122,218	(139,626)	2,420	57,427	61,846
Other Financing Sources -							
Gain on sale of fixed assets	-	100,000	-	-	-	-	100,000
Net Change in Fund Balances	356,363	(236,956)	122,218	(139,626)	2,420	57,427	161,846
Fund Balances (Deficit) - Beginning of year	800,043	2,097,842	914,156	(735,216)	1,312,157	218,158	4,607,140
Fund Balances (Deficit) - End of year	<u>\$ 1,156,406</u>	<u>\$ 1,860,886</u>	<u>\$ 1,036,374</u>	<u>\$ (874,842)</u>	<u>\$ 1,314,577</u>	<u>\$ 275,585</u>	<u>\$ 4,768,986</u>