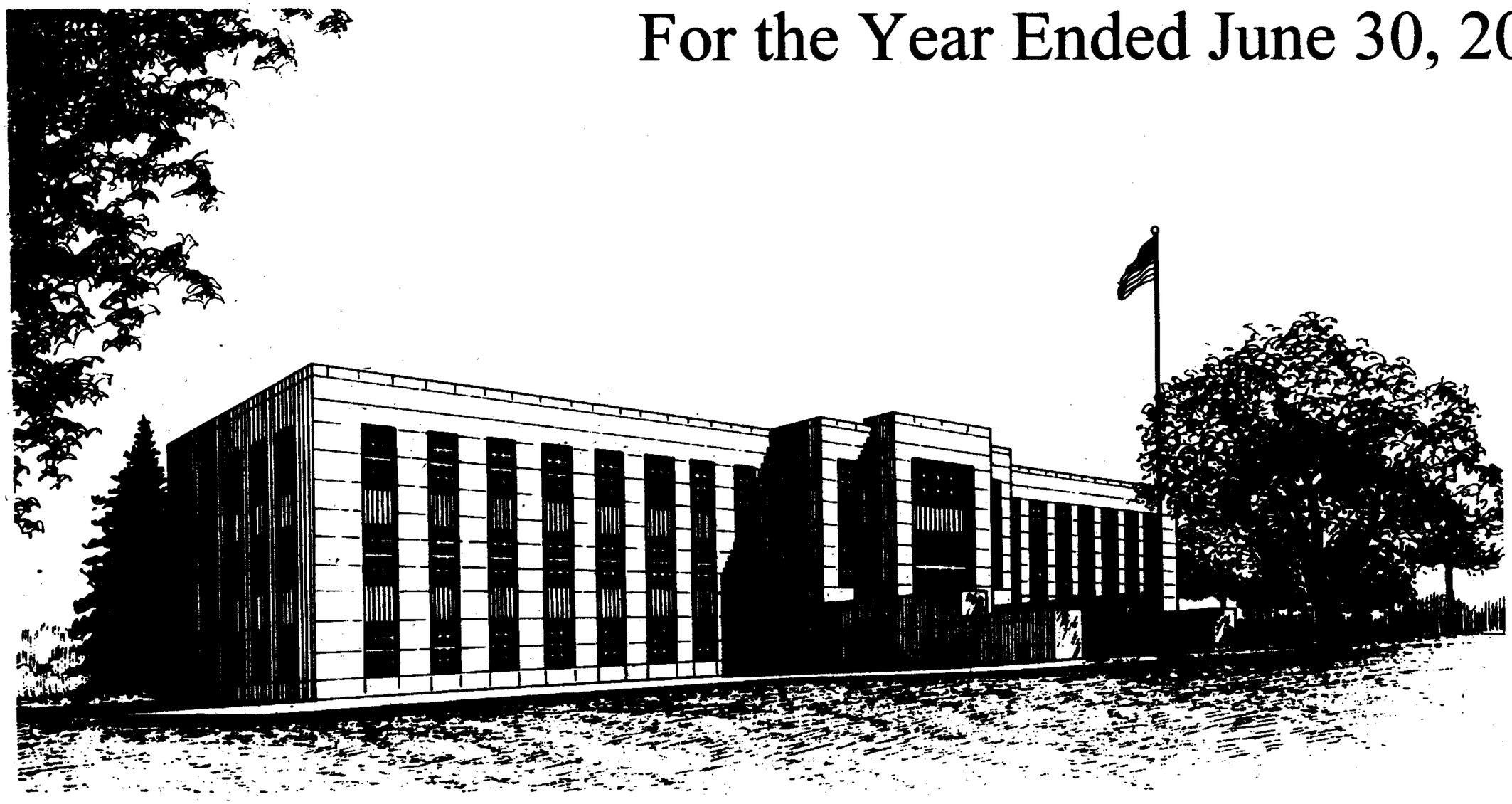
COMPREHENSIVE
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2003



City of Pontiac, Michigan
Finance Department

Comprehensive Annual Financial Report of the City of Pontiac, Michigan

For the Fiscal Year
July 1, 2002 through June 30, 2003
Issued by the Department of Finance
J. Edward Hannan, Finance

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City of Pontiac
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June 30, 2003

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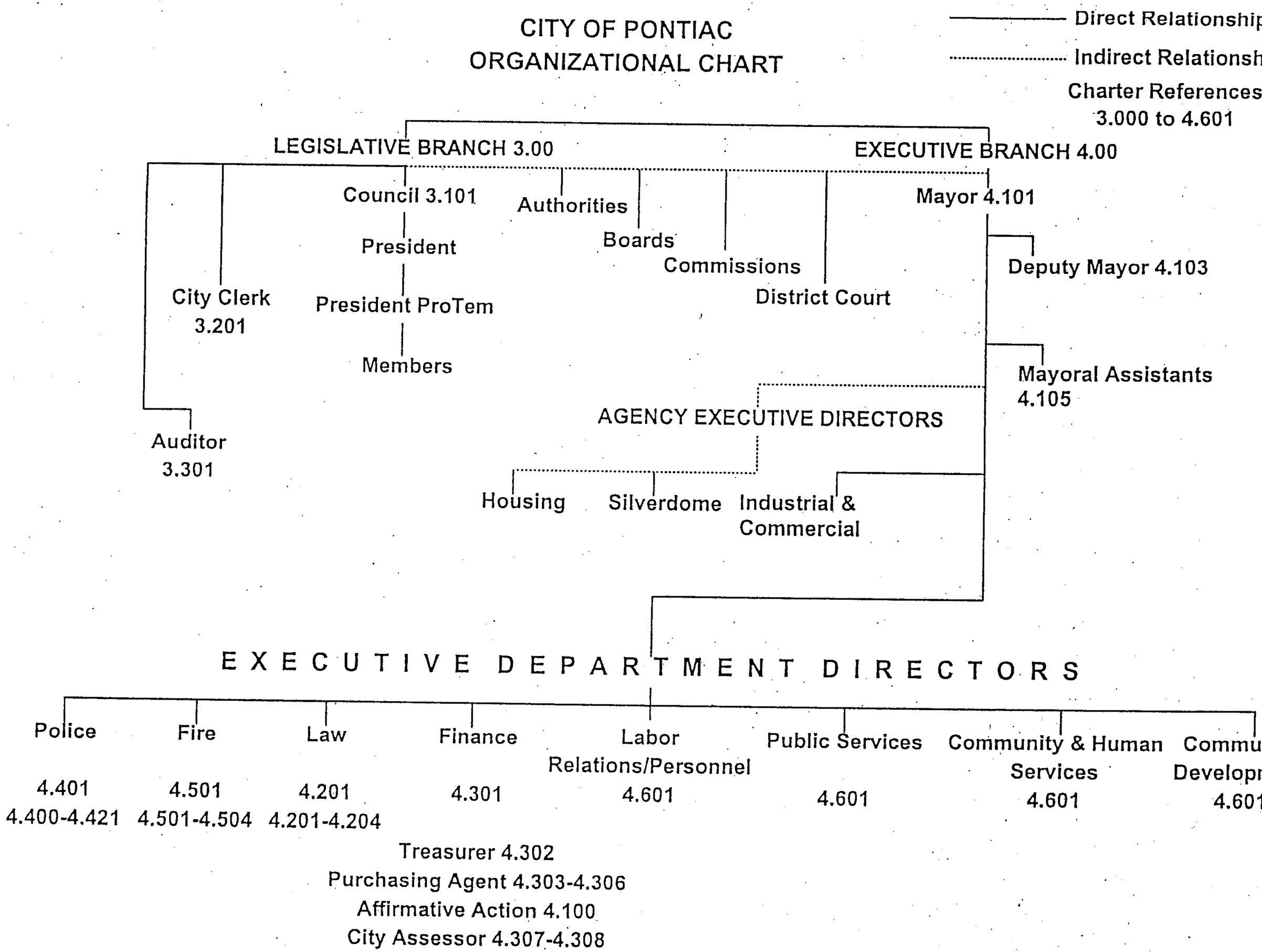
City of Pontiac
Mayor and City Council
June 30, 2003

Willie Payne, Mayor
Leon Jukowski, Deputy Mayor

Everett L. Seay, President ..... District Seven
John P. Bueno, President Pro-Tem ..... District Three
Ray D. Alexander, Council Member ..... District One
Koné Bowman, Council Member ..... District Two
Susan M. Shoemaker, Council Member ..... District Four
Joseph Hansen, Council Member ..... District Five
Charlie J. Harrison III, Council Member ..... District Six

CITY OF PONTIAC
ORGANIZATIONAL CHART



Appointed Officials – Department Heads

Leon Jukowski, Deputy Mayor
J. Edward Hannan, Finance Director
H. Ruth Steed, Acting Community Development Director
Rollie W. Gackstetter, Chief of Police
Portia Fields-Anderson, Community and Human Services Director
Wilburt McAdams, Fire Chief/Executive Director
Mattie L. Lasseigne, Commercial & Industrial Development Executive Director
Sandy-Michael McDonald, Downtown Development Authority Director
Eric Walker, Stadium Executive Director
Vivian Spann, City Clerk
Claudia Filler, Public Works and Utilities Executive Director
Larry Marshall, Human Resources/Labor Relations Director
Cynthia Walker, Court Administrator
Mark Hotz, City Attorney

Finance Division Heads

Jeanice Blake, Acting City Treasurer
Janice Gaffney, Purchasing Agent
Larry Kosofsky, Income Tax Administrator
Alvin Love, Budget Cost Administrator
Lawrence Feagin, Comptroller
Lewis Vaughn III, Chief Assistant
LaVern Walker, Information Technology Administrator
Roger Warner, Internal Auditor
Ellen Zimmerman, Retirement Systems Administrator

CITY OF PONTIAC
MICHIGAN

MAYOR WILLIE W. PAYNE

DEPARTMENT OF FINANCE

December 17, 2004

To: City of Pontiac Employees, Citizenry, and
The Honorable President and Members of the City Council

Subject: Comprehensive Annual Financial Report (CAFR) for Fiscal 2003

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with generally-accepted accounting principles (GAAP) and audited in accordance with generally-accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to those requirements, effective July 1, 2002, the City of Pontiac adopted the GASB 34 reporting format, and hereby issues the enclosed Comprehensive Annual Financial Report (CAFR) of the City of Pontiac, Michigan, for the fiscal year ended June 30, 2003 which was prepared by the City's Finance Department, in accordance with requirements of Act 2, Public Acts of 1968, the State of Michigan and guidelines recommended by the Government Finance Officers Association of the United States and Canada, and audited by PricewaterhouseCoopers LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that these statements were free of material misstatement.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rest with the City. To the best of our knowledge, the enclosed data is accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Pontiac's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. That opinion is presented in the financial section of this report.

47450 WOODWARD AVENUE • PONTIAC, MICHIGAN 48342-2245

The CAFR is presented in three sections: introductory, financial, and unaudited statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes a Statement of Net Assets and a Statement of Activities, which provides the reader with the financial position of the City of Pontiac viewed as a single entity. In addition, this section provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A) which immediately follows the opinion of the independent auditors. The unaudited statistical section includes select financial and demographic information, generally presented on a multi-year basis.

Pontiac Profile

Pontiac's recorded history dates back to 1818 when the area was explored by a group headed by Major Oliver Williams. The Village of Pontiac was organized on February 19, 1819. Incorporated as a City on March 16, 1861, Pontiac became the County Seat of Oakland County on March 28, 1920. The city encompasses an area of 20.09 square miles and is the principal industrial/cultural center for the Oakland County area.

Located approximately 35 miles south of Flint and 16 miles north of Detroit in Michigan's southeast quadrant, four major arteries service the City affording reasonable driving access to all City areas for employment purposes: Telegraph Road North/South, Woodward Avenue North/South, Interstate 75 North/South and M-59 East/West (also known as Huron Street within the Pontiac business district).

Early industries were devoted to the essentials of daily living (flour mills, saw mills, woolen mills, blacksmiths, gunsmiths, foundries, dry goods stores, etc.). In the latter part of the 19th century, Pontiac developed into a major center for the manufacture of carriages and wagons. Evolution into the production of automobiles and trucks occurred as a natural development beginning in the decade ending 1910. Approximately ten corporations produced automobiles in the City during that period with varying degrees of success. In 1909, General Motors Corporation purchased three such manufacturers: Carter Car Company, Oakland Motor Company, and Rapid Motor Company. Subsequently, Pontiac became known as a General Motors' town. Between 1910 and 1972, the population of Pontiac grew by approximately 75,200 people. General Motors continues to be the largest employer and taxpayer within the City of Pontiac. In addition to the automobile and auto-related industries, Pontiac houses other profitable employment opportunities within its boundaries: banking (Bank One, Charter One Bank, Flagstar Bank, National City Bank, TCF Bank), brewery (Anheuser-Busch, Inc.), construction and engineering (Barton Malow, Hubbell, Roth & Clark Inc., Nowak & Fraus), interstate/international movers (Corrigan Moving Systems, Mayflower Transit, United Van Lines), etc.

With a total population of 67,506 (revised 2000 Federal Census), of which 61% represent the age 18-64 grouping, Pontiac offers a high quality of life for various lifestyles. The City is home to a municipal golf course encompassing approximately 118 playing acres as well as a clubhouse hosting daily communal events, twenty-nine parks covering an available 331 acres of scenic natural settings, the Phoenix Plaza in downtown Pontiac hosting numerous public events throughout the year, and seven community centers offering year-round recreational and cultural activities for the entire community. Other significant cultural/entertainment venues include establishments catering to diverse ethnic backgrounds such as "Clutch Cargo's" in the downtown area, the "Centerpointe Marriott Parkway Lounge" at the southeast boundary of the City hosting various jazz artists on weekends year-round, and the "Pontiac Silverdome" at the northeast boundary of Pontiac which hosts numerous communal fund-raising, sports and recreational events annually. Major shopping venues include Summit Place Mall, Oakpointe Shopping Center, and the Dixieland Flea Market. Additionally, three major medical facilities are located within the Pontiac city limits: North Oakland Medical Center, Pontiac Osteopathic Medical Center, and St. Joseph Mercy Hospital-Oakland.

Based on the revised 2000 Federal Census statistics, the median age of a Pontiac resident is 36 years old . Approximately 47% of the workforce earn $31,207 or more annually, 49% of its residents own and occupy a singe-family home, or own and occupy a multi-unit dwelling (27%). The median value of housing is $74,300. The workforce consists of individuals aged 16 or older, with the highest occupational concentration within the Services industry class. The average 2003 property tax rate is $42.33 per thousand of taxable value, distributed as follows:

City of Pontiac	56.85 %
Pontiac Schools	20.79 %
Oakland County	11.74 %
Intermediate Schools	4.90 %
Community College	3.81 %
Chapter 20 Drains	1.91 %

ORGANIZATIONAL STRUCTURE

The Mayor and City Council positions are elected four-year positions. Council Legislative Auditor is a Council-appointed financial position reporting directly to the Council members. All department directors are appointments by the Mayor. The Treasurer and Purchasing Agent positions are appointed by the Finance Director, with the consent of the Mayor, and fall under the supervision of the Finance Director.

The City of Pontiac's administration of city services is performed through thirteen departments: City Attorney, City Clerk, Community & Human Services, Community Development, Court Administration, Commercial & Industrial Development, Downtown Development Authority, Finance, Fire, Personnel, Police, and Public Works & Utilities, each of which has an Executive Director appointed by the Mayor; and, Pontiac Silverdome, whose Executive Director is appointed by the Stadium Building Authority .

Four judges have jurisdiction over misdemeanors, civil cases, state law cases, small claims suits, traffic cases and preliminary examination of felony cases through the State of Michigan's 50th District Court, which is located in the City of Pontiac. The position of Court Judge is one which can either be an appointment by the State or a citizen-elected position through the municipality. Court judges may also serve either four-year or six-year terms of office. The position of Chief Judge of the Court, however, is an appointment by the State of Michigan.

Summary of Economic Condition
For fiscal year 2003, the City had a budget of $272,037,663 for all funds (sixth Amendment adopted 11/02/03), prepared through the Finance Department and approved by the City Council. The Council and the Mayor are responsible for the overall management of City affairs.

Interest in the downtown area continues to escalate. New entertainment sites continue to evolve lending to the current list of galleries, restaurants and apartments. This past summer, Pontiac held its eighth Woodward Dream Cruise, followed by both the Cool Nights and Arts, Beats and Eats Festivals. Each event was tremendously successful attracting more than 1.1 million people to the downtown area. Work has also begun on a $10-million renovation to the historic Strand Theatre, with an opening planned in 2004.

The City's economic base has grown in recent years, as evidenced by more than a 60% growth in assessed property value over the past five years. General Motors currently has approximately 20,000 employees housed in Pontiac facilities and represents approximately 25% of the City's taxable valuation. GM has made a substantial commitment to the City - the largest example being a partnership between General Motors and Etkin Equities in the development of the 400-acre Pontiac Centerpointe Campus. The campus is anchored by four General Motors facilities averaging 8,000 employees involved in vehicle engineering and lab test activities. In addition, Pontiac is the home of GM Powertrain Global Headquarters & Engineering Center.

While a significant amount of development is auto industry related, economic growth has also been bolstered by other industrial, commercial and residential development. Examples of recent economic activity include the following:

- The completed and fully-operational 600,000 square foot GM Truck Product Center North facility, which added 1,900 jobs to Pontiac. The City continues to welcome non-GM businesses to the campus. Several restaurants, a day-care center, several automotive-related facilities and three hotels also occupy the campus.

- Completion and occupancy of Galloway Retail Center – Phase I.
- The on-going Centerpointe Parkway extension at the North Centerpoint Campus.
- Completion of the extension of Telegraph Road, from Caesar Chavez (formerly Oakland Avenue) to Walton Boulevard. Other completed major street reconstruction/resurfacing projects are: Martin Luther King, Jr. Boulevard, South Boulevard, Woodward Avenue (S. Blvd. North to the Woodward Loop), Water Street, Whittemore Street, Williams Street, Bagley Street and Montcalm Street. Widening between Joslyn and Perry Streets and University Drive is proposed in the future. Additional Telegraph Road improvements are proposed for Fall 2003.
- Completion of improvements to the Pontiac Municipal Golf Course, including installation of a weather alert system, expansion of the course irrigation system, construction of comfort stations and implementation of Phase II of the onsite town homes/condominiums construction.
- Construction-in-process at Galloway Office Center of a 1-1/2 story office building, measuring 31,240 square feet.
- Construction startup on the Clinton Valley Project which will be comprised of a 90-acre technology park, and a 116-acre redevelopment with 300 detached homes, 230 townhouses, 100 condominiums, and a 200,000 square foot community center. The residential development is underway and progressing at a steady pace.
- Housing construction projects throughout Pontiac:

Greens Of Crystal Lake	84 Townhouses, Completed & Sold
Fieldstone Village	225 Single-Family Homes, Construction-In-Process
Your Home Inc.	24 Two-Family Dwellings, Awaiting Certificate Of Occupancy 16 Additional Dwellings, Under Construction
Elmhaven Manor	Project cost of $14 million; Construction to begin Spring/Summer 2003, with estimated completion in 12-14 months 6 Single-Family Units, 138 Senior Units, 132 3-Story Mid-Rise Single-Family Units
Galloway Estates	68 Single-Family Homes, Under Construction 22 lots sold with an additional 13 lots held on deposit. ($18 Million)
University Park	42 Attached Condominiums, 6 Completed, 2 Sold

	Condominiums, 6 Under Construction ($6.3 million)
Birchcrest	56 Single-Family Homes, Under Construction 2003 Development. ($10.4 million)
Walton Pond	114 Attached Condominiums, 100 Sold, 14 Pending. Closeout anticipated late 2003.
Lighthouse Community	21 Single-Family Homes, 8 Sold, 5 Pending Sales, 8 Under Construction (To be completed late 2003) Development
Stonegate Pointe (Formerly Clinton Valley)	670 Attached/Detached Units, Under Construction.
Habitat For Humanity	18 Single-Family Homes, Completed 7 Single-Family Homes, To be completed by Summer 2004
Venture Homes	17 Single-Family Homes, 7 Completed, 6 Sold, 1 Pending Sale, 10 Under Construction-Summer 2003
Volunteers Of America	50 Units for the Elderly, Under Construction ($4.5 Million)
Fairview Estates Condominiums	69 Condominiums, Under Construction – Anticipated Completion 2004 ($11 million)
Fairview Village	50 Detached Condominiums, Under Construction ($10 million)
Sanford Arms	161 Units Rehabilitated, (Approximate renovation cost $7 million)
Presbyterian Village	150 Senior Units Rehabilitated, ($7.5 million)

Future Prospects
Site Plan approval has been granted to begin construction of a four-story medical office facility, which is the first phase of a proposed $150 million development on a 13-acre site on the south side of Great Lakes Crossing Drive (formerly Lake Angelus Road.). A 280-room, 10-story luxury hotel with a 100,000 square foot convention facility and office building above a four-story parking garage are also planned for this site.

A $1 billion dollar mixed-use development (hotel, offices, retail and residential) is proposed on an eighty-acre site annexed from Bloomfield Township on Telegraph Road, north of Square Lake Road. It is anticipated that development of this site will start in 2004.

The City of Pontiac received an acquisition grant from the Department of Natural Resources to purchase railroad property for conversion into a bike path. "Rails to Trails" will consist of 1.7 miles and the bike path will stretch from North Telegraph (at Orchard Lake Road) to Bagley Street.

Other developments anticipated to begin in 2004/2005 are:

Pontiac Silverdome	Redevelopment into a mixed-use site
Galloway Retail Center Development	Phase 2 – 32,000 square foot retail shopping center
Pontiac Oakland Technology	1.5 million square foot high tech office space on 90 acres
Parkside Villas	16 Single-Family Dwellings, Anticipated construction Spring/summer 2004
US Postal Service Distribution Center	680,000 square foot building on Montcalm Street
Presbyterian Village	Phase II, Construction of new residential units

Casa Del Ray Apartments	Rehabilitation/remodeling of existing structure, consisting of 24,000 square foot 4-½ story Spanish Eclectic masonry and cast concrete building (with basement). Unit mixes for the facility will remain as follows: (9) studio apartments with one bath, (23) one-bedroom, one-bath units, (16) two- bedroom, one-bath units, and (1) three-bedroom, two-bath unit. The lower level will be remodeled to accommodate the following uses: laundry, tenant storage, and leasing/management office. Parking will be provided on the existing parking lot at the rear of the building. The project when completed will be eligible for Historic Tax Credits. Workplans necessary to obtain approvals by the State Preservation Officer and the National Park Service are included in the work.
Renaissance Townhouse Apartments	Adaptive reuse of existing structure, consisting of 56,000 square feet. 56 two-bedroom, one-bath units with basements. Surface parking on the building's existing parking lot will be provided.
Osmun Street	Rehabilitation of an existing standard vehicle building into loft-style apartments, and construction of new single-family homes

Reporting Entity
This report includes all funds of the primary government (i.e., the City of Pontiac, as legally defined), and it's component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the following blended component units are reported as part of the primary government:

General Building Authority
General Employees' Retirement System
Police and Fire Retirement System

Discretely presented component units are reported in separate columns in the basic financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. Accordingly, the following are reported as discretely presented component units:

Economic Development Corporation
Brownfield Redevelopment Authority
Tax Increment Financing Authority
Downtown Development Authority
Pontiac Hospital Finance Authority
Pontiac Silverdome

The City provides a full range of municipal services, including police and fire protection, parks, recreation, public works (highways, streets and waste collection), culture, public improvements, planning and zoning, economic development, and water and sewer services. Two other governmental jurisdictions overlap the City's boundaries: Oakland County and the Pontiac School District. These two separate governments are not included in the City's financial report since they are separate entities. Additionally, the Pontiac Housing Commission provides services to the citizens of Pontiac but is a separate entity and therefore, is excluded from the enclosed financial statements.

Internal Controls

Management of the City is responsible for establishing and maintaining adequate internal controls. Internal controls provide reasonable, but not absolute, assurance with regard to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

We believe that the City's system of internal control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary Control and Accounting System

The City of Pontiac operates under an annual budget in order to react quickly to major budgetary fluctuations. Under the Uniform Budget Act for Local Units of Government (PA 621 of 1978) the budget serves as the foundation for the City's financial planning and control. The City of Pontiac's fiscal year begins July 1st and ends June 30th. All departments and agencies of the City are required to submit appropriation requests and revenue estimates to the Budget Cost Administrator of the Finance Department five months prior to the ensuing fiscal year. This information is then used to develop a recommended financial plan for the upcoming fiscal year and is submitted to the City Council no later than June 1st for review. The Council, in turn, schedules hearings with the Finance Director, Budget Cost Administrator, Budget Analyst and each department for an in-depth analysis of the appropriations requested before making the decision to approve the budget on or before June 30th, the close of the fiscal year. Additionally, mid-year budget reviews are held between these same parties to determine whether there is a need for revisions to the plan originally adopted. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget was adopted.

The budget appropriations are prepared by department, fund, activity (function), and account number. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the major activity or departmental level for the General Fund and at the fund level for the Special Revenue, Debt Service and Capital Project Funds. Control accounts are established at the fund level for personnel-related expenditures, supplies & services expenditures, capital outlay expenditures, miscellaneous expenditures, and transfers. Departments may exceed line item appropriations within each control account provided the total for the control account is not exceeded. A transfer of $10,000 or more between control accounts requires a budget amendment and approval by vote of the City Council.

Any single professional services expenditure in excess of $20,000 must also be approved by vote of the City Council. Budgets are adopted for all governmental funds of the City. Subsequent to adoption of the fiscal plan by City Council, budgetary data is integrated into the accounting system to ensure proper monitoring.

The City's accounting policies comply, in all material respects, with generally accepted accounting principles.

Recent Technological Advances

The City has completed the full implementation of the Banner integrated software system. The use of this state-of-the-art technology enables the City to centralize purchasing functions, improve data tracking, facilitate on-line approvals, monitor general ledger budget-to-actual balances, and, among many other benefits, conserve financial resources.

Cash Management
The City has a cash management program designed to invest temporary available cash in short-term securities, including certificates of deposits, commercial paper repurchase agreements, U.S. Treasury agencies and the Michigan State Treasurer's investment pool which meet the primary objectives for the investment of available funds: safety of principal, sufficient liquidity, and receipt of the highest rate of return. Investment transactions, except those of the Retirement Systems, are administered by the City Treasurer in compliance with the provision of Public Act 20 of 1943, as amended.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Total cash and cash equivalents of $158,344,314 represent an increase of $15,895,771 over last year. In order to minimize the risk associated with the uninsured and uncollateralized cash resources, the City Treasurer obtains pertinent data of the prospective financial institution prior to initial deposits and periodically evaluates financial data of all institutions holding City funds thereafter to determine each institution's credit worthiness for future investment. The Treasurer must adhere to the following policy measures in the management of cash and investments:

- on a daily basis, all cash must be deposited in financial institutions within the legal boundaries of the City of Pontiac;
- the investment policy must conform to all federal, state, and local laws;
- the Treasurer must practice strict observance of safety of principal, adequate liquidity, and favorable yield on investments;
- the Treasurer must strive to implement a "zero" balance system of cash flow management with city depositories;
- investments in one financial institution should not be greater than fifty percent of all city-invested monies; and,
- deposits in any one financial institution cannot exceed five percent of total equity.

Deficits in Fund Equity
The fund deficit of $4,696,543 in the General Fund is the result of a $2.2 million shortfall in the beginning fund balance as well as a $1.3 million shortfall in State of Michigan distributions, and a $1.7 million shortfall in transfers from other funds. A deficit elimination plan has been prepared and submitted to the City Council for review and approval.

The fund deficit of $1,483,596 within the Transportation Center is due to accumulated depreciation of $1,850,127. The City is currently in negotiations with the Michigan Department of Transportation to potentially transfer the Center to the State. The City expects to have the deficit forgiven when the land is conveyed back to the State.

Bond Ratings

In 2003, there were no changes in the City of Pontiac's outstanding bond ratings of BBB+, Baa3 and BBB by Fitch Ratings, Moody's and Standard and Poor's respectfully.

Acknowledgments

This report could not have been prepared without the dedicated efforts of the entire city staff, especially those within the Finance Department. We would like to extend our sincere appreciation to all employees who assisted and contributed to its preparation, particularly the Internal Audit Division. We would also like to thank members of the Pontiac City Council for their cooperation and support when addressing issues confronting the City and the management of its finances.

Respectfully submitted,

Willie W. Payne
Mayor

J. Edward Hannan
Finance Director

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 Renaissance Center
Detroit MI 48243
Telephone (313) 394 6000
Facsimile (313) 394 6555

Report of Independent Auditors

To the Honorable Mayor and Members of City Council
City of Pontiac, Michigan

In our opinion, based on our audit and the report of other auditors, the 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 City of Pontiac, Michigan (the "City") which collectively comprise the City's basic financial statements as listed in the table of contents, 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's at June 30, 2003, 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. We also have audited the financial statements of the City's nonmajor governmental, nonmajor enterprise, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2003, 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 or the General City Employees' and Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "Health Trusts"), which statements reflect total assets of $646,228,551 as of December 31, 2002 and total deletions of $(41,688,215) 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 for the Retirement Systems and the Health Trusts of the City are based solely on the report of the other auditors. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

PRICEWATERHOUSECOOPERS

As described in Note 1, the City adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omibus – an Amendment of GASB Statements No. 21 and No. 34 and GASB Statement No. 38, certain financial statement note disclosures as of July 1, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 an opinion 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 and the budgetary comparison information on pages 13 through 23 and 85 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles general accepted in the United States 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 supplementary 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's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PricewaterhouseCoopers LLP

December 14, 2004

This section of The City of Pontiac's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follows this section.

Overview of the Financial Statements

The City of Pontiac adopted the Governmental Accounting Standings Board (GASB) statement No. 34 this fiscal year. This annual report consists of four parts-management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal non-major business funds. The basic financial statements include two kinds of statements that present different views of the City of Pontiac:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Pontiac's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the City of Pontiac's government, reporting the City's operations in more detail than the government-wide statements.

  The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

  Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system.

  Fiduciary fund statements provide information about the financial relationships-like the retirement plan for the City's employees-in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and non-major business-type funds, each of which are added together and presented in single columns in the basic financial statements.

Financial Highlights

- The City's total net assets remained virtually unchanged with a decrease of 1.0 million over the course of this year's operations. Moreover, net assets of our business-type activities changed with an increase of $1.9 million or nearly 3.1 percent, coupled with a decrease of $2.9 million or 4.2 percent in the net assets of our governmental activities.

- During the year, the City's expenditures were $2.9 million more than the $53 million generated in taxes and other revenues for the general fund.

- The general fund reported a deficit this year of $4.7 million.

- The resources available for appropriation were $3.4 million less than budgeted for the general fund. However, we kept expenditures under budget by $2.2 million with spending limits primarily through delayed hiring, overtime freeze and our staff restructuring efforts.

Government-wide Statements

The government-wide statements report information about the City of Pontiac as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of 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 of Pontiac'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 you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

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

- Governmental activities – Most of the City of Pontiac's basic services are included here, such as the police, fire, public works & utilities, community development and general administration. Property taxes, state and federal grants finance most of these activities.

- Business-type activities – The City of Pontiac charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and parking facilities are included here.

- Component units – The City of Pontiac includes two other entities in its report – the Pontiac Silverdome and the Pontiac Hospital Finance 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 of Pontiac's most significant funds not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

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

The City has three fund types:

- 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 readily be 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 the reader 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 reconciliations between the Governmental Funds Balance Sheet and between the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities that explain the differences between the two.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities-such as the City's Insurance Fund.

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

Financial Analysis of the City as a Whole

Net Assets

The City of Pontiac combined net assets were $124.8 million for fiscal year ending 2003 (See Table A-1). In comparison, governmental activities total assets were $41.4 million greater than business-type activities total assets. However, governmental activities net assets were only $6 million greater than business-type activities net assets. This is due to the total liabilities of $55.4 million for governmental activities versus $20.1 million of business-type activities.

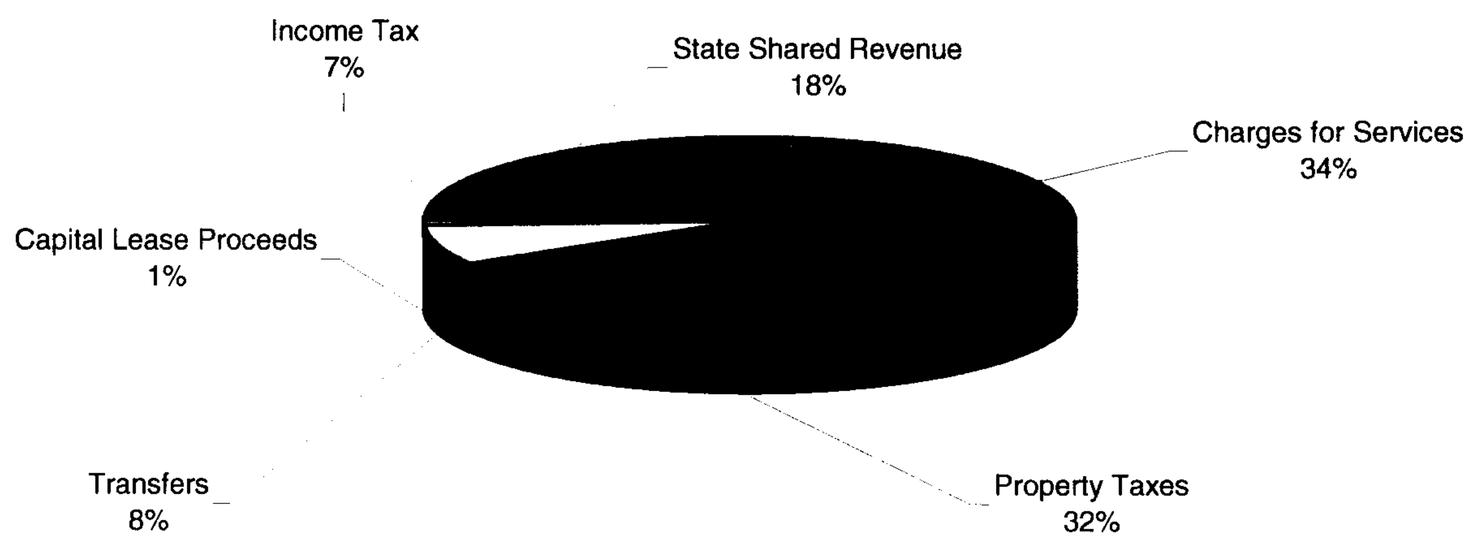
Table A-1
Net Assets

(in millions of dollars)	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Current and other assets	$ 67.6	$ 31.2	$ 98.8
Capital assets	53.3	48.3	101.6
Total assets	120.9	79.5	200.4
Long-term debt outstanding	25.4	17.8	43.2
Other liabilities	30.0	2.3	32.3
Total liabilities	55.4	20.1	75.5
Net assets	65.5	59.4	124.9
Invested in capital assets net of related debt	6.5	46.3	52.8
Restricted	2.7	7.9	10.6
Unrestricted	56.2	5.2	61.4
Total net assets	$ 65.4	$ 59.4	$ 124.8

Net assets of the City of Pontiac's governmental activities are either restricted as to the purposes they can be used for or they are invested in capital assets net of related debt (buildings, roads and bridges). Consequently, unrestricted net assets totaled $56.2 million at the end of this year, while restricted net assets totaled $2.7 million. A deficit does not mean that the City of Pontiac does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due. In addition, the unrestricted governmental net assets were adversely affected by tax revenues and State shared revenues that were short of expectation over the past two years.

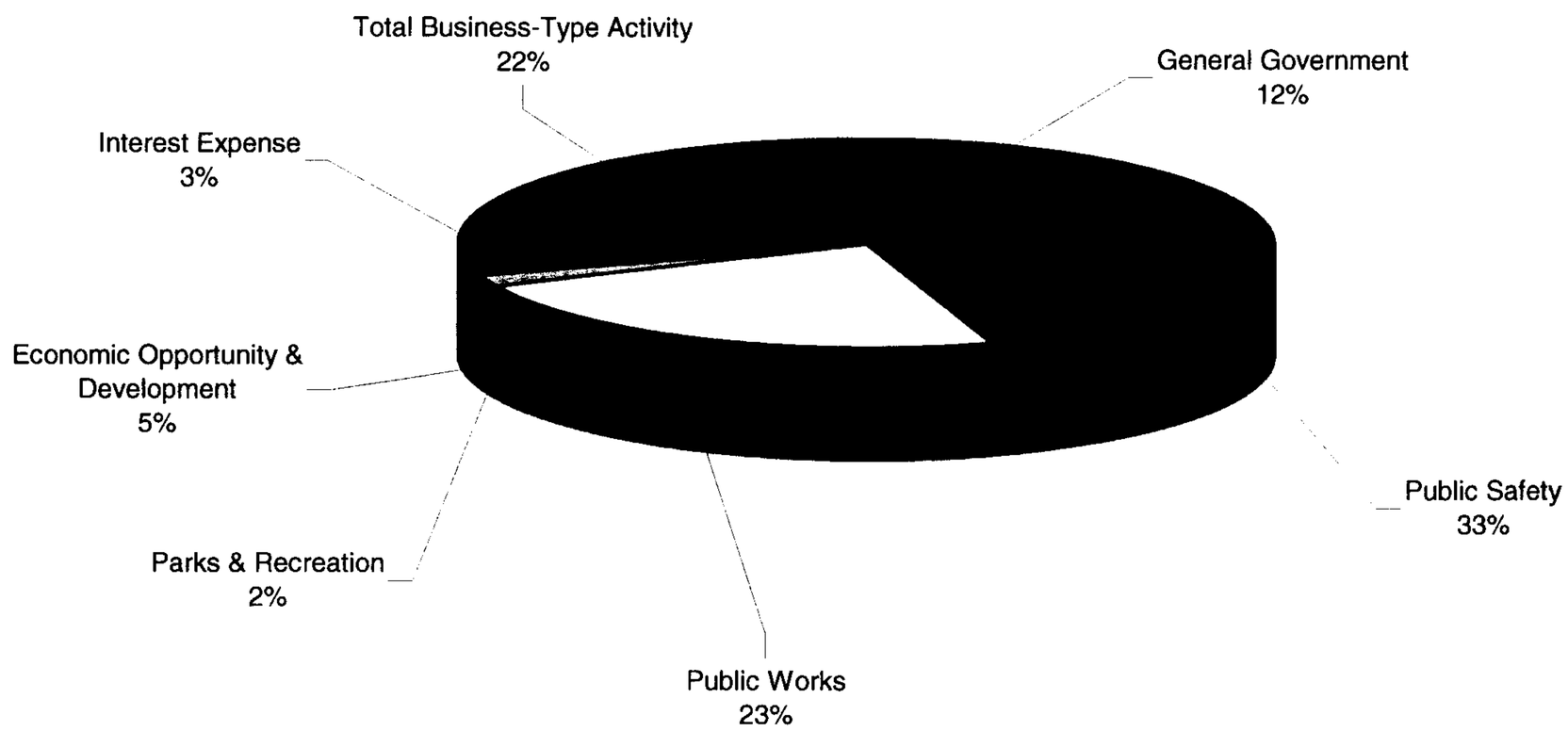
Although our business-type activities net assets were $59.4 million, these resources cannot be used to make up for declines in governmental net assets. The City generally can only use these net assets to finance the continuing operations of the water, sewer, and parking operations.

Figure A-2
THE CITY OF PONTIAC SOURCES OF REVENUE
FYE June 30, 2003



Charges for services and taxes make up seventy three percent of the City's sources of revenue, and 39 cents of every dollar raised comes from some type of tax (See Figure A-2). Another twenty seven cents comes from State shared revenue, capital lease proceeds and transfers.

Figure A-3
THE CITY OF PONTIAC FUNCTIONAL EXPENSES
FYE June 30, 2003



Governmental Activities

Revenues for the City of Pontiac's governmental activities including charges for services and general revenue was $57.5 million.

The City's management took major actions to avoid a larger level of deficit reported this year. One of these actions increased revenues and the second reduced expenses:

- The City of Pontiac sold land on Baldwin Street for $220,000. This was a one time special item. Although this property has been added back to the tax rolls, the tax revenues it may generate in the future are not expected to be at the same level as the City received this year by selling the land.

- The City imposed a critical needs hiring and overtime freeze (excluding the City's police, fire, and sanitation departments) in mid-year that resulted in a $400,000 savings in wages. This freeze, plus cost savings from our continuing staff restructuring efforts, held down the increase in expenses.

The total property tax levy increase from $21.7 million to $26.4 million in several major commercial and residential developments assisted in avoiding an even larger deficit. More than half of the City's other revenue sources also fell short of final budget estimates. In addition, state shared revenues were lower than expected because of overall state cutbacks.

Table A-2 presents the cost of each of the City's four largest programs – public safety, general government, citizen services and public works as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

- The cost of all governmental activities this year was $82.2 million.

- However, the amount that our taxpayers paid for these activities through City taxes was only $31.1 million.

- Some of the cost was paid by those who directly benefited from the programs $6.9 million or 8.4 percent.

- By other governments and organizations that subsidized certain programs with grants and contributions of $16.0 million.

Table A-2
Government Activities

(in millions of dollars)	Total Cost of Services	Net Cost of Services
Public safety	$ 35.3	$ 32.2
General government	12.3	9.4
Citizen services	6.6	2.4
Public works	24.0	8.8
Other	1.0	1.0
Interest expense	3.0	3.0
Total	$ 82.2	$ 56.8

Business Type Activities

Revenues of the City's business-type activities amounted to $22.6 million and expenses were $23.5 million. Factors contributing to these results included:

- A $1.6 million increase in operating expenses before depreciation and amortization in contractual services within the water and sewer operation. The evaluation of water and sewer lines throughout the City and preparation for corrective action caused a material increase in expenses.

- Continued operating deficits at City parking facilities - $1.6 million this year versus $.81 million in 2002. In both years the deficit was attributable primarily to the City-owned garage and parking lots located in downtown Pontiac.

- Both water and sewage activities generated a combined profit of $1.5 million.

Financial Analysis of the City's Funds

As the City of Pontiac completed the year, its major governmental funds reported a combined fund balance of $26.5 million. Included in this year's total change in fund balance, however, is a deficit of $4.7 million in the City's general fund. Furthermore, without the cash from the sale of land and savings from vacant positions, the fund balances would be even lower. The following are the primary reasons for the general funds' deficit mirror those highlighted in the analysis of governmental activities. In addition, these other changes in fund balances should be noted:

- The City spent $6.0 million this year on economic opportunity and development in the capital projects fund, reducing the beginning fund balance in that capital projects fund by $22.5 million. This reduction was expected as ongoing projects were initiated and funded prior to July 1, 2002. Although these and other capital expenditures reduce available fund balances, they create new assets for the City in the statement of net assets

- Each year, the State of Michigan provides the City of Pontiac with a portion of the sales tax revenues it collects. This year the City realized a $1.5 million reduction from $15.6 million to $14.1 million.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.

- Changes made in the to account for the delayed hiring and overtime freeze, some of the City's staff restructuring efforts, and the sale of an additional parcel of park land.

- Increase in appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures were $1.2 million below final budget amounts. A significant positive variance ($.42 million) resulted from a 57 percent reduction of the finance department's technology division workforce due to the staff restructuring and hiring freeze.

On the other hand, resources available for appropriation were $3.4 million below the final budgeted amount. As noted earlier:

- Income tax, state shared revenue and interest earnings were less than expected.
- Reductions in state funding also affected grant resources available for appropriation.

Capital Asset and Debt Administration

Capital Assets

At the end of 2003, the City of Pontiac had $101.6 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. This amount represents a net increase (including additions and deductions) over last year.

Table A-3
Capital Assets

(net of depreciation, in millions)	Governmental Activities	Business-Type Activities	Total
Land	$ 23.1	$ 16.2	$ 39.3
Buildings	1.6	30.8	32.4
Machinery & equipment	3.3	0.6	3.9
Furniture & fixtures	0.9	0.0	0.9
Vehicles	1.8	0.7	2.5
Paved streets	14.9	0.0	14.9
Construction in progress	7.7	0.0	7.7
	$ 53.3	$ 48.3	$ 101.6

This year's major capital asset additional included:

- Major and Local Streets construction projects
- Redevelopment of housing property
- Replacement of older segments of the wastewater collection system

The City of Pontiac's fiscal year 2003 capital outlay budget spent another $.6 million for capital projects.

Long-term Debt

At year-end the City had $99.4 million in bonds, compensation, landfill closure, notes and pending litigation. This is an increase of 6.2 percent over last year – as shown in Table A-4. More detailed information is presented in section L of the Comprehensive Annual Financial Report.

Table A-3
Outstanding Debt

	Governmental Activities	Business Type Activities
	2003	**2003**
Revenue bonds, notes and other (backed by specific tax and fee revenues)	$ 15.1	$ 84.3
Total	$ 15.1	$ 84.3

Limitations on Debt

The state limits the amount of general obligation debt the City of Pontiac can issue to 10 percent of all assessed real and personal property within the City's corporate limits. Our outstanding debt is significantly below this limit, which is currently $132 million.

Economic Factors and Next Year's Budgets and Rates

- The City of Pontiac is located in Oakland County. In 1999 the Per Capita Personal income in the County was $44,146 the highest of all Michigan counties that year. Per Capita Personal income in 2000 was $45,872.

- Oakland County's population grew 10% between 1990 and 2000, while the City of Pontiac's population decreased 7% between the same period of time.

- Unemployment now stands at 11 percent, the same percent a year ago in the City of Pontiac. This compares unfavorably with the state's rate of 7.0 percent and the national rate of 5.8 percent.

These indicators were taken into account when adopting the general fund budget for fiscal year 2004. Amounts available for appropriation in the general fund budget are $59.3 million, a decrease of 3.7 percent over the final 2002 budget of $61.6 million. Property taxes, public service taxes, and grant revenue (deflated by decreased state funding in several of our current programs) are expected to lead this decrease.

Budgeted expenditures are expected to fall nearly 6.5 percent to $57.5 million. The largest increments are increased wage and contractual cost-of-living adjustments reached with the unions. The City has added no major new programs or initiatives to the 2004 budget.

If these estimates are realized, the City's budgetary general fund balance is expected to stabilize and possibly increase modestly by the close of 2004. More importantly, however, this will have been accomplished without repeating the selling of capital assets or restructuring of long-term debt to alleviate cash flow pressures that occurred this year.

As for the City's business-type activities, we expect that the 2004 results will also improve based on these recent rate decisions:

- The City of Pontiac is in negotiations to reduce the cost of operations within the Sanitation Department by using a vendor to operate the land fill and pick up trash throughout the City of Pontiac.

- The City of Pontiac is reviewing proposals for profitable operations of the Silverdome.

Contracting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors 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 financial information, contact the City of Pontiac Finance Director's Office, 47450 Woodward Ave., Pontiac, Michigan 48342.

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City of Pontiac
Government Wide – Statement of Net Assets
June 30, 2003

	Primary Government			
	Governmental Activities	Business Type Activities	Totals	Component Units
Assets				
Current assets				
Cash and cash equivalents	$ 48,476,575	$ 11,544,474	$ 60,021,049	$ 21,754,548
Receivables, net	9,208,914	4,662,514	13,871,428	2,849,172
Investment in direct financing lease	-	-	-	33,695,552
Due from other governmental units	9,315,108	-	9,315,108	1,679
Internal balances	(3,912,870)	3,912,870	-	-
Due from north Oakland Medical Center	1,471,881	-	1,471,881	
Long-term advances to other funds	-	-	-	47,475
Contracts receivable	20,000	-	20,000	206,024
Due from component units	2,279,547	-	2,279,547	
Supplies	103,314	-	103,314	-
Prepayments and other assets	897,205	3,111,720	4,008,925	-
Restricted assets				
Restricted receivables	-	24,738	24,738	7,400,000
Restricted cash	2,743,715	7,902,202	10,645,917	5,004,830
Unamortized bond issue cost	-	32,977	32,977	-
Capital assets				
Nondepreciable capital assets	16,287,229	4,669,253	20,956,482	5,679,200
Depreciable capital assets, net	37,053,560	43,662,478	80,716,038	18,592,228
Total assets	$ 123,944,178	$ 79,523,226	$ 203,467,404	$ 95,230,708

(continued)

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Government Wide – Statement of Net Assets
June 30, 2003

	Primary Government			
	Governmental Activities	Business Type Activities	Totals	Component Units
Liabilities				
Current liabilities				
Accounts payable	$ 7,893,580	$ 1,214,655	$ 9,108,235	$ 581,306
Accrued and other liabilities	11,022,285	822,905	11,845,190	443,457
Deposits	941,947	-	941,947	598,806
Deferred revenue	2,209,989	-	2,209,989	1,565,179
Due to other governmental units	2,257	-	2,257	895,536
Due to Pontiac Silverdome	7,400,000	-	7,400,000	-
Payable from restricted assets				
Landfill closure and postclosure accrual	2,743,715	-	2,743,715	-
Accrued interest on long-term debt	-	371,954	371,954	-
Current portion of long-term debt	-	2,465,000	2,465,000	2,020,000
Long term liabilities				
Due within one year	5,620,757	-	5,620,757	-
Due in more than one year	20,974,738	15,268,094	36,242,832	49,598,748
Total liabilities	58,809,268	20,142,608	78,951,876	55,703,032
Net assets				
Invested in capital assets, net of related debt	37,761,029	30,598,637	68,359,666	24,271,428
Restricted for			-	
Other special revenue fund projects	10,735,152	-	10,735,152	-
Capital projects	22,474,886	-	22,474,886	-
Debt service	3,503,578	-	3,503,578	-
Streets	426,270	-	426,270	-
Grants	676,682	-	676,682	-
Commercial and industrial development	371,280	-	371,280	-
Cemetery	794,845	-	794,845	-
Special projects - cost effectiveness	-	-	-	80,835
Unrestricted (deficit)	(11,608,812)	28,781,981	17,173,169	15,175,413
Total net assets	65,134,910	59,380,618	124,515,528	39,527,676
Total net assets and liabilities	$ 123,944,178	$ 79,523,226	$203,467,404	$ 95,230,708

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Government Wide – Statement of Activities
June 30, 2003

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets Primary Government			
	Program Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Totals	Component Units
Functions/Programs								
Primary government								
Governmental activities								
General government	$ 12,270,458	$ 2,498,187	$ 392,556	$ -	$ (9,379,715)	$ -	$ (9,379,715)	$ -
Public safety	35,291,568	3,044,946	50,435	-	(32,196,187)	-	(32,196,187)	-
Public works	23,956,113	1,095,888	4,536,895	9,481,206	(8,842,124)	-	(8,842,124)	-
Parks and recreation	2,214,001	74,494	655,194	-	(1,484,313)	-	(1,484,313)	-
Community and economic development	5,496,255	230,293	3,390,039	-	(1,875,923)	-	(1,875,923)	-
Interest expense	3,013,165	-	-	-	(3,013,165)	-	(3,013,165)	-
Total governmental activities	82,241,560	6,943,808	9,025,119	9,481,206	(56,791,427)	-	(56,791,427)	-
Business-type activities								
Water	9,494,103	10,320,319	-	-	-	826,216	826,216	-
Sewage	9,023,784	9,415,872	-	-	-	392,088	392,088	-
Parking	2,892,014	1,337,128	-	-	-	(1,554,886)	(1,554,886)	-
Transportation center	160,399	100	-	-	-	(160,299)	(160,299)	-
Golf course	1,072,601	875,663	-	-	-	(196,938)	(196,938)	-
Cemetery	900,410	633,610	-	-	-	(266,800)	(266,800)	-
Total business-type activities	23,543,311	22,582,692	-	-	-	(960,619)	(960,619)	-
Total primary government	$ 105,784,871	$ 29,526,500	$ 9,025,119	$ 9,481,206	(56,791,427)	$ (960,619)	$ (57,752,046)	$ -
Component units								
Pontiac Silverdome	$ 10,272,664	$ 3,527,042	$ -	$ -	$ -	$ -	$ -	$ (6,745,622)
Pontiac Hospital Finance Authority	3,653,784	-	-	2,653,784	-	-	-	(1,000,000)
Economic Development Corporation	298,472	-	-	60,385	-			(238,087)
Brownfield Redevelopment Authority	17,150	-	-	-	-			(17,150)
Tax Increment Finance Authority	8,822,414	-	-	1,818	-			(8,820,596)
Downtown Development Authority	1,913,205	1,560	409,566	-	-	-	-	(1,502,079)
Total component units	$ 24,977,689	$ 3,528,602	$ 409,566	$ 2,715,987	-	-	-	$ (18,323,534)
General revenues								
Taxes								
Property taxes, levied for general purposes					10,635,301	-	10,635,301	8,515,310
Special purpose tax levies					-	2,331,080	2,331,080	-
Income taxes					15,026,493	-	15,026,493	-
Other taxes					5,592,233	-	5,592,233	-
State shared revenue					14,119,733	-	14,119,733	-
Rental income					-	-	-	84,111
Unrestricted investment earnings					973,028	323,367	1,296,395	760,112
Unrestricted cable revenue					506,709	-	506,709	-
Contribution from component units					6,313,048	7,800	6,320,848	-
Miscellaneous					199,282	-	199,282	47,112
Transfers					555,971	155,984	711,955	-
Total general revenue, special items and transfers					53,921,798	2,818,231	56,740,029	9,406,645
Change in net assets					(2,869,629)	1,857,612	(1,012,017)	(8,916,889)
Net assets								
Beginning of year (restated)					68,004,539	57,523,006	125,527,545	48,444,565
End of year					$ 65,134,910	$ 59,380,618	$ 124,515,528	$ 39,527,676

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2003

	Major Governmental-Type Funds					
	General Fund	Sanitation Fund	Other Special Revenue Fund	Capital Projects Fund	Non-Major Funds	Totals June 30, 2003
Assets						
Cash and investments	$ 649,611	$ 550,452	$ 12,314,124	$ 21,369,377	$ 5,478,540	$ 40,362,104
Supplies	-	-	-	-	94,973	94,973
Receivables, net	-	-	-	-	-	
Property and income taxes	2,033,607	246,491	-	-	191,538	2,471,636
Due from other governmental units	5,828,184	-	2,003,201	-	1,483,723	9,315,108
Due from North Oakland Medical Center	1,471,881	-	-	-	-	1,471,881
Due from component units	-	-	165,784	-	117,013	282,797
Contracts	-	-	-	-	20,000	20,000
Accrued interest receivable	-	2,690	-	4,029	-	6,719
Accounts receivable	1,566,492	5,887	691,578	132,784	2,448,389	4,845,130
Due from other funds	-	-	1,200,000	-	1,412,730	2,612,730
Prepayments and other assets	-	-	-	31,800	865,405	897,205
Special assessments receivable	1,482,741	-	-	68,832	-	1,551,573
Restricted assets - Pooled cash and investments	-	2,743,715	-	-	-	2,743,715
Total assets	$ 13,032,516	$ 3,549,235	$ 16,374,687	$ 21,606,822	$ 12,112,311	$ 66,675,571
Liabilities and Fund Balance						
Accounts payable	$ 5,449,409	$ 676,642	$ 311,037	$ 180,138	$ 781,501	7,398,727
Accrued payroll	105,100	-	-	-	-	105,100
Due to other governmental units	-	-	-	-	2,257	2,257
Due to other funds	2,062,000	-	5,136,100	900,000	1,140,000	9,238,100
Due to Pontiac Silverdome	7,400,000	-	-	-	-	7,400,000
Deposits	-	850	192,398	-	748,699	941,947
Deferred revenue	-	-	-	160,065	2,049,924	2,209,989
Other accrued liabilities	2,712,550	-	-	-	-	2,712,550
Landfill closure and post-closure accrual	-	2,743,715	-	-	-	2,743,715
Total liabilities	17,729,059	3,421,207	5,639,535	1,240,203	4,722,381	32,752,385
Fund Balance						
Reserved						
Encumbrances	54,468	6,051	1,111,308	3,328,476	550,262	5,050,565
Budget stabilization	-	-	2,849,729	-	-	2,849,729
Cable television	290,153	-	-	-	-	290,153
Construction	-	-	2,913,732	17,038,143	-	19,951,875
Improvements	-	-	-	-	258,559	258,559
Neighborhood revitalization	-	-	196,083	-	-	196,083
Radio replacement	48,659	-	-	-	-	48,659
Supplies	-	-	-	-	77,524	77,524
Tree fund	64,000	-	-	-	-	64,000
Unreserved	(5,153,823)	121,977	3,664,300	-	-	(1,367,546)
Unreserved, reported in:						
Special Revenue Funds	-	-	-	-	382,406	382,406
Debt Service Fund	-	-	-	-	3,503,578	3,503,578
Capital Projects Fund	-	-	-	-	1,822,756	1,822,756
Permanent Fund	-	-	-	-	794,845	794,845
Total fund balance (deficit)	(4,696,543)	128,028	10,735,152	20,366,619	7,389,930	33,923,186
Total liabilities and fund balance	$ 13,032,516	$ 3,549,235	$ 16,374,687	$ 21,606,822	$ 12,112,311	$ 66,675,571

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities
Year Ended June 30, 2003

Total fund balances for governmental funds	$ 33,923,186
Accrued interest on long term debt is not included in the governmental funds but is included in the government-wide statement.	(417,060)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	16,287,229
Land improvments	32,477,581
Buildings and improvements	20,030,462
Equipment	13,362,030
Vehicles	10,882,547
Furniture and fixtures	7,319,956
Less: Total accumulated depreciation	(47,716,310)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(26,595,495)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	5,580,784
Net assets	$ 65,134,910

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2003

	Major Governmental-Type Funds					
	General Fund	Sanitation Fund	Other Special Revenue Fund	Capital Projects Fund	Non-Major Funds	Totals June 30, 2003
Revenues						
Taxes	$ 26,218,913	$ 2,799,308	$ -	$ -	$ 2,106,580	$ 31,124,801
Licenses and permits	2,273,026	-	-	-	-	2,273,026
Special assessments	-	-	-	5,468	-	5,468
Federal grants	-	-	600,739	1,860,210	2,992,537	5,453,486
State grants	14,719,770	-	4,947,324	-	5,393,734	25,060,828
Charges for services	1,954,624	612,373	-	-	492,466	3,059,463
Fines and forfeitures	105,592	-	-	-	1,179,946	1,285,538
Investment income	115,549	15,189	86,019	683,048	73,223	973,028
Other	943,783	26,180	1,076,201	658,901	471,418	3,176,483
Charges to other funds for administrative services	3,824,718	-	-	-	-	3,824,718
Contribution from component units	2,355,968	650,000	-	551,700	1,755,380	5,313,048
Total revenues	52,511,943	4,103,050	6,710,283	3,759,327	14,465,284	81,549,887
Expenditures						
General government	6,398,830	-	-	-	-	6,398,830
Legislative and executive	1,938,732	-	-	-	2,154,562	4,093,294
Public safety	32,264,226	-	-	-	-	32,264,226
Public works and services	4,977,457	3,921,901	7,211,861	-	4,674,406	20,785,625
Parks and recreation	1,195,382	-	-	-	-	1,195,382
Economic opportunity and development	1,075,255	-	-	-	-	1,075,255
Community development programs	-	-	-	-	2,028,730	2,028,730
Other	6,421,454	15,538	-	-	3,946,161	10,383,153
Capital outlay	592,846	-	760,307	26,274,730	809,632	28,437,515
Debt service	-	-	-	-	4,559,180	4,559,180
Total expenditures	54,864,182	3,937,439	7,972,168	26,274,730	18,172,671	111,221,190
Excess (deficiency) of revenues over (under) expenditures	(2,352,239)	165,611	(1,261,885)	(22,515,403)	(3,707,387)	(29,671,303)
Other financing sources (uses)						
Transfers in	196,144	371,472	1,421,723	18,445	4,102,990	6,110,774
Transfers out	(3,214,989)	(8,059)	(15,000)	-	(2,316,755)	(5,554,803)
Proceeds from capital lease	1,000,000	-	-	-	-	1,000,000
Total other financing	(2,018,845)	363,413	1,406,723	18,445	1,786,235	1,555,971
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,371,084)	529,024	144,838	(22,496,958)	(1,921,152)	(28,115,332)
Fund balance (deficit)						
Beginning of year	(325,459)	(400,996)	10,590,314	42,863,577	9,311,082	62,038,518
End of year	$ (4,696,543)	$ 128,028	$ 10,735,152	$ 20,366,619	$ 7,389,930	$ 33,923,186

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities
Year Ended June 30, 2003

Net change in fund balances - Total Governmental Funds	$ (28,115,332)
Amounts reported for governmental activities in the statement of activities are different because	
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	1,963,075
Change in compensated absences are recorded when incurred in the Statement of Activities	(536,820)
Accrued interest on long term debt is included in the statement of activities but not in governmental funds	(417,060)
Capital outlay charges are included in the governmental funds but not in the statement of activities	29,716,930
Depreciation is included in the statement of activities but not in the governmental funds	(1,675,959)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and equipment usage to individual funds. The change in net assets of the internal service funds are included in governmental activities in the Statement of Activities.	(3,804,463)
Change in net assets of governmental activities	$ (2,869,629)

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Proprietary Funds
Statements of Net Assets
June 30, 2003

	Business-Type Activities - enterprise Funds						Governmental Activities - Internal Service Funds
	Major						
	Water	Sewerage	Parking	Transportation Center	Non-Major Funds	Totals June 30, 2003	
Assets							
Current assets							
Cash and cash equivalents	$ 5,399,171	$ 6,075,290	$ -	$ 69,284	$ 729	$ 11,544,474	$ 8,114,471
Accounts receivable	1,934,540	2,596,570	-		131,404	4,662,514	333,856
Supplies	-	-	-	-	-	-	8,341
Due from other funds	4,446,600	-	-	-	-	4,446,600	3,518,500
Due from component units	-	-	-	-	-	-	1,996,750
Prepayments	1,091,138	2,020,582	-	-	-	3,111,720	-
Total current assets	12,871,449	10,692,442	-	69,284	132,133	23,765,308	13,971,918
Restricted assets							
Cash and cash equivalents	2,992,338	4,690,197	219,667	-	-	7,902,202	-
Accounts receivable	-	-	24,738	-	-	24,738	-
Unamortized bond issue costs	-	-	32,977	-	-	32,977	-
Total restricted assets	2,992,338	4,690,197	277,382	-	-	7,959,917	-
Capital assets							
Land	276,909	325,962	3,166,454	86,455	813,473	4,669,253	-
Land Improvements	-	64,544	-	41,153	2,761,118	2,866,815	-
Buildings and building improvements, net of depreciation	95,373	6,795,535	14,955,200	1,442,664	1,017,107	24,305,879	7,022
Machinery and equipment, net of depreciation	21,437	1,871,366	-	-	69,005	1,961,808	450,751
Furnitures and fixtures, net of depreciation	12,444	-	-	-	6,796	19,240	4,369
Water and sewer systems, net of depreciation	5,959,151	7,871,411	-	-	-	13,830,562	-
Vehicles, net of depreciation	152,511	445,039	64,902	-	15,722	678,174	235,152
Total capital assets	6,517,825	17,373,857	18,186,556	1,570,272	4,683,221	48,331,731	697,294
Total assets	$ 22,381,612	$ 32,756,496	$ 18,463,938	$ 1,639,556	$ 4,815,354	$ 80,056,956	$ 14,669,212
Liabilities							
Current liabilities							
Accounts payable	$ 683,284	$ 438,567	$ 4,209	$ 4,152	$ 84,443	$ 1,214,655	$ 494,853
Compensation and accrued employee benefits	173,634	233,808	24,342	-	117,412	549,196	-
Due to other funds	-	-	117,730	119,000	297,000	533,730	806,000
Accrued liabilities	3,314	-	268,899	-	1,496	273,709	7,787,575
Payable from restricted assets							
Accrued interest on long-term debt	125,295	167,284	79,375	-	-	371,954	-
Current portion of long-term debt, payable within one year	205,000	310,000	1,950,000	-	-	2,465,000	-
Total liabilities payable from restricted assets, except long-term debt due after one year	330,295	477,284	2,029,375	-	-	2,836,954	-
Total current liabilities	1,190,527	1,149,659	2,444,555	123,152	500,351	5,408,244	9,088,428
Long-term liabilities							
Long-term debt due after one year	3,667,220	5,491,279	3,109,595	3,000,000	-	15,268,094	-
Total liabilities	4,857,747	6,640,938	5,554,150	3,123,152	500,351	20,676,338	9,088,428
Net assets							
Invested in capital assets - net of related debt	2,645,605	11,572,578	13,126,961	(1,429,728)	4,683,221	30,598,637	697,294
Unrestricted	14,878,260	14,542,980	(217,173)	(53,868)	(368,218)	28,781,981	4,883,490
Total net assets	$ 17,523,865	$ 26,115,558	$ 12,909,788	$ (1,483,596)	$ 4,315,003	$ 59,380,618	$ 5,580,784

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Assets
Year Ended June 30, 2003

	Business-Type Activities - enterprise Funds						Governmental Activities - Internal Service Funds
	Major						
	Water	Sewerage	Parking	Transportation Center	Non-Major Funds	Totals June 30, 2003	
Operating revenues							
Charges for services	$ 9,458,097	$ 9,089,139	$ 1,337,128	$ 100	$ 1,035,519	$ 20,919,983	$ 19,565,727
Other	862,222	326,733	-	-	473,754	1,662,709	855,384
Total operating revenues	10,320,319	9,415,872	1,337,128	100	1,509,273	22,582,692	20,421,111
Operating expenses							
Purchased water	3,092,795	-	-	-	-	3,092,795	-
Claims cost insurance	-	-	-	-	-	-	21,063,989
Salaries and fringe benefits	2,441,348	3,519,700	306,495	5,966	747,388	7,020,897	716,574
Supplies and services	611,564	584,125	315,882	5,621	65,865	1,583,057	1,481,966
Utilities	151,977	737,488	168,981	49,026	81,809	1,189,281	-
Contractual services	709,220	604,255	860,175	12,923	335,178	2,521,751	-
Repairs and maintenance	146,228	53,000	47,429	3,515	22,619	272,791	-
Advertising and promotion	14,406	4,093	-	-	10,861	29,360	-
Rental of machinery and equipment	69,266	12,100	9,359	-	1,035	91,760	-
Insurance	206,394	189,784	24,750	3,626	29,152	453,706	-
Administrative services provided by the General Fund	964,806	992,614	93,996	-	213,540	2,264,956	-
Administrative services provided by Public Utilities	152,928	152,928	-	-	-	305,856	329,004
Depreciation	597,072	1,894,749	670,623	79,722	354,354	3,596,520	143,648
Other	79,108	19,526	1,325	-	97,005	196,964	4,554
Total operating expenses	9,237,112	8,764,362	2,499,015	160,399	1,958,806	22,619,694	23,739,735
Operating income (loss)	1,083,207	651,510	(1,161,887)	(160,299)	(449,533)	(37,002)	(3,318,624)
Non-operating revenues (expenses)							
Property taxes	-	-	2,331,080	-	-	2,331,080	-
Interest revenue	158,719	165,289	(1,717)	(1,103)	2,179	323,367	226,116
Interest expense	(256,991)	(259,422)	(392,999)	-	(2,515)	(911,927)	-
Contribution from component units	-	-	7,800	-	-	7,800	-
Other	-	-	-	-	(11,690)	(11,690)	-
Total non-operating revenues (expenses)	(98,272)	(94,133)	1,944,164	(1,103)	(12,026)	1,738,630	226,116
Income (loss) before transfers and other items	984,935	557,377	782,277	(161,402)	(461,559)	1,701,628	(3,092,508)
Transfers and items							
Transfers in	289,584	-	107,016	69,126	220,338	686,064	-
Transfers out	(4,885)	(359,815)	-	-	(165,380)	(530,080)	(711,955)
Total transfers and other items	284,699	(359,815)	107,016	69,126	54,958	155,984	(711,955)
Change in net assets	1,269,634	197,562	889,293	(92,276)	(406,601)	1,857,612	(3,804,463)
Net assets							
Beginning of year	16,254,231	25,917,996	12,020,495	(1,391,320)	4,721,604	57,523,006	9,385,247
End of year	$ 17,523,865	$ 26,115,558	$ 12,909,788	$ (1,483,596)	$ 4,315,003	$ 59,380,618	$ 5,580,784

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2003

	Business-Type Activities - enterprise Funds						Governmental Activities - Internal Service Funds
	Major						
	Water	Sewerage	Parking	Transportation Center	Non-Major Funds	Totals June 30, 2003	
Cash flows from operating activities							
Cash received from users	$ 10,948,495	$ 9,118,576	$ 1,343,677	$ 100	$ 1,545,488	$ 22,956,336	$ 20,819,614
Cash paid to suppliers	(7,495,802)	(5,508,980)	(1,479,614)	(80,873)	(1,058,168)	(15,623,437)	(22,751,019)
Cash paid to employees	(2,350,162)	(3,564,497)	(303,781)	(5,966)	(499,843)	(6,724,249)	(716,574)
Internal activities - payments from (to) other funds	(4,446,600)	-	105,000	88,000	(45,700)		9,864,024
Net cash provided by (used in) operating activities	(3,344,069)	45,099	(334,718)	1,261	(58,223)	(3,690,650)	7,216,045
Cash flows from non-capital financing activities						-	
Transfers from other funds	289,584	-	114,816	-	220,338	624,738	-
Transfers to other funds	(4,885)	(359,815)	-	-	(165,380)	(530,080)	(711,955)
Property taxes	-	-	2,331,080	-	-	2,331,080	-
Net cash provided by (used in) non-capital financing activities	284,699	(359,815)	2,445,896	-	54,958	2,425,738	(711,955)
Cash flows from capital and related financing activities							
Transfers from other funds	-	-	-	69,126	-	69,126	-
Acquisition of capital assets	(1,649,484)	(2,581,476)	(69,222)	-	-	(4,300,182)	(146,966)
Payments on bonds	(215,000)	(355,000)	(1,869,267)	-	-	(2,439,267)	-
Interest paid on bond obligations	(139,628)	(147,787)	(400,751)	-	-	(688,166)	-
Net cash provided by (used in) capital and related financing activities	(2,004,112)	(3,084,263)	(2,339,240)	69,126	-	(7,358,489)	(146,966)
Cash flows from investing activities							
Interest on investments	158,719	165,289	3,573	(1,103)	(336)	326,142	226,116
Net cash provided by (used in) investing activities	158,719	165,289	3,573	(1,103)	(336)	- 326,142	226,116
Net increase (decrease) in cash and cash equivalents	(4,904,763)	(3,233,690)	(224,489)	69,284	(3,601)	- (8,297,259)	6,583,240
Pooled cash and investments							
Beginning of year	13,296,272	13,999,177	444,156	-	4,330	27,743,935	1,531,231
End of year	$ 8,391,509	$ 10,765,487	$ 219,667	$ 69,284	$ 729	$ 19,446,676	$ 8,114,471

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2003

	Business-Type Activities - enterprise Funds						Governmental Activities - Internal Service Funds
	Major						
	Water	Sewerage	Parking	Transportation Center	Non-Major Funds	Totals June 30, 2003	
Reconciliation of operating income (loss) to net cash from operating activities							
Operating income (loss)	$ 1,083,207	$ 651,510	$ (1,161,887)	$ (160,299)	$ (449,533)	$ (37,002)	$ (3,318,624)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						-	
						-	
						-	
Depreciation expense	597,072	1,894,749	670,623	79,722	354,354	3,596,520	143,648
Amortization expense	-	-	32,329	-	-	32,329	-
(Increase) decrease in accounts receivable	628,176	(297,296)	6,549	-	36,215	373,644	398,503
(Increase) decrease in supplies	-	-	-	-	-	-	(5,841)
(Increase) decrease in due from other funds	(4,446,600)	-	-	-	4,300	(4,442,300)	11,573,387
(Increase) decrease in due from component units	-	-	-	-	-	-	(1,996,750)
(Increase) decrease in prepayment and other assets	(1,091,138)	(2,020,582)	-	-	-	(3,111,720)	-
Increase (decrease) in accounts payable	(205,946)	(138,485)	(6,979)	(6,162)	31,686	(325,886)	134,335
Increase (decrease) in accrued payroll	91,186	(44,797)	2,714	-	24,398	73,501	-
Increase (decrease) in due to other funds	-	-	105,000	88,000	(50,000)	143,000	287,387
Increase (decrease) in other accrued liabilities	(26)	-	16,933	-	(9,643)	7,264	-
Net cash provided by (used in) operating activities	$ (3,344,069)	$ 45,099	$ (334,718)	$ 1,261	$ (58,223)	(3,690,650)	$ 7,216,045

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Fiduciary Funds
Statement of Net Assets
June 30, 2003

	Pension (and Other Post-Employment Benefits) Trust Fund (1)	Agency Funds
Assets		
Cash and cash equivalents	$ 245,345	$ 7,289,199
Cash and investments held as collateral for securities lending	60,480,569	-
Investments		
U.S. government securities	90,023,761	-
U.S. government agency mortgage pools	24,165,700	-
Corporate bonds	108,491,563	-
Equities	287,140,073	-
Money markets and mutual funds	24,120,410	-
Real estate	41,207,381	-
Interest in CAP Commercial Mortgage, LLC	6,115,336	-
Preferred securities	577,575	-
Total investments	581,841,799	-
Due from broker pending transactions	333,262	-
Accrued interest receivable	2,808,311	-
Receivables - other	519,265	-
Deposits	-	199,202
Total assets	$ 646,228,551	$ 7,488,401
Liabilities		
Accounts payable	$ 1,210,417	$ 303,320
Due to broker pending transactions	261,482	-
Amount due broker under securities lending agreement	60,480,569	-
Accrued liabilities	-	713,517
Deposits	-	6,471,564
Total liabilities	61,952,468	7,488,401
Net Assets		
Net assets held in trust for Pension and post-employment health care benefits	$ 584,276,083	$ -

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2002.

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Fiduciary Funds
Statement of Changes in Net Assets
Pension and Other Employee Benefits Trust Funds
Year Ended June 30, 2003

	Pension (and Other Post-Employment Benefits) Trust Funds (1)
Additions	
Investment income	
Interest and dividends	$ 19,067,776
Net appreciation (depreciation) in fair value	(63,063,827)
Investment advisor fees	(2,964,976)
Net investment income (loss)	(46,961,027)
Securities lending income	
Interest and fees	935,994
Less: Borrower rebates and bank fees	(836,796)
Net securities lending income	99,198
Contributions	
Employee	386,079
Employer	4,787,535
Total contributions	5,173,614
Total additions	(41,688,215)
Deductions	
Retirees' pension benefits and retirement incentives	23,929,353
Retirees' health benefits	637,107
Members' refunds and withdrawals	203,635
Other expenses	232,636
Charges from the City - Administrative expenses	316,879
Total deductions	25,319,610
Net increase (decrease) in net assets	(67,007,825)
Net assets held in trust for pension benefits and other post-employment healthcare benefits:	
Beginning of year	651,283,908
End of year	$ 584,276,083

(1) The General City Employees Retirement and Police & Fire Retirement Systems' financial information is reported as of December 31, 2002.

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Combining Statement of Net Assets (Deficit)
Component Units
June 30, 2003

	Pontiac Silverdome	Pontiac Hospital Finance Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Tax Increment Financing Authority	Downtown Development Authority	Total Component Units
Assets							
Cash and cash equivalents	$ 14,668,075	$ -	$ 1,754,993	$ 487,650	$ 4,520,140	$ 323,690	$ 21,754,548
Receivables , net							
Accrued interest receivable	4,229	-	5	-	1,352	-	5,586
Property and income taxes receivable, net	-	-	-	-	229,328	26,844	256,172
Accounts receivable, net	1,807,691	-	166,579	-	597,477	-	2,571,747
Loans Receivable	-	-	15,667	-	-	-	15,667
Investment in direct financing lease	-	33,695,552	-	-	-	-	33,695,552
Due from other governmental units	-	-	-	-	-	1,679	1,679
Long-term advances to other funds	-	-	-	-	47,475	-	47,475
Contracts Receivable	-	-	126,770	-	79,254	-	206,024
Prepayments and other assets	-	-	-	-	-	-	-
Restricted assets							
Cash and cash equivalents	-	5,004,830	-	-	-	-	5,004,830
Due from City of Pontiac	7,400,000	-	-	-	-	-	7,400,000
Nondepreciable capital assets	5,679,200						5,679,200
Depreciable capital assets - net	18,592,228	-	-	-	-	-	18,592,228
Total Assets	$ 48,151,423	$ 38,700,382	$ 2,064,014	$ 487,650	$ 5,475,026	$ 352,213	$ 95,230,708
Liabilities							
Accounts Payable	187,244	-	97,676	-	292,569	3,817	581,306
Accrued liabilities	-	-	23,207	-	6,626	21,776	51,609
Compensation and accrued employee benefits	391,848	-	-	-	-	-	391,848
Deposits	598,806	-	-	-	-	-	598,806
Due to other governmental units	3,239	-	-	-	-	-	3,239
Due to City of Pontiac	-	-	-	-	346,784	545,513	892,297
Deferred revenues	926,863	-	542,851	-	95,465	-	1,565,179
Payable from restricted assets					-	-	
Current portion of long-term debt payable within one year	-	-	-	-	2,020,000	-	2,020,000
Long-term debt and other liabilities due after one year	-	-	-	-	49,598,748	-	49,598,748
Total liabilities	2,108,000	-	663,734	-	52,360,192	571,106	55,703,032
Net Assets							
Investment in fixed assets, net of related debt	24,271,428	-	-	-	-	-	24,271,428
Restricted - Special projects - cost effectiveness	-	-	-	-	-	-	-
Unrestricted	21,771,995	38,700,382	1,400,280	487,650	(46,885,166)	(218,893)	15,256,248
Total Net Assets	$ 46,043,423	$ 38,700,382	$ 1,400,280	$ 487,650	$ (46,885,166)	$ (218,893)	$ 39,527,676

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Combining Statement of Activities
Component Units
Year Ended June 30, 2003

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Pontiac	Pontiac Hospital Finance	Economic Development Corporation	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Downtown Development Authority	Total
Programs											
Pontiac Silverdome	$ 10,272,664	3,527,042	-	-	(6,745,622)	-	-	-	-	-	$ (6,745,622)
Pontiac Hospital Finance Authority	3,653,784	-	-	2,653,784	-	(1,000,000)	-	-	-	-	(1,000,000)
Economic Development Corporation	298,472	-	-	60,385	-	-	(238,087)	-	-	-	(238,087)
Brownfield Redevelopment Authority	17,150	-	-	-	-	-	-	(17,150)	-	-	(17,150)
Tax Increment Financing Authority	8,822,414	-	-	1,818	-	-	-	-	(8,820,596)	-	(8,820,596)
Downtown Development Authority	1,913,205	1,560	409,566	-	-	-	-	-	-	(1,502,079)	(1,502,079)
Total component units	$ 24,977,689	$ 3,528,602	$ 409,566	$ 2,715,987	$ (6,745,622)	$ (1,000,000)	$ (238,087)	$ (17,150)	$ (8,820,596)	$ (1,502,079)	$ (18,323,534)
General revenues											
Property taxes					$ -	$ -	$ -	$ -	$ 7,706,507	$ 808,803	$ 8,515,310
Rental income					54,316	-	-	-	23,795	6,000	84,111
Unrestricted investment earnings					345,792	-	73,092	7,599	321,989	11,640	760,112
Miscellaneous					47,112	-	-	-	-	-	47,112
Total general revenues					447,220	-	73,092	7,599	8,052,291	826,443	9,406,645
Change in net assets					(6,298,402)	(1,000,000)	(164,995)	(9,551)	(768,305)	(675,636)	(8,916,889)
Net assets											
Beginning of year (restated)					52,341,825	39,700,382	1,565,275	497,201	(46,116,861)	456,743	48,444,565
End of year					$ 46,043,423	$ 38,700,382	$ 1,400,280	$ 487,650	$ (46,885,166)	$ (218,893)	$ 39,527,676

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

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 City financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, The GASB issued Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all the City's activities.
- A change in the fund financial statements to focus on the major funds.

Basic (Government-Wide) and Fund Financial Statements – GASB Statement No. 34
During fiscal year 2003, the City adopted GASB Statement No. 34, *Basic financial statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category, which are otherwise being supported by general government revenues (property and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and grants both operating and capital related. The program revenues must be directly associated with the function otherwise they are reported as general revenue. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or activity) is normally covered by the City's general revenues. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expenditure in the General Fund), to address General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

2. Reporting Entity

These financial statements present the City and its component units. Blended component units represented as part of the primary government are General Building Authority, General Employees' Retirement System and the Police and Fire Retirement System. Discretely presented component units reported in separate columns in the combined financial statements are Pontiac Silverdome, Downtown Development Authority (DDA), Economic Development Corporation (EDC) Tax Increment Financing Authority (TIFA), Brownfield Redevelopment Authority, and Pontiac Hospital Finance Authority.

3. Basic Financial Statements- Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, sanitation, special revenues, cemetery endowment and capital projects are classified as governmental activities. The City's water, sewer, parking, golf, cemetery and transportation center are classified as business – type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic basis, which recognizes all long term assets and receivables as well as long term debt and obligations. The City's net assets are reported in four parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The City utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated wit the function (police, public works community and youth services, etc.) or a business-type activity. Operating grants include operating –specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of the General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City uses the following fund types:

4. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/ proprietary funds).

5. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- Enterprise funds are required to be used to account for the operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. The City's internal service fund is presented in the proprietary funds financial statements. Because the principle users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

6. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The City's fiduciary funds are presented in the fiduciary fund statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

7. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

8. Accrual

Both governmental and business-type activities in the government- wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

9. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available); "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any is recognized when due.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reserves of fund balances since they do not constitute expenditures or liabilities.

11. Property Taxes

Property taxes, attached as an enforceable lien on property when levied each July 1, are based on the taxable valuation of property as of the preceding December 31 and are payable in two installments: July 31 (summer) and the following February 15 (winter). Summer taxes are considered delinquent August 1 and subsequently turned over to the County for collection with 1% penalty and interest included. Winter taxes are considered delinquent March 1 of the following year, at which time the delinquencies are turned over to the County for collection without penalty or interest. City property tax revenue is recognized when levied on July 1, when the proceeds of the levy are budgeted and available for the financing of operations.

The City bills and collects its own property taxes and also collects taxes for the County, community college and local school district. Collections and remittances of the County, community college and school district taxes are accounted for in the Agency Funds.

The 2002 assessed taxable valuation of the City's real and personal property totaled $1,168.9 billion (a portion of which is abated, and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 9.8329 mills for operating purposes, 1.9665 mills for Fire EMS services, 2.9498 for refuse collection and disposal, 1.4749 for capital improvement, and 2.4564 mills for debt service. This resulted in $8,704 million for operating, $1,802 million for Fire. EMS services, $2,799 million for refuse collection and disposal, $1,313 million for capital improvements, and $0.792 million for debt service. These amounts are recognized in the respective General, Sanitation, Capital Improvements and Debt Service Funds financial statements, as tax revenue.

Financial Statement Accounts

12. Cash and Cash Equivalents

The City maintains a cash and short-term investment pool (defined as investments with an original maturity of less than 90 days) that is available for use by all funds except the Debt Service and Pension Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents". At year-end, cash and cash equivalents consists primarily of cash and certificates of deposit. The carrying amount of the City's cash and cash equivalents, excluding pension and the Pontiac Hospital Finance Authority cash balances, was $99,710,713 and the bank balance was $98,904,489. Of the bank balance, $616,785 was covered by federal depository insurance and $68,049,316 was uninsured and uncollateralized with the remaining balance invested in Certificate of Deposits. Additionally, the City had $60,725,914 of cash and cash equivalents related to the Pension Trust Funds which were held by investment brokers and other financial institutions.

13. Investments

Long-term investments (defined as investments with an original maturity greater than 1 year) are held by the Trust and Agency Funds and are separately classified on the combined balance sheet. These investments are reported at market value, in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The City's investment policy is consistent with state statutes. Statutes of the State of Michigan authorize the City to invest in obligations of the U. S. Treasury, agencies and instrumentalities; commercial paper, rated within the two highest classifications established by not less than two standard rating services; bankers' acceptances; repurchase agreements, and the State Treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements. The Pension Trust Fund is authorized to invest in corporate stocks and corporate bonds rated in the top four major grades, as determined by at least two national rating services. Pension Trust Fund investments are also subject to a number of restrictions as to type, quality and concentration of investments made, including limiting common stock to no more than 60 percent of the portfolio.

The City's investments, including investments of the Pension Trust Funds, are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the City or its agents in the City's name hold the securities. Category 2 includes uninsured and unregistered investments for which the broker's holds the securities; dealers or financial institutions trust department or agent in the City's name. Category 3 includes uncollateralized, uninsured and unregistered investments for which the securities are held by a broker, dealer or financial institution, or by its trust department or agent, but not in the City's name. A summary of the Pension Trust Fund investments at December 31, 2002 follows:

	Category 1 at Market Value
U. S. government securities	$ 90,023,761
Money market & mutual funds	24,120,410
Real estate	41,207,381
Equities	287,140,073
Preferred securities	577,575
Corporate bonds	108,491,563
U.S. government mortgage pool	24,165,700
Interest in CAP Commercial Mortgage, LLC	6,115,336
Total	$ 581,841,799

At December 31, 2002, there were no investments in any one organization in excess of 5% of net assets available for benefits.

14. Inventories

Supplies are valued at average cost. Supplies in the General Fund and Special Revenue Funds consist of expendable items held for consumption. The cost is recorded as expenditure at the time individual supply items are consumed. Reported supplies are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

15. Capital Assets

Capital assets are valued at original cost. Donated properties are recorded at estimated fair market value at the date of donation.

Proprietary fund fixed assets are valued at original cost, including interest costs related to construction. Depreciation has been provided over the following estimated useful lives using the straight-line method:

Buildings	30-50 years
Building improvements	10-20 years
Equipment	5-20 years
Furniture and fixtures	5-10 years
Vehicles	5-10 years

GASB 34 requires the City to report and depreciate infrastructure assets effective in 2007. Infrastructure assets include roads, bridges, traffic signals, etc. The assets are the largest asset class of the City. The City plans to report these assets retroactively in the fiscal year ending June 30, 2005.

Capital asset activity for the year ended June 30, 2003 was as follows:

	Governmental-Type Funds			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Governmental activities				
Other Governmental capital assets				
Capital Assets not depreciated				
Land	$ 15,672,547	$ 614,682	$ -	$ 16,287,229
Total capital assets not depreciated	15,672,547	614,682	-	16,287,229
Other capital assets				
Land improvement	5,071,808	27,405,773	-	32,477,581
Buildings and improvements	19,524,283	506,179	-	20,030,462
Equipment	13,027,923	334,107	-	13,362,030
Vehicles	10,055,357	827,190	-	10,882,547
Furniture and fixtures	7,290,957	39,863	(10,864)	7,319,956
Total other capital assets, historical cost	54,970,328	29,113,112	(10,864)	84,072,576
Less: Accumulated depreciation for				
Land improvement	(3,023,282)	(715,632)	-	(3,738,914)
Buildings and improvements	(18,393,216)	(64,310)	-	(18,457,526)
Equipment	(9,603,854)	(409,903)	-	(10,013,757)
Vehicles	(8,751,982)	(343,394)	-	(9,095,376)
Furniture and fixtures	(6,268,017)	(142,720)	-	(6,410,737)
Total accumulated depreciation	(46,040,351)	(1,675,959)	-	(47,716,310)
Other capital assets, net	8,929,977	27,437,153	(10,864)	36,356,266
Other governmental activities capital assets, net	$ 24,602,524	$ 28,051,835	$ (10,864)	$ 52,643,495

	Internal Service Funds			
	Beginning Balance	Increases	Decreases	Ending Balance
Other capital assets				
Buildings and improvements	$ 7,022	$ -	$ -	$ 7,022
Equipment	526,957	272,071	-	799,028
Vehicles	2,658,127	-	(127,349)	2,530,778
Furniture and fixtures	-	4,369	-	4,369
Total other capital assets, historical cost	3,192,106	276,440	(127,349)	3,341,197
Less accumulated depreciation for				
Equipment	(292,501)	(55,776)	-	(348,277)
Vehicles	(2,205,629)	(89,997)	-	(2,295,626)
Total accumulated depreciation	(2,498,130)	(145,773)	-	(2,643,903)
Other capital assets, net	693,976	130,667	(127,349)	697,294
Internal services capital assets, net	693,976	130,667	(127,349)	697,294
Grand total other governmental and internal services assets, net	$ 25,296,500	$ 28,182,502	$ (138,213)	$ 53,340,789

	Business-Type Funds			
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Capital Assets not depreciated				
Land	$ 4,669,253	$ -	$ -	$ 4,669,253
Total capital assets not depreciated	4,669,253	-	-	4,669,253
Other capital assets				
Land improvement	5,366,008	104,961	-	5,470,969
Buildings and improvements	45,069,303	945,486	-	46,014,789
Machinery and equipment	15,332,261	-	(6,658,607)	8,673,654
Vehicles	2,872,752	607,217	-	3,479,969
Furniture and fixtures	323,172	50,377	-	373,549
Water and sewer systems	48,120,446	9,244,459	-	57,364,905
Street and traffic signs	57,858	-	-	57,858
Total other capital assets, historical cost	117,141,800	10,952,500	(6,658,607)	121,435,693
Less accumulated depreciation for				
Land improvement	(2,439,625)	(246,002)	-	(2,685,627)
Buildings and improvements	(20,438,926)	(1,188,511)	-	(21,627,437)
Machinery and equipment	(6,516,250)	(195,596)	-	(6,711,846)
Vehicles	(2,510,490)	(291,305)	-	(2,801,795)
Furniture and fixtures	(334,620)	(19,689)	-	(354,309)
Water and sewer systems	(41,873,526)	(1,660,817)	-	(43,534,343)
Street and traffic signs	(57,858)	-	-	(57,858)
Total accumulated depreciation	(74,171,295)	(3,601,920)	-	(77,773,215)
Other capital assets, net	42,970,505	7,350,580	(6,658,607)	43,662,478
Business-type activities capital assets, net	$ 47,639,758	$ 7,350,580	$ (6,658,607)	$ 48,331,731

	Pontiac Silverdome-Component Unit			
	Beginning Balance	Increases	Decreases	Ending Balance
Component unit activities				
Capital Assets not depreciated				
Land	$ 5,679,200	$ -	$ -	$ 5,679,200
Total capital assets not depreciated	5,679,200	-	-	5,679,200
Other capital assets				
Land improvement	7,075,695	-	-	7,075,695
Buildings and improvements	43,871,687	-	-	43,871,687
Equipment	19,169,845	1,027,596	-	20,197,441
Vehicles	555,372	-	-	555,372
Furniture and fixtures	4,652,649	-	-	4,652,649
Street and traffic signs	722,355	-	-	722,355
Scoreboard	5,425,321	-	(1,027,596)	4,397,725
Total other capital assets, historical cost	81,472,924	1,027,596	(1,027,596)	81,472,924
Less accumulated depreciation for				
Land improvement	(5,022,522)	(541,047)	-	(5,563,569)
Buildings and improvements	(28,369,452)	(1,666,739)	-	(30,036,191)
Equipment	(17,316,383)	(977,719)	-	(18,294,102)
Vehicles	(510,267)	-	-	(510,267)
Furniture and fixtures	(4,642,558)	(10,091)	-	(4,652,649)
Street and traffic signs	(576,091)	(56,852)	-	(632,943)
Scoreboard	(3,388,453)	(322,646)	520,124	(3,190,975)
Total accumulated depreciation	(59,825,726)	(3,575,094)	520,124	(62,880,696)
Other capital assets, net	21,647,198	(2,547,498)	(507,472)	18,592,228
Component unit activities capital assets, net	$ 27,326,398	$ (2,547,498)	$ (507,472)	$ 24,271,428

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

Governmental activities	
General government	$ 343,394
Public safety	715,632
Community and economic development	616,933
Total governmental activities	$ 1,675,959
Business-type activities	
Water	$ 597,072
Sewage	1,894,749
Parking	670,623
Transportation center	79,722
Golf course	317,657
Cemetery	36,697
Total business-type activities	$ 3,596,520

16. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue as required by "GASB 33". In applying GASB 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

In the City's enterprise funds, all revenues and expenses that are peripheral to the principal business activity are reported as non-operating.

17. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

18. Compensated Absences

Employees accumulated unused vacation, sick pay and other employee benefits. All such benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

19. Interfund Activity

At times, the City engages in transactions between various city funds. Generally, these transactions are reflected as operating transfers. Administrative services provided by the City's General Fund of $3,824,718 have been reflected as operating expenditures or expenses, as appropriate, in the receiving fund or component unit and as charges for services in the General Fund. (See Note 22).

20. Long-Term Liabilities

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. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay the debt service. Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities						
General obligation bonds						
1993 Michigan Department of Transportation bonds						
Amount of issue - $3,100,000	5.25%-5.35%	$245,000-				
Maturing though 2008		$315,000	$ 1,620,000	$ (230,000)	$ 1,390,000	$ 245,000
1995 Michigan Department of Transportation bonds						
Amount of issue - $1,450,000	4.7%-5.00%	$95,000-				
Maturing though 2011		$140,000	1,020,000	(90,000)	930,000	95,000
2000 Michigan Department of Transportation bonds						
Amount of issue - $3,200,000	4.50%	$375,000-				
Maturing though 2006		$1,520,000	3,200,000	(350,000)	2,850,000	1,520,000
2000 Municipal Golf Course bonds						
Amount of issue - $6,505,000	5.965%	$445,000-				
Maturing though 2012		$710,000	5,545,000	(420,000)	5,125,000	445,000
Obligations under Oakland County Drain Bonds						
1993 Pontiac-Clinton Drainage bonds						
Amount of issue - $7,150,000	4.60%-4.80%	$570,000-				
Maturing through 2005		$580,000	1,740,000	(590,000)	1,150,000	580,000
Capital lease obligation	various	$2,959-$455,210	3,015,384	(99,547)	2,915,837	1,530,960
Other obligations						
Land contract payable	9.00%	$14,126-$14,797	42,451	(13,528)	28,923	14,797
2003 land contract payable	7.50%	$1,190,000	1,360,000	(170,000)	1,190,000	1,190,000
Pending litigation			1,000,000	-	1,000,000	-
Compensated absences, separation and longevity accrual			7,620,249	536,820	8,157,069	-
Landfill closure and postclosure costs			1,858,666	-	1,858,666	-
			28,021,750	(1,426,255)	26,595,495	5,620,757

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities						
General obligation bonds						
Parking Fund						
1997 Building Authority Bonds						
Amount of issue - $10,160,000	4.50%-6.00%	$1,950,000-				
Maturing through 2006		$2,000,000	7,800,000	(1,850,000)	5,950,000	1,950,000
Less: Unamortized Bond Discount			(903,466)	13,061	(890,405)	-
Parking Fund Total			6,896,534	(1,836,939)	5,059,595	1,950,000
Revenue bonds						
Water Fund						
1995 Water Supply System						
Amount of issue - $3,675,000	5.60%-6.50%	$160,000-				
Maturing through 2015		$300,000	2,850,000	(155,000)	2,695,000	160,000
2002 Water Supply System						
Amount of issue - $1,375,000	5.00%-5.80%	$45,000-				
Maturing through 2022		$105,000	1,375,000	(60,000)	1,315,000	45,000
Less: Unamortized Bond Discount			(148,170)	10,390	(137,780)	-
Water Fund Total			4,076,830	(204,610)	3,872,220	205,000
Sewerage Fund						
1995 Sewage Disposal System						
Amount of issue - $2,100,000	5.60%-6.25%	$145,000-				
Maturing through 2010		$205,000	1,340,000	(135,000)	1,205,000	145,000
2002 Sewage Disposal System						
Amount of issue - $5,000,000	5.00%-5.75%	$165,000-				
Maturing through 2022		$385,000	5,000,000	(220,000)	4,780,000	165,000
Less: Unamortized Bond Discount			(195,365)	11,644	(183,721)	-
Sewerage Fund Total			6,144,635	(343,356)	5,801,279	310,000
Other debt						
Transportation Fund note payable to State of Michigan, due in annual interest-free installments of 75% of net revenue over expenses over a forty-year period.	0.00%	n/a	3,000,000	-	3,000,000	-
			20,117,999	(2,384,905)	17,733,094	2,465,000
			$ 48,139,749	$ (3,811,160)	$ 44,328,589	$ 8,085,757

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Component Unit Debt						
General obligation bonds						
Tax Increment Finance Authority Area #2						
1996 TIFA Bonds #6330						
Amount of issue - $1,800,000	9.00%	$60,000-				
Maturing through 2017		$180,000	1,600,000	(55,000)	1,545,000	60,000
1999 TIFA Bonds #M070						
Amount of issue - $3,655,000	9.00%	$65,000-				
Maturing through 2024		$295,000	3,550,000	(60,000)	3,490,000	65,000
2002 TIFA Bonds #M0005						
Amount of issue - $11,245,000	3.00%-5.625%	$215,000-				
Maturing through 2022		$1,035,000	11,245,000	(940,000)	10,305,000	960,000
2002 TIFA Bonds #M043						
Amount of issue - $10,000,000	4.625%-	$230,000-				
Maturing through 2027	5.375%	$2,365,000	10,000,000	(120,000)	9,880,000	230,000
Less: Unamortized Bond Discount			(801,124)	27,013	(774,111)	-
Tax Increment Finance Authority Area #2 Total			25,593,876	(1,147,987)	24,445,889	1,315,000
Tax Increment Finance Authority Area #3						
2002 TIFA Bonds #M0006						
Amount of issue - $28,675,000	3.00%-6.375%	$530,000-				
Maturing through 2031		$1,620,000	28,675,000	(560,000)	28,115,000	530,000
Less: Unamortized Bond Discount			(1,545,603)	53,462	(1,492,141)	-
Tax Increment Finance Authority Area #3 Total			27,129,397	(506,538)	26,622,859	530,000
Tax Increment Finance Authority Area #4						
1996 TIFA Bonds #5758						
Amount of issue - $995,000	5.625%	$175,000-				
Maturing through 2006		$195,000	725,000	(175,000)	550,000	175,000
Tax Increment Finance Authority Area #3 Total			725,000	(175,000)	550,000	175,000
Total Component Unit Debt			$ 53,448,273	$ (1,829,525)	$ 51,618,748	$ 2,020,000

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

	Governmental Activities			Business-Type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	$ 5,620,757	$ 812,484	$ 6,433,241	$ 2,401,215	$ 886,022	$ 3,287,237	$ 1,939,062	$ 2,894,800	$ 4,833,862
2005	3,437,428	513,463	3,950,891	2,476,215	761,201	3,237,416	2,054,062	2,844,519	4,898,581
2006	1,465,293	353,066	1,818,359	2,501,215	631,851	3,133,066	1,924,062	2,751,075	4,675,137
2007	1,046,282	281,844	1,328,126	526,215	481,081	1,007,296	1,794,062	2,674,450	4,468,512
2008	1,000,000	221,366	1,221,366	561,215	448,416	1,009,631	1,929,062	2,609,038	4,538,100
2009-2013	3,010,000	431,301	3,441,301	2,661,077	1,718,333	4,379,410	7,245,312	11,967,346	19,212,658
2014-2018	-	-	-	2,051,077	887,087	2,938,164	9,090,312	9,825,472	18,915,784
2019-2023	-	-	-	1,554,862	267,875	1,822,737	11,440,312	6,904,208	18,344,520
2024-2028	-	-	-	-	-	-	9,715,312	3,520,474	13,235,786
2029-2031	-	-	-	-	-	-	4,487,187	611,663	5,098,850
	$ 15,579,760	$2,613,524	$18,193,284	$14,733,091	$6,081,866	$ 20,814,957	$ 51,618,745	$46,603,045	$ 98,221,790

The Transportation Center debt of $3,000,000, an Enterprise Fund Type, has no fixed maturity date. The debt is to be repaid when the Center reflects an operating profit, as defined in the agreement between the City and State. Compensated absences and separation accruals of $8,157,069 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and post closure cost accrual $1,858,666 and the pending litigation accrual of $1,000,000 have no fixed maturity dates and therefore they have been excluded from the above summary.

Payments on the bonds and notes payable that pertain to the city's governmental activities are made by the debt service funds. Lease payments are made directly from the fund incurring the expenditure. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The Landfill closure and post-closure costs represents the cumulative amount of closure and post-closure care costs reported to date based on the use of 88 percent of the estimated capacity of the landfill. The claims and judgments liability will be generally liquidated through the city's Insurance Internal Service Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

All significant leases have been capitalized in accordance with statements of Financial Accounting Standards Board No. 13 "Accounting for Leases". The City has no significant operating leases.

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it has complied with all significant limitations and restrictions.

The City's unused bonding capacity is $85,764,304 at June 30, 2003 as determined in accordance with State statutes.

No Commitment Debt - The Economic Development Corporation (a component unit) of the City of Pontiac 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 of Pontiac.

21. Receivable and Payable Balances

The property tax receivable accounts represent the past five years of uncollected, delinquent personal property tax levies. The personal property taxes have been reduced to their estimated net realizable value through the allowance for doubtful accounts.

In 1988, the City received a U. S. Housing Development Grant in the amount of $1,796,000 (a portion of the $6.1 million in loans above), which was loaned to a developer to assist in the construction of rental property within the City. Under the provisions of the loan agreement, the loan bears interest at an annual rate of 5% through the year 2019 and 7% during the years 2020 through 2027. The unpaid principal and interest amounts will be repaid during the years 2020 through 2027. The loan is collateralized by the rental facilities. An additional $3 million represent loans to residents for the repair of their housing within the city limits. As the funds are not currently available to the City, the City has recorded a receivable from the developer and residents and deferred revenue until such time as the amounts are received.

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Other Special Revenue Fund	Parking Fund	$ 105,000
	Capital Projects fund	900,000
	Transportation Center Fund	119,000
	Community Development Block Grant Fund	3,000
	Golf course Fund	73,000
	Total Other Special Revenue Fund	1,200,000
Commercial and Industrial Dev Fund	Parking Fund	12,730
Capital Improvements Fund	Insurance Fund	806,000
	Major Street Fund	287,000
	Community Development Block Grant Fund	229,500
	Other Special Revenue	77,500
	Total Capital Improvements Fund	1,400,000
	Total Governmental Funds	2,612,730
Enterprise Fund - Water Fund	Other Special Revenue	4,446,600
Internal Service Fund - Insurance Fund	General Fund	2,062,000
	Major Street Fund	86,000
	Local Street Fund	23,500
	Other Special Revenue	612,000
	Cemetery Fund	224,000
	District Court	303,000
	Community Development Block Grant Fund	208,000
	Total Insurance Fund	3,518,500
	Total	$ 10,577,830

22. Transfers

The composition of interfund transfers is as follows:

Fund Receiving Resources	Fund Providing Resources	Amount
General Fund	Insurance Funds	$ 122,644
General Fund	Commercial and Industrial Development Fund	73,500
Total General Fund		196,144
Other Special Revenue Fund	General Fund	1,304,458
Other Special Revenue Fund	District Court Fund	8,059
Other Special Revenue Fund	Sanitation Fund	8,059
Other Special Revenue Fund	Commercial and Industrial Development Fund	8,059
Other Special Revenue Fund	Capital Improvements Fund	93,088
Total Other Special Revenue Fund		1,421,723
Sanitation Fund	General Fund	371,472
Court	General Fund	982,411
Capital Projects Fund	Water Fund	4,885
Capital Projects Fund	Sewerage Fund	13,560
Total Capital Projects Fund		18,445
Debt Service Fund	Capital Improvement Fund	1,074,640
Debt Service Fund	General Fund	279,092
Debt Service Fund	Major Streets Fund	867,711
Debt Service Fund	Local Streets Fund	72,774
Debt Service Fund	Golf Course Fund	165,380
Debt Service Fund	Other Special Revenue Fund	15,000
Debt Service Fund	Equipment Revolving Fund	589,311
Debt Service Fund	Sewerage Fund	56,671
Total Debt Service Fund		3,120,579

Fund Receiving Resources	Fund Providing Resources	Amount
Water Fund	General Fund	289,584
Parking Fund	General Fund	107,016
Transportation Center Fund	Water Fund	69,126
Cemetery Fund-Enterprise	Capital Improvement Fund	208,430
Cemetery Fund-Enterprise	General Fund	4,633
Cemetery Fund-Enterprise	Major Streets Fund	7,275
Total Cemetery Fund-Enterprise		220,338
Total Debt Service Fund		$ 6,796,838

23. Retirement Commitments

Defined Benefit Pension Plan Description - The City sponsors and administers two contributory single employer defined benefit retirement plans, the General City Employees' Retirement System ("GERS") and the Police and Fire Retirement System ("PFRS"), collectively referred to as the Systems.

All full-time employees are eligible to participate in the Systems. Benefits vest after 10 years of service in the GERS and after 10 years under the PFRS. At December 31, 2002 (the latest actuarial evaluation report), the membership of the Systems consisted of:

	GERS	PFRS	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	1,307	347	1,654
Current employees			
Vested	239	138	377
Nonvested	234	124	358
Total	473	262	735

City employees participating in the GERS who retire at or after age 60 with 10 years of credited service or age 55 with 25 years of service are entitled to annual retirement benefits payable monthly for life, in an amount that approximated 2 % of final average compensation multiplied by years of credited services (as defined by the plans). City employees participating in the PFRS who retire at or after age 50 with 10 years of credited service or with 25 years of service are entitled to receive an annuity equal to their final average salary multiplied by 3 % for the first 20 years of credited service, 2 % for the next 5 years and 1 % for the subsequent 5 years, subject to a maximum of 75 % of final average salary. Both Systems provide for death and disability benefits and annual costs of living increases to pension benefit payments in accordance with various collective bargaining agreements. These benefit provisions and all other requirements are established by state statute and city ordinance.

City employees included in the GERS are not required to contribute to the System. Members of the Police and Fire Departments are required to contribute to the PFRS 2.5% of their annual salaries. The City is required to contribute an amount necessary to fund the System, using an actuarial basis specified by city ordinance.

Basis of Accounting - The City of Pontiac General Employees' Retirement System and the Police and Fire Retirement System's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the two plans.

Separately issued Financial Statements - The City of Pontiac's Retirement Boards issue stand-alone financial statements for both the GERS and the PFRS retirement systems. A copy of the stand-alone financial statements can be obtained from the Board Retirement Administrator at 47450 Woodward, City of Pontiac, Michigan 48342.

Trend Information - The additional information (see supplemental information section of the City's comprehensive annual financial report) is designed to provide information about the System's progress made in accumulating sufficient assets to pay pension benefits when due. This information is presented in conformity with Government Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

Reserves - State law requires employee contributions to be segregated. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits. As of December 31, 2002 the System's reserves have been fully funded as follows:

	GERS	PFRS
Reserved for employee contribution	$ 6,133,062	$ 2,640,938
Reserved for retired employees	122,940,711	133,015,801

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.

Retirees' Health Care Benefits - The City provides certain health care benefits for retired employees in accordance with various bargaining contracts. Substantially all of the City's employees may become eligible for these benefits if they meet normal vesting requirements while still working for the City. The City funds these retirement benefits on a "pay-as-they-go" basis through annual budget appropriations. Expenditures for retirees' health care benefits were approximately $ 4,160,000 and $4,332,000 in fiscal 2003 and 2002, respectively.

VEBA - The City of Pontiac has established an irrevocable prefunded group health and insurance trust fund (the "Trust") for health, optical, dental insurance 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. The Trust was created as an Internal Revenue Code 501(c) 9 Trust (VEBA).

The Trust is funded by employer and participant contributions. An actuarial valuation was performed and the required employer contribution rate has been changed from 5% to 17.35 % of Police and Fire wages effective July 1, 2000. Participant contributions are determined each year by collective bargaining contracts or, if applicable, by the Trustees. No participant contributions were required for the year ended December 31, 2002.

Basis of Accounting - The City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Insurance costs are recognized when due and payable in accordance with the terms of the Trust.

Investments - Investments are reported at fair value. Money market funds and mutual fund investments are valued at net asset value. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis. In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the statement of changes in trust net assets. At December 31, 2002, investments consisted solely of money market and mutual funds. Investments are normally categorized to give an indication of the level of risk assumed by the Trust; however, cash, money market and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

24. Litigation, Commitments and Contingencies

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.

In September 1991, a settlement was reached between the City of Pontiac and General Motors Corporation pursuant to claims relating to the assessed valuation of General Motors property located within the City for fiscal years 1986 through 1992. Under the terms of the settlement, the City is potentially obligated to refund to General Motors the aggregate sum of $23,770,500 relating to such fiscal years. No amounts have been accrued as of June 30, 2003 for property tax refunds relating to this settlement, since such amounts, if any, are contingent on the existence of increases on the assessed values of General Motors property subsequent to December 31, 1991.

This potential refund is to be applied as a credit against future property tax obligations of General Motors related to increases in the General Motors tax base over its tax base at December 31, 1991, for a 15-year period beginning with fiscal 1994 and ending with fiscal 2008. The expired credit for each year will be the greater of $1,584,700 or the actual credit used, with a portion of the total credit to expire each year whether or not used. The actual credit utilized by General Motors for the fiscal year ended June 30, 2003 was $986,015.

As a result of the settlement, the current assessed value of the General Motors property has been reduced by $111.9 million.

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.

25. Self Insurance

Workers' Compensation - The City has been partially self-insured for compensation claims since September 1976. The details of the self-insurance plan change periodically and, under the 1992 plan, the City is obligated to pay the first $500,000 of an individual claim or award. An insurance carrier will reimburse the City for the amount by which specific payments exceed $500,000 and aggregate payments exceed $2,121,000. The City has accrued in the Insurance Internal Service Fund $4,200,000 for unresolved workers' compensation claims as of June 30, 2003, which includes an estimate for claims, which were incurred, but not reported.

General Liability - The City is a participant in the Michigan Municipal Risk Management Authority, a risk program for governmental entities in Michigan. The City is self-insured for the first $150,000 of each occurrence. The maximum amount of cash payments under the self-insured retention in any one fiscal year is $1,000,000. Coverage over the self-insured retention is $10,000,000 per occurrence. The City has accrued in the Insurance Internal Service Fund $2,500,000 for unresolved general liability claims as of June 30, 2003, which includes an estimate for claims, which were incurred but not reported.

Medical and Dental - The City has been partially self-insured for medical and dental expenses since 1985. It is obligated to pay the first $75,000 of medical claims (includes hospital, surgical and master medical) for each contract and the insurance company reimburses the remainder. Under the plan, the insurance company also will reimburse the City for aggregate payments in excess of 120% of expected claims. The City has accrued in the Insurance Internal Service Fund $1,087,575 for unresolved medical and dental claims as of June 30, 2003, which includes an estimate for claims, which were incurred but not reported.

26. Excess of Actual Expenditures over Budget

The following funds and budgeted departments had an excess of actual expenditures over budget for the year ended June 30, 2003:

	Interfund Expenditures
Government-Type Funds	
General Fund	
Public Safety-Police	$ (721,790)
Public Safety-Fire	(1,630,614)
Economic Opportunity-Human Resources	(106,489)
Purchasing & Contract Compliance	(3,817)
Senior Services	(1,468)
Public Works-Engineering	(169,502)
Public Works-Electrical	(5,421)
Public Works-Sign Shop	(12,472)
Public Works-Operations	(85,967)
Special Revenue Funds	
Local Street Fund-Other Expenditures	(117)
District Court Fund-Other Expenditures	(149,469)
Community Development Block Grant Fund-Capital Outlay	(796,575)
Capital Improvements Funds-Other Expenditures	(54,328)
Capital Projects Fund-Capital Outlay	(23,567,642)
Local Street Fund-Transfers Out	(208)

27. Deficits in Fund Equity

The following individual funds have deficits at June 30, 2003:

	Interfund Expenditures
Government-Type Activities	
General Fund	$ (4,696,543)
Local Streets	(38,820)
District Court	(452,172)
Business-Type Activities	
Transportation Fund	(1,483,596)

A deficit elimination plan for the General Fund has been prepared and is currently under review with executive branch. It includes a combination of budgetary cutbacks and use of the Budget Stabilization Fund. The deficit in the Local Streets Fund will be eliminated with a transfer of funds from Major Streets Fund. Operation of the District Court is under the supervision of the Chief Judge. The City and the Chief Judge of the 50th District Court Fund will formulate a plan of action for elimination of the deficit in the Court Fund. The deficit within the Transportation Center Fund is due to accumulated depreciation of over $1.8. The City is in negotiations with the State regarding disposition of the Transportation Center, at which point the accumulated deficit is expected to be eliminated through debt forgiveness.

28. Transfer of North Oakland Medical Center Operations

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

PHFA raised proceeds for the transfer of net assets by issuing $51,810,000 in Pontiac Hospital Finance Authority Hospital Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). The 1993 Series Bonds and interest and premiums payable thereon are not obligations of the City and are only special limited obligations of PHFA. The base rent under the lease agreement between PHFA and PGHMC is for the principal, interest and premiums or cost related to the Series 1993 Bonds, payable from PGHMC directly to the bond trustee. Additional rent of $1,000,000 annually is required to be paid by PGHMC to PHFA. The lease of the hospital facilities and equipment is being accounted for as a direct financing lease by PHFA. The initial term of the going concern lease is 30 years. It contains an option provision for completing the privatization (purchase) of the facility during the lease term upon approval of PHFA and payment of funds according to a specified formula. The lease agreement also contains an automatic renewal clause for an additional 30-year term, if the privatization is not completed by the end of the 29th year of the initial lease term.

The components of the PHFA's net investment in the direct financing leases as of June 30, 2003 are as follows:

Minimum lease payments receivable	$ 20,000,000
Estimated residual value of lease property	49,000,000
	69,000,000
Less: Unearned income	(35,304,448)
Net investment in direct finance lease	$ 33,695,552

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

29. Landfill Closure and Post-Closure Care

In August 1993, the Government Accounting Standards Board ("GASB") issued Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs." The City adopted GASB No. 18 in fiscal year 1994.

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 thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City will report a portion of these post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date, effective after adopting GASB No. 18. The $2,743,715 the City has accrued in the Sanitation Fund (a Special Revenue Fund) at June 30, 2003, is the cumulative effect of adopting GASB No. 18 and includes $1,000,000 of cash restricted for closure and post-closure care costs, in accordance with the State of Michigan's current financial assurance regulations, and $1,743,715 reserved by City management.

Landfill capacity was an estimated 3,262,864 cubic yards in December 1984 of which 363,740 cubic yards are remaining at year-end 2003. Landfill consumption is approximately 54,273 cubic yards per year. The amount accrued plus an additional $1,858,666 reported in the general long-term debt account group represent the cumulative amount of closure and post-closure care costs reported to date based on the use of 88 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post-closure care in 2003.

The City expects to close the landfill in 11.7 years, based on the current consumption rate. Actual costs may be higher or lower due to inflation, changes in technology, or changes in laws and regulations. The City will use a portion of the fees charged to the users of the landfill to fund the remaining estimated closure and post-closure care costs.

30. Pontiac Silverdome (Component Unit)

Subsequent to the retirement of the debt, the Pontiac Silverdome management solicited bids for redevelopment proposals on the Silverdome property. The submitted proposals are under review by the Stadium Ad-Hoc Study Committee, comprised of representatives from the City's executive and legislative branches, as well as, members of the Pontiac Stadium Building Authority. A five screen drive-in theater erected in the parking lot of the Silverdome will begin operating in the fall of 2003. The Silverdome continues to host a variety of events such as concerts, sporting events, trade shows and conventions on a regular basis.

City of Pontiac
Budgetary Comparison Schedule – General Fund
Required Supplemental Information
June 30, 2003

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Revenues				
Taxes				
Property taxes	$ 9,782,000	$ 9,782,000	$ 10,506,075	$ 724,075
Income taxes	15,561,426	15,561,426	15,026,493	(534,933)
Penalties and interest on taxes	570,000	570,000	686,345	116,345
Total	25,913,426	25,913,426	26,218,913	305,487
Licenses and permits	1,711,000	1,603,300	2,273,026	669,726
State of Michigan Distributions				
Sales and use taxes	15,610,210	15,610,210	14,119,733	(1,490,477)
Liquor license fees	40,000	40,000	50,435	10,435
Other grants				
Summer food service program for children	150,500	150,500	118,808	(31,692)
Cultural and recreation, library aid, urban aid	116,093	186,093	430,794	244,701
Total	15,916,803	15,986,803	14,719,770	(1,267,033)
Charges for services				
Property tax administration fees	322,500	322,500	411,793	89,293
Water and sewage billing and collection fees	66,700	66,500	89,269	22,769
Recreation fees	67,486	67,486	74,494	7,008
Police counseling	149,102	149,102	176,978	27,876
Weed cutting	618,331	618,331	289,698	(328,633)
Other	1,365,869	1,190,740	912,392	(278,348)
Total	2,589,988	2,414,659	1,954,624	(460,035)
Fine and forfeitures	91500	91,500	105,592	14,092
Interest earned	750000	750,000	115,549	(634,451)
Other revenue				
Rents	7400	7,400	7,499	99
Cable television	494400	675,289	506,709	(168,580)
Miscellaneous	239500	569,319	429,575	(139,744)
Total	741,300	1,252,008	943,783	(308,225)

City of Pontiac
Budgetary Comparison Schedule – General Fund
Required Supplemental Information
June 30, 2003

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Changes to other funds for administration services				
Major Streets - special revenue	$ 46,814	$ 46,814	$ 47,004	$ 190
Local Streets - special revenue	13,156	13,156	13,152	(4)
Sanitation - special revenue	260,181	260,181	260,184	3
District Court - special revenue	367,875	367,875	367,872	(3)
Commercial and Industrial - special revenue	189,882	189,882	112,512	(77,370)
Library	24,600	-	-	-
Debt Service	52,665	24,600	20,004	(4,596)
Water Supply - enterprise	964,806	964,806	964,806	-
Sewerage - enterprise	992,614	992,614	992,614	-
Parking - enterprise	93,997	93,997	93,996	(1)
Golf Course - enterprise	68,699	68,699	84,108	15,409
Cemetery - enterprise	161,195	161,195	129,432	(31,763)
Equipment Revolving - internal service	166,805	166,805	166,800	(5)
Insurance - internal service	159,518	159,518	162,204	2,686
General City Employees' Retirement System - trust and agency	18,823	18,823	20,089	1,266
Police and Fire Retirement System - trust and agency	15,217	15,217	16,583	1,366
	3,596,847	3,544,182	3,451,360	(92,822)
Charges to component units for administrative services				
Pontiac Silverdome-enterprise	373,358	373,358	373,358	-
Total charges for administrative services	3,970,205	3,917,540	3,824,718	(92,822)
Total revenues	51,684,222	51,929,236	50,155,975	(1,773,261)
Other financing sources				
Proceeds from capital lease	1,000,000	1,000,000	1,000,000	-
Operating transfers in - other funds				
Library	463,442	463,442	-	(463,442)
Commercial and industrial - special revenue	73,500	73,500	73,500	-
Insurance - internal service	122,644	122,644	122,644	-
Other funds	153,000	153,000	-	(153,000)
Total operating transfers in - other funds	812,586	812,586	196,144	(616,442)

City of Pontiac
Budgetary Comparison Schedule – General Fund
Required Supplemental Information
June 30, 2003

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Operating transfers in - component units				
Tax Increment Financing Authority - special revenue				
Area #2	1,250,000	1,250,000	1,250,000	-
Area #3	500,000	500,000	300,000	(200,000)
Area #4	150,000	150,000	-	(150,000)
Downtown Development Authority - Area #1 - special revenue	1,445,000	1,445,000	735,968	(709,032)
Pontiac Silverdome - enterprise	70,000	70,000	70,000	-
Total operating transfers in - component units	3,415,000	3,415,000	2,355,968	(1,059,032)
Total other financing sources	5,227,586	5,227,586	3,552,112	(1,675,474)
Total revenues and other financing sources	56,911,808	57,156,822	53,708,087	(3,448,735)
General City Government				
City Clerk				
Administration	418,436	472,899	427,062	(45,837)
Elections	108,650	108,650	77,718	(30,932)
City attorney	728,040	808,053	793,726	(14,327)
Finance department				
Administration	462,667	462,667	447,496	(15,171)
Internal audit	488,104	488,104	476,036	(12,068)
Accounting, Accounts Payable	502,313	568,656	559,826	(8,830)
Purchasing, Contract Compliance	144,182	301,002	304,819	3,817
Treasurer	592,564	653,905	606,769	(47,136)
Income tax administration	618,889	664,278	656,116	(8,162)
Assessor	689,830	738,605	620,700	(117,905)
Information technology	787,932	969,107	552,756	(416,351)
Personnel, Payroll Admn, Labor Relations	964,260	1,048,528	875,806	(172,722)
Total	6,505,867	7,284,454	6,398,830	(885,624)
Legislative and executive				
Legislative, City Council	908,480	942,992	760,472	(182,520)
Executive				
Mayor and public relations	934,539	1,113,928	1,020,739	(93,189)
Budget	177,376	177,376	157,521	(19,855)
Total	2,020,395	2,234,296	1,938,732	(295,564)

City of Pontiac
Budgetary Comparison Schedule – General Fund
Required Supplemental Information
June 30, 2003

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Public Works and Services				
Public work administration	437,955	437,955	418,902	(19,053)
Engineering	1,216,612	280,793	450,295	169,502
Electrical	617,147	107,303	112,724	5,421
Street lighting	850,000	850,000	650,783	(199,217)
Radio shop	56,734	56,734	51,301	(5,433)
Sign shop	384,431	104,431	116,903	12,472
Operations	2,687,043	234,546	320,513	85,967
Buildings and grounds maintenance	1,473,901	1,499,355	1,476,503	(22,852)
Parks	1,007,876	949,776	917,811	(31,965)
Animal welfare	198,591	198,591	124,510	(74,081)
Weed abatement	649,999	649,999	337,212	(312,787)
Total	9,580,289	5,369,483	4,977,457	(392,026)
Public Safety				
Police department	13,994,321	14,113,320	14,835,110	721,790
Police garage	-	-	-	-
Crime prevention program	3,220,377	3,268,137	3,212,550	(55,587)
Fire department	10,304,299	10,690,360	12,320,974	1,630,614
Inspection services	2,448,156	2,626,893	1,895,592	(731,301)
Total	29,967,153	30,698,710	32,264,226	1,565,516
Parks and Recreation				
Recreation	614,667	586,067	566,045	(20,022)
Community centers	740,128	768,728	618,912	(149,816)
Special events	27,156	27,156	10,425	(16,731)
Total	1,381,951	1,381,951	1,195,382	(186,569)
Economic Opportunity				
Human resources	852,915	852,915	959,404	106,489
Senior services	114,383	114,383	115,851	1,468
Total	967,298	967,298	1,075,255	107,957

City of Pontiac
Budgetary Comparison Schedule – General Fund
Required Supplemental Information
June 30, 2003

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Other				
Community development administration	423,298	671,278	419,910	(251,368)
Planning division	400,108	400,108	328,222	(71,886)
Library	568,277	568,277	485,994	(82,283)
Retiree cost	3,414,650	3,814,650	3,814,650	-
Other	5,156,983	1,608,322	1,372,678	(235,644)
Total	9,963,316	7,062,635	6,421,454	(641,181)
Capital outlay	213,804	626,777	592,846	(33,931)
Other financing uses - operating transfers out	3,182,216	3,688,438	3,214,989	(473,449)
Total expenditures and other financing uses	63,782,289	59,314,042	58,079,171	(1,234,871)
Excess of revenues over (under) expenditures	(6,870,481)	(2,157,220)	(4,371,084)	(2,213,864)
Fund balance				
Beginning of year	(325,459)	(325,459)	(325,459)	-
End of year	$ (7,195,940)	$ (2,482,679)	$ (4,696,543)	$ (2,213,864)

City of Pontiac
Major Special Revenue Fund
Required Supplemental Information
June 30, 2003

	Budgetary Comparison Schedule-Sanitation Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Revenue				
Property tax levy	$ 2,621,537	$ 2,621,537	$ 2,799,308	$ 177,771
Charges for services	665,000	1,837,365	612,373	(1,224,992)
Interest earned	-	-	15,189	15,189
Other	1,172,365	-	26,180	26,180
Contribution from component units	650,000	650,000	650,000	-
Total revenues	5,108,902	5,108,902	4,103,050	(1,005,852)
Expenditures				
Personnel services	1,369,431	1,422,506	1,333,255	(89,251)
Fringe benefits	812,473	765,698	759,575	(6,123)
Materials, supplies	1,974,754	2,765,754	1,437,811	(1,327,943)
Administration-G/F	260,181	260,181	260,184	3
Administration-P/U	188,676	188,676	131,076	(57,600)
Increase in landfill closure accrual	37,500	37,500	15,538	(21,962)
Capital outlay	32,000	32,000		(32,000)
Total expenditures	4,675,015	5,472,315	3,937,439	(1,534,876)
Revenue over (under) expenditures	433,887	(363,413)	165,611	529,024
Other financing sources (uses)				
Transfers in	371,472	371,472	371,472	-
Transfers out	(8,059)	(8,059)	(8,059)	-
Total other financing sources (uses)	363,413	363,413	363,413	-
Excess of revenues over (under) expenditures	797,300	-	529,024	529,024
Fund balance				
Beginning of year	(400,996)	(400,996)	(400,996)	-
End of year	$ 396,304	$ (400,996)	$ 128,028	$ 529,024

City of Pontiac
Major Special Revenue Fund
Required Supplemental Information
June 30, 2003

	Budgetary Comparison Schedule-Other Special Revenue Fund			
	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Revenue				
Federal grants	$ 740,343	$ 1,369,839	$ 600,739	$ (769,100)
State grants	915,520	1,015,520	4,947,324	3,931,804
Investment income	4,000	16,000	86,019	70,019
Other	-	238,270	1,076,201	837,931
Total revenues	1,659,863	2,639,629	6,710,283	4,070,654
Expenditures				
Public works and services	4,859,122	15,126,782	7,211,861	(7,914,921)
Capital outlay	2,051,428	2,707,088	760,307	(1,946,781)
Total expenditures	6,910,550	17,833,870	7,972,168	(9,861,702)
Excess (deficiency) of revenues over (under) expenditures	(5,250,687)	(15,194,241)	(1,261,885)	13,932,356
Other financing sources (uses)				
Transfers in	1,697,279	1,692,842	1,421,723	(271,119)
Transfers out	(36,000)	(50,000)	(15,000)	35,000
Total other financing sources (uses)	1,661,279	1,642,842	1,406,723	(236,119)
Excess of revenues over (under) expenditures	(3,589,408)	(13,551,399)	144,838	13,696,237
Fund balance				
Beginning of year	10,590,314	10,590,314	10,590,314	-
End of year	$ 7,000,906	$ (2,961,085)	$ 10,735,152	$ 13,696,237

City of Pontiac
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Non-Major governmental-Type Funds								Totals
	Debt Service Fund	Major Streets	Local Streets	District Court	Comm Dev Block Grant	Commercial & Industrial Dev	Capital Improvements	Cemetery Endowment	June 30, 2003
Assets									
Cash and investments	$ 3,391,164	$ 269,909	$ 392	$ 680	$ 646,912	$ 329,155	$ 45,483	$ 794,845	$ 5,478,540
Supplies	-	77,524	-	-	-	17,449	-	-	94,973
Receivables, net									
Property and income taxes	67,572	-	-	-	-	-	123,966	-	191,538
Due from other governmental units	-	916,917	91,401	-	475,405	-	-	-	1,483,723
Due from Downtown Development Authority - Area 2	-	-	-	-	-	-	117,013	-	117,013
Contracts	-	-	-	-	-	20,000	-	-	20,000
Accounts receivable	-	206,215	-	-	2,241,823	351	-	-	2,448,389
Due from other funds	-	-	-	-	-	12,730	1,400,000	-	1,412,730
Prepayments and other assets	44,842	-	-	-	-	-	820,563	-	865,405
Total assets	$ 3,503,578	$ 1,470,565	$ 91,793	$ 680	$ 3,364,140	$ 379,685	$ 2,507,025	$ 794,845	$ 12,112,311
Liabilities and Fund Balance									
Current liabilities									
Accounts payable	-	21,633	107,113	55,338	194,777	3,882	398,758	-	781,501
Due to other governmental units	-	-	-	-	2,257	-	-	-	2,257
Due to other funds	-	373,000	23,500	303,000	440,500	-	-	-	1,140,000
Deposits	-	649,662	-	94,514	-	4,523	-	-	748,699
Deferred revenue	-	-	-	-	2,049,924	-	-	-	2,049,924
Total liabilities	-	1,044,295	130,613	452,852	2,687,458	8,405	398,758	-	4,722,381
Fund balance									
Reserved									
Encumbrances	-	409,791	113,519	-	-	-	26,952	-	550,262
Improvements	-	-	-	-	-	-	258,559	-	258,559
Supplies	-	77,524	-	-	-	-	-	-	77,524
Unreserved	3,503,578	(61,045)	(152,339)	(452,172)	676,682	371,280	1,822,756	794,845	6,503,585
Total fund balance (deficit)	3,503,578	426,270	(38,820)	(452,172)	676,682	371,280	2,108,267	794,845	7,389,930
Total liabilities and fund balance	$ 3,503,578	$ 1,470,565	$ 91,793	$ 680	$ 3,364,140	$ 379,685	$ 2,507,025	$ 794,845	$ 12,112,311

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Non-Major governmental-Type Funds								Totals June 30, 2003
	Debt Service Fund	Major Streets	Local Streets	District Court	Comm Dev Block Grant	Commercial & Industrial Dev	Capital Improvements	Cemetery Endowment	
Revenues									
Taxes	$ 792,941	$ -	$ -	$ -	$ -	$ -	$ 1,313,639	$ -	$ 2,106,580
Federal grants	-	-	-	-	2,992,537	-	-	-	2,992,537
State grants	-	3,532,486	968,692	392,556	-	500,000	-	-	
Charges for services	-	-	-	492,466	-	-	-	-	492,466
Investment income	-	(5,367)	14,021	9,234	6,370	5,212	31,374	12,379	73,223
Fines and forfeitures	-	-	-	1,179,946	-	-	-	-	1,179,946
Other	-	-	-	-	397,502	35,618	99	38,199	471,418
Contribution from component units	585,380	-	-	-	-	1,170,000	-	-	1,755,380
Total revenues	1,378,321	3,527,119	982,713	2,074,202	3,396,409	1,710,830	1,345,112	50,578	14,465,284
Expenditures									-
Legislative and executive	-	-	-	2,154,562	-	-	-	-	2,154,562
Public works and services	-	1,776,638	1,422,654	-	-	1,475,114	-	-	
Community development programs	-	-	-	-	2,028,730	-	-	-	
Other	-	1,184,991	599,273	1,255,041	-	816,085	58,496	32,275	3,946,161
Capital outlay	-	6,547	-	-	796,575	6,510	-	-	809,632
Debt service	4,559,180	-	-	-	-	-	-	-	4,559,180
Total expenditures	4,559,180	2,968,176	2,021,927	3,409,603	2,825,305	2,297,709	58,496	32,275	18,172,671
Excess (deficiency) of revenues over (under) expenditures	(3,180,859)	558,943	(1,039,214)	(1,335,401)	571,104	(586,879)	1,286,616	18,303	(3,707,387)
Other financing sources (uses)									
Transfers in	3,120,579	-	-	982,411	-	-	-	-	4,102,990
Transfers out	-	(867,711)	(72,774)	(115,075)	-	(81,559)	(1,167,728)	(11,908)	(2,316,755)
Total other financing sources (uses)	3,120,579	(867,711)	(72,774)	867,336	-	(81,559)	(1,167,728)	(11,908)	1,786,235
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(60,280)	(308,768)	(1,111,988)	(468,065)	571,104	(668,438)	118,888	6,395	(1,921,152)
Fund balance									
Beginning of year	3,563,858	735,038	1,073,168	15,893	105,578	1,039,718	1,989,379	788,450	9,311,082
End of year	$ 3,503,578	$ 426,270	$ (38,820)	$ (452,172)	$ 676,682	$ 371,280	$ 2,108,267	$ 794,845	$ 7,389,930

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Debt Service		
	Final Amended Budget	Actual	Variance
Revenues			
Taxes	$ 823,985	$ 792,941	$ (31,044)
Contribution from component units	536,554	585,380	48,826
Total	1,360,539	1,378,321	17,782
Expenditures			
Debt service	10,381,992	4,559,180	(5,822,812)
Total	10,381,992	4,559,180	(5,822,812)
Excess of revenues and other financing sources over (under) expenditures	(9,021,453)	(3,180,859)	5,840,594
Transfers in	3,087,957	3,120,579	32,622
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(5,933,496)	(60,280)	5,873,216
Fund balance			
Beginning of year	3,563,858	3,563,858	-
End of year	$ (2,369,638)	$ 3,503,578	$ 5,873,216

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Major Streets		
	Final Amended Budget	Actual	Variance
Revenues			
State grants	$ 3,500,000	$ 3,532,486	$ 32,486
Investment income	-	(5,367)	(5,367)
Other	-	-	-
Total revenues	3,500,000	3,527,119	27,119
Expenditures			
Public works and services	2,831,511	1,776,638	(1,054,873)
Other	1,332,400	1,184,991	(147,409)
Capital outlay	25,000	6,547	(18,453)
Total expenditures	4,188,911	2,968,176	(1,220,735)
Excess (deficiency) of revenues over (under) expenditures	(688,911)	558,943	1,247,854
Other financing sources (uses)			
Transfers out	(681,394)	(867,711)	(186,317)
Total other financing sources (uses)	(681,394)	(867,711)	(186,317)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,370,305)	(308,768)	1,061,537
Fund balance			
Beginning of year	735,038	735,038	-
End of year	$ (635,267)	$ 426,270	$ 1,061,537

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Local Streets		
	Final Amended Budget	Actual	Variance
Revenues			
State grants	$ 979,642	$ 968,692	$ (10,950)
Investment income	-	14,021	14,021
Total revenues	979,642	982,713	3,071
Expenditures			
Public works and services	1,700,304	1,422,654	(277,650)
Other	599,156	599,273	117
Total expenditures	2,299,460	2,021,927	(277,533)
Excess (deficiency) of revenues over (under) expenditures	(1,319,818)	(1,039,214)	280,604
Other financing sources (uses)			
Transfers out	(72,566)	(72,774)	(208)
Total other financing sources (uses)	(72,566)	(72,774)	(208)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,392,384)	(1,111,988)	280,396
Fund balance			
Beginning of year	1,073,168	1,073,168	-
End of year	$ (319,216)	$ (38,820)	$ 280,396

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	District Court		
	Final Amended Budget	Actual	Variance
Revenues			
State grants	$ 193,096	$ 392,556	$ 199,460
Charges for services	-	492,466	492,466
Investment income	12,000	9,234	(2,766)
Fines and forfeitures	2,582,000	1,179,946	(1,402,054)
Other	3,000	-	(3,000)
Total revenues	2,790,096	2,074,202	(715,894)
Expenditures			
Legislative and executive	2,508,876	2,154,562	(354,314)
Other	1,105,572	1,255,041	149,469
Total expenditures	3,614,448	3,409,603	(204,845)
Excess (deficiency) of revenues over (under) expenditures	(824,352)	(1,335,401)	(511,049)
Other financing sources (uses)			
Transfers in	982,411	982,411	-
Transfers out	(158,059)	(115,075)	42,984
Total other financing sources (uses)	824,352	867,336	42,984
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(468,065)	(468,065)
Fund balance			
Beginning of year	15,893	15,893	-
End of year	$ 15,893	$ (452,172)	$ (468,065)

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Comm Dev Block Grant		
	Final Amended Budget	Actual	Variance
Revenues			
Federal grants	$ 6,333,193	$ 2,992,537	$ (3,340,656)
Investment income	-	6,370	6,370
Other	317,873	397,502	79,629
Total revenues	6,651,066	3,396,409	(3,254,657)
Expenditures			
Community development programs	4,234,916	2,028,730	(2,206,186)
Capital outlay	-	796,575	796,575
Total expenditures	4,234,916	2,825,305	(1,409,611)
Excess (deficiency) of revenues over (under) expenditures	2,416,150	571,104	(1,845,046)
Other financing sources (uses)			
Transfers in	51,700	-	(51,700)
Total other financing sources (uses)	51,700	-	(51,700)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,467,850	571,104	(1,896,746)
Fund balance			
Beginning of year	105,578	105,578	-
End of year	$ 2,573,428	$ 676,682	$ (1,896,746)

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Commercial & Industrial Dev		
	Final Amended Budget	Actual	Variance
Revenues			
Special assessments	$ -	$ -	$ -
Federal grants	601,250	-	(601,250)
State grants	500,000	500,000	-
Investment income	31,000	5,212	(25,788)
Other	30,100	35,618	5,518
Contribution from component units	1,270,000	1,170,000	(100,000)
Total revenues	2,432,350	1,710,830	(721,520)
Expenditures			
Public works and services	2,200,459	1,475,114	(725,345)
Other	944,502	816,085	(128,417)
Capital outlay	11,000	6,510	(4,490)
Total expenditures	3,155,961	2,297,709	(858,252)
Excess (deficiency) of revenues over (under) expenditures	(723,611)	(586,879)	136,732
Other financing sources (uses)			
Transfers out	(81,559)	(81,559)	-
Total other financing sources (uses)	(81,559)	(81,559)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(805,170)	(668,438)	136,732
Fund balance			
Beginning of year	1,039,718	1,039,718	-
End of year	$ 234,548	$ 371,280	$ 136,732

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Capital Improvement		
	Final Amended Budget	Actual	Variance
Revenues			
Taxes	$ 1,226,430	$ 1,313,639	$ 87,209
Investment income	19,000	31,374	12,374
Other	-	99	99
Total revenues	1,245,430	1,345,112	99,682
Expenditures			
Other	4,168	58,496	54,328
Total expenditures	4,168	58,496	54,328
Excess (deficiency) of revenues over (under) expenditures	1,241,262	1,286,616	45,354
Other financing sources (uses)			
Transfers out	(1,284,984)	(1,167,728)	117,256
Total other financing sources (uses)	(1,284,984)	(1,167,728)	117,256
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(43,722)	118,888	162,610
Fund balance			
Beginning of year	1,989,379	1,989,379	-
End of year	$ 1,945,657	$ 2,108,267	$ 162,610

City of Pontiac
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) – Nonmajor Governmental Funds
Year Ended June 30, 2003

	Capital Projects Fund		
	Final Amended Budget	Actual	Variance
Revenues			
Special assessments	$ -	$ 5,468	$ 5,468
State grants	2,344,800	1,860,210	(484,590)
Investment income	-	683,048	683,048
Other	211,328	658,901	447,573
Contribution from component units	783,200	551,700	(231,500)
Total revenues	3,339,328	3,759,327	419,999
Expenditures			
Capital outlay	2,707,088	26,274,730	23,567,642
Total expenditures	2,707,088	26,274,730	23,567,642
Excess (deficiency) of revenues over (under) expenditures	632,240	(22,515,403)	(23,147,643)
Other financing sources (uses)			
Transfers in	217,500	18,445	(199,055)
Transfers out	(455,507)	-	455,507
Total other financing sources (uses)	(238,007)	18,445	256,452
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	394,233	(22,496,958)	(22,891,191)
Fund balance			
Beginning of year	42,863,577	42,863,577	-
End of year	$ 43,257,810	$ 20,366,619	$ (22,891,191)

City of Pontiac
Other Supplemental Information
Combining Statement of Net Assets – Nonmajor Governmental Funds
June 30, 2003

	Non-Major Business-Type Activities		Totals June 30, 2003
	Golf	Cemetery	
Assets			
Current assets			
Cash and cash equivalents	$ 729	$ -	$ 729
Accounts receivable	4,300	127,104	131,404
Total current assets	5,029	127,104	132,133
Capital assets			
Land	733,761	79,712	813,473
Land improvements	2,742,750	18,368	2,761,118
Buildings and building improvements, net of depreciation	540,378	476,729	1,017,107
Machinery and equipment, net of depreciation	53,671	15,334	69,005
Furnitures and fixtures, net of depreciation	-	6,796	6,796
Vehicles, net of depreciation	-	15,722	15,722
Total capital assets	4,070,560	612,661	4,683,221
Total assets	4,075,589	739,765	4,815,354
Liabilities			
Current liabilities			
Accounts payable	13,760	70,683	$ 84,443
Compensation and accrued employee benefits	37,379	80,033	117,412
Due to other funds	73,000	224,000	297,000
Accrued liabilities	53	1,443	1,496
Total liabilities	124,192	376,159	500,351
Net assets			
Invested in capital assets - net of related debt	4,070,560	612,661	4,683,221
Restricted	-	-	-
Unrestricted	(119,163)	(249,055)	(368,218)
	$ 3,951,397	$ 363,606	$ 4,315,003

City of Pontiac
Other Supplemental Information
Combining Statement of Changes in Net Assets – Nonmajor Enterprise Funds
Year Ended June 30, 2003

	Non-Major Business-Type Activities		Totals June 30, 2003
	Golf Course Fun	Cemetery Fund	
Operating revenues			
Charges for services	$ 724,926	$ 310,593	$ 1,035,519
Other	150,737	323,017	473,754
Total operating revenues	875,663	633,610	1,509,273
Operating expenses			
Salaries and fringe benefits	265,014	482,374	747,388
Supplies and services	29,815	36,050	65,865
Utilities	31,672	50,137	81,809
Contractual services	268,419	66,759	335,178
Repairs and maintenance	11,477	11,142	22,619
Advertising and promotion	10,376	485	10,861
Rental of machinery and equipment	-	1,035	1,035
Insurance	15,116	14,036	29,152
Administrative services provided by the General Fund	84,108	129,432	213,540
Depreciation	317,657	36,697	354,354
Other	27,257	69,748	97,005
Total operating expenses	1,060,911	897,895	1,958,806
Operating income (loss)	(185,248)	(264,285)	(449,533)
Non-operating revenues (expenses)			
Interest revenue	2,179	-	2,179
Interest expense	-	(2,515)	(2,515)
Other	(11,690)	-	(11,690)
Total non-operating revenues	(9,511)	(2,515)	(12,026)
Income (loss) before transfers and other items	(194,759)	(266,800)	(461,559)
Transfers and items			
Transfers in	-	220,338	220,338
Transfers out	(165,380)	-	(165,380)
Total transfers and other items	(165,380)	220,338	54,958
Change in net assets	(360,139)	(46,462)	(406,601)
Net assets			
Beginning of year	4,311,536	410,068	4,721,604
End of year	$ 3,951,397	$ 363,606	4,315,003

City of Pontiac
Other Supplemental Information
Combining Statement of Cash Flows – Nonmajor Enterprise Funds
Year Ended June 30, 2003

	Non-Major Business-Type Activities		Totals June 30, 2003
	Golf	Cemetery	
Cash flows from operating activities			
Cash received from users	$ 871,363	$ 674,125	$ 1,545,488
Cash paid to suppliers	(530,174)	(527,994)	(1,058,168)
Cash paid to employees	(206,081)	(293,762)	(499,843)
Internal activities-payments to other funds	27,300	(73,000)	(45,700)
Net cash provided by (used in) operating activities	162,408	(220,631)	(58,223)
Cash flows from non-capital financing activities			
Transfers from other funds	-	220,338	220,338
Transfers to other funds	(165,380)	-	(165,380)
Net cash provided by (used in) non-capital financing activities	(165,380)	220,338	54,958
Cash flows from investing activities			
Interest on investments	2,179	(2,515)	(336)
Net decrease in cash and cash equivalents	(793)	(2,808)	(3,601)
Pooled cash and investments			
Beginning of year	1,522	2,808	4,330
End of year	$ 729	$ -	$ 729
Reconciliation of operating income (loss) to net cash from operating activities			
Operating income (loss)	$ (185,248)	$ (264,285)	$ (449,533)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	317,657	36,697	354,354
Changes in assets and liabilities:			-
Accounts receivable	(4,300)	40,515	36,215
Due from other funds	4,300	-	4,300
Accounts payable	6,564	25,122	31,686
Accrued liabilities	(2,824)	(6,819)	(9,643)
Compensation and accrued employee benefits	3,259	21,139	24,398
Due to other funds	23,000	(73,000)	(50,000)
Due to other governmental units	-	-	-
Net cash provided (used) by operating activities	$ 162,408	$ (220,631)	$ (58,223)

City of Pontiac
Other Supplemental Information
Combining Statement of Net Assets – Nonmajor Internal Service Funds
June 30, 2003

	Governmental-Type Activities-Internal Service Funds		Totals June 30, 2003
	Equipment Revolving Fund	Insurance Fund	
Assets			
Current assets			
Cash and cash equivalents	$ 265,970	$ 7,848,501	$ 8,114,471
Accounts receivable	1,184	332,672	333,856
Due from component units	-	1,996,750	1,996,750
Supplies	8,341	-	8,341
Due from other funds	-	3,518,500	3,518,500
Total current assets	275,495	13,696,423	13,971,918
Capital assets			
Buildings and building improvements, net of depreciation	7,022	-	7,022
Machinery and equipment, net of depreciation	450,751	-	450,751
Furnitures and fixtures, net of depreciation	-	4,369	4,369
Vehicles, net of depreciation	235,152	-	235,152
Total capital assets	692,925	4,369	697,294
Total assets	968,420	13,700,792	14,669,212
Liabilities			
Current liabilities			
Accounts payable	104,471	390,382	$ 494,853
Due to other funds	-	806,000	806,000
Accrued liabilities	-	7,787,575	7,787,575
Total liabilities	104,471	8,983,957	9,088,428
Net assets			
Invested in capital assets - net of related debt	692,925	4,369	697,294
Unrestricted	171,024	4,712,466	4,883,490
	$ 863,949	$ 4,716,835	$ 5,580,784

City of Pontiac
Other Supplemental Information
Combining Statement of Net Assets –Nonmajor Fiduciary Funds
June 30, 2004

	Pension Trust Funds-December 31, 2002					Agency Funds		
	General City Employees' Retirement System	Police and Fire Retirement System	Police and Fire Retirement System VEBA	Genl Employees' Retiree Health and Insurance Benefits Trust	Totals	District Court	Other Agency	Totals
Assets								
Cash and cash equivalents	$ 144,854	$ 100,491	$ -	$ -	$ 245,345	$ 344,921	$ 6,944,278	$ 7,289,199
Cash and investments held as collateral for securities lending	42,143,790	18,336,779	-	-	60,480,569	-	-	-
Investments								
U.S. government securities	78,343,287	11,680,474	-	-	90,023,761	-	-	-
U.S. government agency mortgage pools	-	24,165,700	-	-	24,165,700	-	-	-
Corporate bonds	65,155,558	43,336,005	-	-	108,491,563	-	-	-
Equities	182,623,902	104,516,171	-	-	287,140,073	-	-	-
Money markets and mutual funds	7,896,163	5,753,702	9,428,159	1,042,386	24,120,410	-	-	-
Real estate	21,851,307	19,356,074	-	-				
Interest in CAP Commercial Mortgage, LLC	-	6,115,336	-	-	6,115,336	-	-	-
Preferred securities	577,575	-	-	-	577,575	-	-	-
Due from broker pending transactions	333,262	-	-	-	333,262	-	-	-
Accrued interest receivable	2,003,857	803,706	748	-	2,808,311	-	-	-
Due from other funds	-		-	-	-	-	-	-
Other receivables	7,396	279,395	-	232,474	519,265	-	199,202	199,202
Total assets	401,080,951	234,443,833	9,428,907	1,274,860	646,228,551	344,921	7,143,480	7,488,401
Liabilities and Net Assets								
Liabilities								
Accounts payable	744,902	320,078	143,770	1,667	1,210,417	-	303,320	303,320
Due to broker pending transactions	-	261,482	-	-	261,482	-	-	-
Amount due Broker under securities lending agreement	42,143,790	18,336,779	-	-	60,480,569	-	-	-
Accrued liabilities	-	-	-	-	-	-	713,517	713,517
Deposits	-	-	-	-	-	344,921	6,126,643	6,471,564
Total liabilities	42,888,692	18,918,339	143,770	1,667	61,952,468	344,921	7,143,480	7,488,401
Net assets held in trust for pension benefits	$ 358,192,259	$ 215,525,494	$ 9,285,137	$ 1,273,193	$ 584,276,083	$ -	$ -	$ -

City of Pontiac
Other Supplemental Information
Combining Statement of Changes in Net Assets
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2004

	Pension Trust Funds-December 31, 2002				
	General City Employees' Retirement System	Police and Fire Retirement System	Police and Fire Retirement System VEBA	Genl Employees' Retiree Health and Insurance Benefits Trust	Totals 2002
Additions					
Investment income					
Interest and dividends	$ 11,693,856	$ 7,160,472	$ 180,819	$ 32,629	$ 19,067,776
Net appreciation (depreciation) in fair value	(37,366,916)	(23,678,387)	(1,884,522)	(134,002)	(63,063,827)
Investment advisor fees	(1,682,157)	(1,243,053)	(39,766)	-	(2,964,976)
Net investment income (loss)	(27,355,217)	(17,760,968)	(1,743,469)	(101,373)	(46,961,027)
Securities lending income					-
Interest and fees	666,011	269,983	-	-	935,994
Less - borrower rebates and bank fees	(600,114)	(236,682)	-	-	(836,796)
Net securities lending income	65,897	33,301	-	-	99,198
Contributions					-
Employee	27,217	358,862	-	-	386,079
Employer	77,889	1,809,736	2,575,510	324,400	4,787,535
Total contributions	105,106	2,168,598	2,575,510	324,400	5,173,614
Total additions	(27,184,214)	(15,559,069)	832,041	223,027	(41,688,215)
Deductions					-
Retirees' pension benefits and retirement incentives	12,347,405	11,581,948	-	-	23,929,353
Retirees' health benefits	-	-	637,107		637,107
Members' refunds and withdrawals	-	203,635	-	-	203,635
Other expenses	209,190	14,577	5,135	3,734	232,636
Charges from the City - Administrative expenses	216,234	100,645	-	-	316,879
Total deductions	12,772,829	11,900,805	642,242	3,734	25,319,610
Net increase (decrease)	(39,957,043)	(27,459,874)	189,799	219,293	(67,007,825)
Net assets held in trust for pension benefits					
Beginning of year	398,149,302	242,985,368	9,095,338	1,053,900	651,283,908
End of year	$ 358,192,259	$ 215,525,494	$ 9,285,137	$ 1,273,193	$ 584,276,083

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City of Pontiac
General Fund Expenditures and Other Uses by Activity – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	2003	2002	2001	2000	1999
Expenditures					
General government					
Legislative and council members	$ 760,472	$ 833,137	$ 775,435	$ 761,911	$ 845,969
Mayor, personnel & budget	2,054,066	2,267,040	1,872,057	2,141,816	2,085,096
Financial administration, audit and accounting	1,483,358	1,525,980	1,244,833	1,090,592	1,121,299
City Attorney	793,726	802,991	744,305	747,836	760,798
City clerk and elections	504,780	661,532	554,481	516,263	503,670
City assessor's office	620,700	704,412	709,608	531,020	702,634
Public works	1,499,123	1,684,583	1,466,285	1,365,078	1,452,856
Purchasing - inventory and contract compliance	304,819	294,049	330,040	344,724	209,388
City treasurer's office	606,769	594,165	641,981	572,168	559,675
City building maintenance	1,476,503	1,123,912	1,235,323	999,133	894,228
Community development and planning	748,132	692,076	679,964	675,819	718,807
Management information service & reproduction center	552,756	636,187	541,867	614,450	559,462
Income tax administration	656,116	442,430	539,551	482,702	456,171
Human resources and senior services	1,075,255	822,915	761,843	718,107	760,752
Inspections and code enforcement	1,895,592	2,036,429	2,078,085	2,063,245	1,975,519
General City					
Retiree cost	3,814,650	4,853,000	4,731,440	4,397,520	4,285,360
Sanitation	-				
Municipal parking system	-				
Capital outlays	592,846	251,872	216,344	169,107	227,068
Silverdome	-	-	-	-	-
Other	4,587,667	5,466,124	5,819,058	6,758,431	3,475,592
Total	$ 24,027,330	$ 25,692,834	$ 24,942,500	$ 24,949,922	$ 21,594,344

City of Pontiac
General Fund Expenditures and Other Uses by Activity – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	1998	1997	1996	1995	1994
Expenditures					
General government					
Legislative and commissioners council members	$ 817,528	$ 792,757	$ 862,845	$ 817,996	$ 594,858
City manager or mayor, personnel & budget	1,962,982	1,820,884	1,512,747	1,499,655	1,397,362
Financial administration, audit and accounting	1,102,967	1,121,993	1,049,812	1,127,901	1,035,151
City Attorney	730,616	694,828	634,229	588,306	598,375
City clerk and elections	515,526	464,465	508,893	407,323	414,199
City assessor's office	785,548	544,942	243,802	403,792	460,847
Public works	939,736	1,563,847	978,327	1,574,389	882,450
Purchasing and inventory	189,639	137,738	224,914	209,810	286,976
City treasurer's office	585,299	712,021	865,155	665,319	731,295
City building maintenance	921,213	904,417	1,019,871	883,585	864,837
Community development and planning	639,817	507,195	496,648	449,747	497,335
Management information service & reproduction center	527,352	616,411	578,389	568,984	735,792
Income tax administration	566,477	514,739	543,621	554,146	597,708
Retirement boards	-				
Human resources and senior services	734,861	747,239	692,125	689,687	826,154
Inspections and code enforcement	2,134,824	1,908,183	1,400,203	1,054,978	1,040,702
General City					
Retiree cost	4,023,159	4,769,760	4,125,660	3,739,699	3,003,448
Sanitation	-	646,990	-	-	-
Municipal parking system	-	-	-	-	-
Capital outlays	235,952	110,264	1,429,427		
Silverdome	-	-	-	526,234	898,619
Other	3,918,309	2,942,050	3,045,827	1,856,904	6,960,305
Total	$ 21,331,805	$ 21,520,723	$ 20,212,495	$ 17,618,455	$ 21,826,413

City of Pontiac
General Fund Expenditures and Other Uses by Activity – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	2003	2002	2001	2000	1999
Public Safety					
Police	$ 18,047,660	$ 18,695,904	$ 18,766,886	$ 16,945,083	$ 18,455,874
Fire	12,320,974	11,353,653	11,927,132	10,568,271	10,524,476
Electrical and Street	763,507	715,584	785,022	578,506	729,361
Total	31,132,141	30,765,141	31,479,040	28,091,860	29,709,711
Highway and Street	-	-	-	-	-
Library	485,994	549,338	582,865	506,527	467,609
Parks and Recreation					
Recreation	566,045	516,629	577,378	494,496	494,613
Parks	917,811	977,774	961,640	775,271	867,152
Community Center	618,912	662,463	604,499	559,409	543,544
Forestry	-				
Special events	10,425	14,263	22,836	14,463	19,512
Galloway Park	-				
Total	2,113,193	2,171,129	2,166,353	1,843,639	1,924,821
Public Service Functions					
Operations	320,513	276,592	205,804	238,839	348,456
Total	320,513	276,592	205,804	238,839	348,456
Total general fund expenditures	$ 58,079,171	$ 59,455,034	$ 59,376,562	$ 55,594,047	$ 53,745,111

City of Pontiac
General Fund Expenditures and Other Uses by Activity – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	1998	1997	1996	1995	1994
Public Safety					
Police	$ 16,929,900	$ 15,236,030	$ 15,569,239	$ 13,876,831	$ 14,079,250
Fire	10,133,343	10,104,064	9,941,401	9,692,077	10,173,055
Electrical and Street	825,566	810,629	655,502	766,650	
Total	27,888,809	26,150,723	26,166,142	24,335,558	24,252,305
Highway and Street	-	-	-	-	-
Library	474,170	371,494	426,956	291,316	317,105
Parks and Recreation					
Recreation	427,864	492,058	275,855	269,572	249,804
Parks	725,269	783,667	786,309	865,894	972,805
Community Center	582,190	496,440	514,690	432,528	402,705
Forestry	-	-	-	-	-
Special events	19,543	18,798	23,149	-	28,864
Galloway Park	-	-	-	-	-
Total	1,754,866	1,790,963	1,600,003	1,567,994	1,654,178
Public Service Functions					
Operations	382,575	264,956	344,331	243,622	-
Total	382,575	264,956	344,331	243,622	-
Total general fund expenditures	$ 52,094,764	$ 49,909,941	$ 49,920,417	$ 46,653,985	$ 43,842,043

City of Pontiac
General Fund Revenue and Other Financing Sources – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	2003	2002	2001	2000	1999
Sources					
General property taxes	$ 10,683,138	$ 9,775,936	$ 9,414,686	$ 9,250,987	$ 9,248,566
City income taxes	16,519,538	14,347,699	15,280,415	17,005,335	14,748,369
Licenses and permits	2,179,743	1,861,748	1,894,406	1,938,837	1,624,689
Fines and forfeitures	106,077	113,294	100,468	114,340	105,466
Use of money and property	533,856	640,585	2,135,546	1,460,454	1,912,927
Charges for services	1,589,685	2,308,213	1,453,503	2,484,842	2,120,210
Transfers and reimbursements from other funds	6,729,053	7,121,648	5,767,859	3,807,816	5,104,775
State distributions					
Sales and use taxes	14,119,733	15,435,950	17,017,722	17,460,019	12,321,889
Income Taxes	-	-	-	-	-
Intangible taxes	-	-	-	-	-
Liquor license fees	50,435	43,363	43,388	42,227	41,619
Library aid	430,794	64,036	65,408	83,984	71,077
Single business taxes	-	-	-	-	-
State inventory property tax reimbursement	-	-	-	3,844,795	3,844,795
Summer food service for children	118,808	110,009	20,351	84,715	118,450
Fire protection-state properties	-	-	-	85,527	81,317
Other	2,018,977	2,992,461	2,889,631	2,688,981	2,046,356
Total revenues and other financing sources	$ 55,079,837	$ 54,814,942	$ 56,083,383	$ 60,352,859	$ 53,390,505

City of Pontiac
General Fund Revenue and Other Financing Sources – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	1998	1997	1996	1995	1994
Sources					
General property taxes	$ 9,961,274	$ 9,119,552	$ 9,444,982	$ 9,094,480	$ 9,825,220
City income taxes	14,678,816	13,461,013	12,080,992	12,122,605	11,015,186
Licenses and permits	1,183,857	1,543,577	761,720	1,110,887	76,376
Fines and forfeitures	96,404	87,766	86,672	103,488	97,432
Use of money and property	1,368,013	1,262,308	1,542,726	807,538	349,190
Charges for services	2,073,206	1,910,773	1,396,791	1,639,461	2,164,784
Transfers and reimbursements from other funds	5,907,061	3,877,427	4,096,664	2,981,773	13,467,331
State distributions					
Sales and use taxes	12,321,889	12,086,211	3,824,998	3,611,028	3,948,799
Income Taxes	-	-	4,242,997	4,022,988	3,188,736
Intangible taxes	-	-	-	-	71,931
Liquor license fees	41,019	39,536	40,742	33,880	35,336
Library aid	87,940	65,197	64,749	64,868	66,872
Single business taxes	-	-	3,687,733	3,093,181	2,516,074
State inventory property tax reimbursement	3,844,795	3,929,064	3,944,321	3,713,629	3,622,028
Summer food service for children	117,309	135,144	112,821	102,120	174,308
Fire protection-state properties	89,688	99,248	99,622	105,417	91,779
Other	2,544,399	2,482,043	3,044,782	3,724,547	1,527,462
Total revenues and other financing sources	$ 54,315,670	$ 50,098,859	$ 48,473,312	$ 46,331,890	$ 52,238,844

City of Pontiac
City Property Tax Levies and Collections
Unaudited – Last Ten Fiscal Years
Fiscal Year 02-03

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Year
1994	$ 20,778,352	$ 18,666,580	89.84	$ 2,097,362	$ 20,763,942	99.93	$ 662,557	3.19
1995	19,040,450	17,109,968	89.86	1,848,895	18,958,863	99.57	509,848	2.68
1996	20,294,084	17,824,093	87.83	2,215,118	20,039,211	98.74	402,624	1.98
1997	20,229,560	18,150,046	89.72	2,155,589	20,305,635	100.37	326,550	1.61
1998	22,841,839	20,399,879	90.73	1,992,690	22,392,569	99.60	338,882	1.65
1999	19,122,320	16,470,606	86.19	2,492,379	18,972,985	99.22	381,285	2.05
2000	19,440,807	18,015,778	92.60	2,070,887	20,086,665	103.30	264,573	2.56
2001	20,683,088	17,899,809	86.54	2,329,978	20,229,787	97.81	642,600	3.11
2002	21,730,203	18,716,947	86.13	2,530,889	21,247,836	97.78	622,080	2.86
2003	26,408,655	23,164,689	87.71	3,856,102	27,020,791	102.31	544,869	2.06

City of Pontiac
Assessed and Estimated Actual Value of Taxable Property – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

Fiscal Year	Real Property Assessed/ *Taxable Value	Real Property Estimated Actual Value	Personal Property Assessed Value	Personal Property Estimated Actual Value	Total (A) (B) Assessed Value	Total (A) (B) Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1993	$ 527,530,300	$ 1,055,060,600	$ 186,011,700	$ 372,023,400	$ 713,542,000	$ 1,427,084,000	50.00%
1994	$ 533,365,400	$ 1,066,730,800	$ 186,201,200	$ 372,402,400	$ 719,566,600	$ 1,439,133,200	50.00%
1995	$ 542,384,300	$ 1,084,768,600	$ 187,701,150	$ 375,402,300	$ 730,085,450	$ 1,460,170,900	50.00%
1996	$ 570,499,318	$ 1,140,998,636	$ 201,771,200	$ 403,542,400	$ 772,270,518	$ 1,544,541,036	50.00%
1997	$ 579,214,657	$ 1,158,429,314	$ 222,834,850	$ 445,669,700	$ 802,049,507	$ 1,604,099,014	50.00%
1998	$ 631,929,397	$ 1,263,858,794	$ 244,190,050	$ 488,380,100	$ 876,119,447	$ 1,752,238,894	50.00%
1999	$ 661,235,867	$ 1,322,471,734	$ 251,324,450	$ 502,648,900	$ 912,560,317	$ 1,825,120,634	50.00%
2000	$ 725,972,322	$ 1,451,944,644	$ 269,886,350	$ 539,772,700	$ 995,858,672	$ 1,991,717,344	50.00%
2001	$ 893,381,417	$ 1,786,762,834	$ 314,325,570	$ 628,651,140	$ 1,207,706,987	$ 2,415,413,974	50.00%
2002	$ 914,001,058	$ 1,828,002,116	$ 325,741,720	$ 651,483,440	$ 1,239,742,778	$ 2,479,485,556	50.00%
2003	$ 841,562,806	$ 1,683,125,612	$ 327,408,010	$ 654,816,020	$ 1,168,970,816	$ 2,337,941,632	50.00%

(A) Does not include Act 198, P. A. 1974 assessments of $167,913,900 for 1992, $115,349,600 for 1993, $97,329,300 for 1994, $80,268,200 for 1995, $66,185,700 for 1996, $62,823,930 for 1997, $115,186,430 for 1998, $141,650,390 for 1999.$200,442,850 for 2000 $148,427,170 for 2001. 1998 doesn't include $745,000 of Act 255 assessment $3,,600 for 1992, $3,059,400 for 1993, $3,050,450 for 1994, $2,775,660 for 1995, $2,773,250 for 1996, $2,842,690 for 1997and $2,670,140 for 1998. 1998 last year for Act 255.

(B) 1990 thru 1999 Residential factor = 1.0600 Commercial factor = 1.0000 Industrial factor = 1.0000

(C) Total taxable value which is the basis used to levy was property taxes $757,696,973

(D) Total taxable value which is the basis used to levy was property taxes $772,862,390

(E) Total taxable value which is the basis used to levy was property taxes $840,274,200

City of Pontiac
Tax Rates Per $1,000 Equalized Valuation – Unaudited
Last Ten Fiscal Years Tax Rate
Fiscal Year 02-03

Tax Rates

Fiscal Year	City: Operations	City: Debt Service	City: Capital Improvement	Sanitation & Waste	July Total	Obligation to Oakland County under Chapter 20 Drain Bonds	Total
1994	12.00	9.55	1.50	3.00	26.05	3.54	29.59
1995	12.00	12.13	1.50	3.00	28.63	3.20	31.83
1996	12.00	11.71	1.50	3.00	28.21	3.20	31.41
1997	12.00	11.13	1.50	3.00	27.63	3.10	30.73
1998	12.00	9.74	1.50	3.00	26.24	2.66	28.90
1999	12.00	9.31	1.50	3.00	25.81	2.61	28.42
2000	12.00	8.64	1.50	3.00	25.14	1.70	26.84
2001	11.91	8.23	1.50	3.00	24.64	1.85	26.49
2002	11.85	7.78	1.48	2.96	24.07	0.81	24.88
2003	11.85	7.78	1.48	2.96	24.07	0.81	24.88

	School: Operations Home	School: Operations Non-home	School: Debt Service	School: Voted	School: Total Home	School: Total Non-home	School: Total	Community College	Oakland County Total	Oakland Intermediate School District	Grand Total
1993	9.54		2.80	30.46	42.80		42.80	1.08	5.05	2.19	79.960
1994	9.54		2.80	29.75	42.09		42.09	1.05	4.95	2.13	79.810
1995	6.00	6.00	2.80	18.00	8.80	26.80	32.80	0.85	4.95	2.13	48.560
1996	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.66	5.28	2.13	49.280
1997	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.66	5.18	2.13	48.500
1998	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.66	5.17	2.13	46.660
1999	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.65	5.00	2.13	46.000
2000	6.00	6.00	2.80	17.88	8.80	26.80	32.68	1.63	4.98	2.10	44.349
2001	6.00	6.00	2.80	17.88	8.80	26.80	32.68	1.61	4.97	2.08	43.950
2002	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.60	4.96	2.05	42.290
2003	6.00	6.00	2.80	18.00	8.80	26.80	32.80	1.60	4.96	2.05	42.290

City of Pontiac
Tax Levies – Unaudited
Last Ten Fiscal Years
Fiscal Year 02-03

	City	Obligation to Oakland County under Chapter 20 Drain Bonds	Pontiac School District	State Education Tax	Community College	Oakland County	Oakland Intermediate School District	Total
1994	$ 20,778,352	$ 2,551,511	$ 28,597,524		$ 720,463	$3,347,004	$ 1,441,163	$ 57,436,017
1995	19,040,450	2,249,746	10,800,408	$ 4,247,656	568,089	3,298,411	1,507,493	41,712,253
1996	20,294,084	2,421,002	11,381,465	4,436,047	1,144,482	3,451,416	1,550,636	44,679,132
1997	20,266,946	2,175,513	11,628,767	4,530,005	1,163,610	3,646,758	1,607,699	45,019,298
1998	20,470,160	2,065,125	12,375,990	4,826,749	1,287,885	3,747,762	1,714,459	46,488,130
1999	20,620,294	2,285,540	18,176,050	4,216,122	1,335,946	3,826,780	1,817,980	52,278,712
2000	18,922,136	1,281,385	13,333,418	5,262,598	1,230,416	3,759,736	1,841,734	45,631,423
2001	20,683,088	1,558,254	16,894,688	6,799,552	1,320,845	3,910,197	2,089,974	53,256,598
2002	22,591,401	758,414	17,869,181	7,269,243	1,497,229	4,358,805	3,950,805	58,295,078
2003	21,837,076	976,969	14,260,007	7,251,710	1,880,874	6,139,785	4,000,686	56,347,107

City's Tax Calendar

Assessment Date:	**December 31**	**Billing Date:**	**July 1**
Levy Date:	July 1	Collection Period:	July 1 - July 31
Lien Date:	July 1	Tax Year:	July 1 - June 30

City of Pontiac
Special Assessment Collections
Last Ten Fiscal Years
Fiscal Year 02-03

Fiscal Year	Special Assessment Levied	Special Assessment Collections	Percentage of Collections to Assessments Levied
1994	$ 814,917	$ 268,042	32.89
1995	113,620	50,714	44.63
1996	1,466,485	521,959	35.59
1997	462,312	476,955	103.17
1998	561,618	574,188	102.24
1999	432,089	739,462	100.89
2000	303,723	1,001,236	128.00
2001	845,673	385,605	45.60
2002	591,383	436,454	73.80
2003	631,381	1,001,236	158.58

City of Pontiac

Percentage of General Obligation Bonded Debt to Equalized Value and General Obligation – Bonded Debt Per Capita – Unaudited

Fiscal Year 02-03

Fiscal Year	Population		Equalized Value		Net General Obligation Bonded Debt (C)	Percentage of Obligation Bonded Debt to Equalized Value	Net Obligation Bonded Debt Per Capita
1993	71,166	(A)	$ 831,951,000		$ 65,739,247	7.91	923.75
1994	71,166	(A)	819,946,350		63,838,795	7.79	897.04
1995	71,166	(A)	813,129,250		52,813,274	6.50	742.11
1996	71,166	(A)	826,655,923		46,873,097	5.67	658.64
1997	71,166	(A)	772,862,390	(D)	58,243,027	7.54	818.41
1998	71,166	(A)	840,274,200	(D)	51,071,599	6.08	717.64
1999	71,166	(A)	908,633,546	(D)	45,045,675	4.96	632.97
2000	71,166	(A)	905,724,177	(D)	40,936,858	4.52	575.23
2001	67,705	(B) (B-1)	1,021,101,847	(D)	42,484,097	4.16	629.34
2002	67,705	(B) (B-1)	1,094,292,018	(D)	38,718,572	3.54	573.56
2003	67,507	(B) (B-1)	1,168,970,816	(D)	49,130,000	4.20	727.79

(A) Per 1990 federal census.
(B) Per 2000 federal census.
(C) Per Computation of Legal Debt Limit Schedule.
(D) Taxable

City of Pontiac
Computation of Direct and Overlapping Debt – Unaudited
Year Ended June 30, 2002

	Debt Outstanding	Percentage Applicable to City of Pontiac	City of Pontiac Share of Debt
City of Pontiac	$ 110,111,841	100%	$ 110,111,841
School District of City of Pontiac	25,393,000	36.90%	9,370,017
Oakland County	76,893,544	2.31%	1,776,241
Oakland County Community College and Other	12,895,000	2.31%	299,164
Oakland Intermediate School District	350,000	2.31%	8,085
Total Direct and Overlapping Debt	$ 225,643,385		$ 121,565,348
Total Indirect (City)			$ 11,453,507

City of Pontiac
Computation of Legal Debt Margin – Unaudited
Year Ended June 30, 2003

Proposal 'A' - Taxable Value			$ 1,168,970,816
Plus Assessed Value Equivalents			
Act 198		$148,427,170	
Act 255			148,427,170
Total			$ 1,317,397,986
Debt Limit - 10% of State Equalized Valuation (1)			$ 131,739,799
Amount of Outstanding Debt		99,425,495	
Less: (2-c) Transportation Fund Bonds	$ 3,000,000		
(3-d) Revenue Bonds	48,985,000		
(3-f) Pollution Abatement	4,465,000	56,450,000	42,975,495
LEGAL DEBT MARGIN			$ 88,764,304

(1) Act 279, Public Acts Of Michigan, 1909, as amended, and the City Charter of the City provide that the net indebtedness of the City shall not exceed 10 percent of all assessed real and personal property in the City, plus assessed value equivalent of certain City revenue determined under the Act.

(2) Bonds which are not included in the computation of legal debt margin according to Act 279 are:

(a) Special Assessment Bonds;
(b) Mortgage Bonds;
(c) Transportation Fund Bonds;
(d) Revenue Bonds;
(e) Bonds issued, or contracts or assessment obligations incurred, to comply with an order of the Water Resources Commission or a court of competent jurisdiction;
(f) Other obligations incurred for water supply, sewage, drainage or refuse, disposal projects necessary to protect the public health by abating pollution.

City of Pontiac
Computation of Legal Debt Margin – Unaudited
Year Ended June 30, 2003

Direct debt			
General obligation bonds			
Limited general obligation bonds			
4/3/1993	Michigan Transportation Fund Bonds	$ 1,390,000	
9/1/1995	Michigan Transportation Fund Bonds	930,000	
6/1/1996	Tax Increment Finance Authority	550,000	
8/1/2000	Michigan Transportation Fund Bonds	2,850,000	$ 5,720,000
Authority bonds			
9/17/1997	Parking Structure advanced refunded	5,950,000	
11/15/2000	Golf Course Bonds refinanced	5,125,000	
3/1/2002	General Building Authority Bonds	9,880,000	20,955,000
Share of county issued bonds			
	Drains	1,150,000	1,150,000
Revenue bonds			
9/1/1995	Water Supply System*	2,695,000	
1/1/2000	Water Supply System*	1,315,000	
9/1/1995	Sewage Disposal*	1,205,000	
1/1/2000	Sewage Disposal*	4,780,000	
1/17/2002	Tax Increment Finance Authority*	10,305,000	
4/1/1996	Tax Increment Finance Authority*	1,545,000	
6/1/1999	Tax Increment Finance Authority*	3,490,000	
1/17/2002	Tax Increment Finance Authority*	28,115,000	53,450,000
Other			
	Pending litigation	1,000,000	
	Land fill closure	1,858,666	
	land contracts	1,218,923	
	Capital leases	2,915,837	
	Michigan Transportation State Grant	3,000,000	
	Compensated Absences, Separation and Longevity Accrual	8,157,069	18,150,495
Total direct debt			99,425,495
Less:	No Credit Pledged Bonds*	56,450,000	56,450,000
	Revenue Bonds		
Net direct debt			$ 42,975,495

Note:* The full faith and credit of the City has not been pledged.

City of Pontiac
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Expenditures – Unaudited
Last Ten Fiscal Years

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Debt service expenditures for general obligation bonded debt										
Principal	$ 5,125,000	$ 2,440,000	$ 8,360,000	$ 6,675,000	$ 7,120,000	$ 6,905,000	$ 6,900,000	$ 6,085,000	$ 5,867,687	$ 5,975,042
Interest	1,646,639	482,510	1,652,683	1,249,140	2,364,764	2,729,398	3,783,670	3,767,615	4,039,224	5,179,110
Total	$ 6,771,639	$ 2,922,510	$ 10,012,683	$ 7,924,140	$ 9,484,764	$ 9,634,398	$ 10,683,670	$ 9,852,615	$ 9,906,911	$ 11,154,152
Total general fund expenditures	$ 44,819,445	$ 59,455,034	$ 59,376,562	$ 55,597,047	$ 52,559,464	$ 51,832,225	$ 50,098,859	$ 48,752,926	$ 44,749,251	$ 48,050,001
Ratio of debt service expenditures for general obligation bonded debt to total general expenditures										
Principal	11.43%	4.10%	14.08%	12.01%	13.55%	13.32%	13.77%	12.48%	13.11%	12.44%
Interest	3.67%	0.81%	2.78%	2.25%	4.50%	5.27%	7.55%	7.73%	9.03%	10.78%
Total	15.10%	4.91%	16.86%	14.26%	18.05%	18.59%	21.32%	20.21%	22.14%	23.22%

City of Pontiac
Schedule of Revenue Bond Coverage – Water Supply Revenue Bonds – Unaudited
Last Ten Fiscal Years

	2003	2002	2001	Restated 2000	1999	1998	1997	1996	1995	1994
Net income (loss)	$ 1,269,634	$ 1,952,703	$ 2,453,153	$ 2,165,976	$ 3,226,287	$ 220,654	$ (751,393)	$ 410,434	$ 715,318	$ 405,939
Correction of prior year adjusted amount	-	-	(2,213,258)	406,194	-	-	-	-	-	-
Add										
Depreciation	597,092	905,727	881,307	844,662	579,983	898,951	700,041	444,858	299,919	323,566
Interest expense	336,305	201,539	196,771	206,858	337,220	178,349	256,701	302,752	70,903	54,852
Amount available for Revenue Bond Service	$ 2,203,031	$ 3,059,969	$ 1,317,973	$ 3,623,690	$ 4,143,490	$ 1,297,954	$ 205,349	$ 1,158,044	$ 1,086,140	$ 784,357
Interest	336,305	201,539	196,771	194,815	217,220	226,708	235,783	208,910	15,225	22,475
Principal	255,579	145,000	135,000	130,000	120,000	115,000	110,000	280,000	210,000	200,000
Revenue Bond Debt Service	$ 591,884	$ 346,539	$ 331,771	$ 324,815	$ 337,220	$ 341,708	$ 345,783	$ 488,910	$ 225,225	$ 222,475
Coverage (amount available for revenue bond debt service divided by revenue bond debt service)	4 Times	9 Times	4 Times	11 Times	12 Times	4.00 Times	- Times	1.53 Times	4.82 Times	3.53 Times

City of Pontiac
Schedule of Revenue Bond Coverage – Sewerage Treatment Revenue Bonds – Unaudited
Last Ten Fiscal Years

	2003	2002	2001	Restated 2000	1999	1998	1997	1996	1995	1994
Net income (loss)	$ 197,562	$ 877,970	$1,340,759	$ 1,329,672	$2,444,942	$ (732,958)	$ (520,827)	$ 200,622	$ 191,252	$ (641,374)
Correction of prior year adjusted amount	-	-	(218,771)	9,489	-	-	-	-	-	-
Add										
Depreciation	1,894,749	1,393,344	1,318,619	1,317,386	1,232,475	1,204,099	1,208,082	1,140,851	1,104,491	1,101,935
Interest expense	509,528	135,552	94,725	101,488	108,228	65,990	146,549	94,733	79,436	60,625
	2,601,839	2,406,866	2,535,332	2,758,035	3,785,645	537,131	833,804	1,436,206	1,375,179	521,186
Less Revenue not applicable to Revenue Bond Debt Service - Property Taxes	-	-	-	-	-	-	-	50,371	379,827	367,562
Amount available for Revenue Bond Debt Service	$2,601,839	$2,406,866	$2,535,332	$ 2,758,035	$3,785,645	$ 537,131	$ 833,804	$ 1,385,835	$ 995,352	$ 153,624
Interest	$ 509,528	$ 135,552	$ 94,725	$ 95,238	$ 108,738	$ 115,038	$ 121,038	$ 104,615		
Principal	145,000	125,000	125,000	125,000	110,000	105,000	100,000	75,000		
Revenue Bond Debt Service	$ 654,528	$ 260,552	$ 219,725	$ 220,238	$ 218,738	$ 220,038	$ 221,038	$ 179,615		
Coverage (amount available for Revenue Bond Debt Service divided by Revenue Bond Debt Service)	3.98 Times	9.24 Times	11.54 Times	12.52 Times	17.31 Times	2.44 Times	3.77 Times	0.00 Times	Times	Times

City of Pontiac
Insurance Coverage – Unaudited
June 30, 2003

	Limits Coverage	Term of Policy	Expiration Date
Blanket buildings & personal property			
Blanket Amount (City)	$ 120,451,517	1 year	10/01/03
Blanket and all real and personal property			
Blanket amount (Silverdome)	118,000,000	1 year	01/01/04
Contractors equipment			
Blanket Amount	4,450,380	1 year	10/01/03
Firefighters/rescue equipment			
Amount	500,000	1 year	10/01/03
Boiler and machinery coverage			
Amount	20,000,000	1 year	10/01/03
Automobile fleet coverage			
Physical Damage, Comprehensive, Collision	ACV	1 year	10/01/03
Special Vehicles	Replacement cost		
Pal bus liability coverage			
Bodily injury limit	250/500,000	1 year	09/15/03
Property damage limit	250,000		
Special municipal liability coverage			
Each Occurrence	10,000,000	1 year	07/01/03
Workers' compensation coverage			
Self-Insured	Statutory	1 year	01/01/04
Excess	5,000,000		
Aviation liability policy			
Limit	5,000,000	1 year	02/24/04
Airport liability policy			
Heliport at Silverdome	10,000,000	1 year	08/24/03

City of Pontiac
Insurance Coverage – Unaudited
June 30, 2003

	Limits Coverage	Terms of Policy	Expiration Date
Blanket crime coverage			09/15/03
Robbery & safe Burglary	250,000	1 Year	10/01/03
Theft, Disappearance & Destruction	250,000	1 Year	10/01/03
Faithful Performance (no police)/ Employee Dishonesty (includes police)	250,000	1 Year	10/01/03
Excess Coverage over primary Faithful Performance or Employee Dishonesty	750,000	1 Year	10/01/03
Surety bond			
City Treasurer	1,000,000	1 Year	01/01/04
Surety bond			
Pontiac Growth Group Director	1,000,000	1 Year	01/01/04
Long term disability coverage:			
Specific Employee Groups, Only!	Various	1 Year	07/01/03
Short term disability coverage:			
Specific Employee Groups, Only!	Various	1 Year	07/01/03
Employee health coverage			
Hospital, Medical (includes Prescription Drug Rider, Master Medical etc.) - Blue Cross Traditional, two HMO Programs and two PPO programs in effect	Various	1 Year	07/01/03
Life insurance coverage:			
Includes Accidental Death & Dismemberment for all employee groups and Permanent & Total Disability for specific employee groups	Various	1 Year	07/01/03
Dental insurance coverage			
For all employee groups with specific percentages	Various	1 Year	07/01/03

City of Pontiac
Demographic Statistics – Unaudited
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Income (B)	Median Age (B)	School Enrollment (C)	Unemployment (D)
1994	71,166	21,962	28.3	12,897	11.3
1995	71,166	21,962	28.3	N/A	N/A
1996	71,166	21,967	28.3	12,452	9.6
1997	71,166	21,962	28.3	12,887	9.0
1998	71,166	21,962	28.3	12,848	6.5
1999	71,166	21,962	28.3	12,516	6.1
2000	66,337	31,207	36.0	12,204	7.5
2001	67,506 (A)(A-1)	31,207	36.0	12,204	11.0
As of December 31,					
2001	67,506 (A)(A-1)	31,207	36.0	12,204	11.0
2002	67,506 (A)(A-1)	31,207	36.0	12,204	11.0
2003	67,506 (A) (A-1)	31,207	36.0	12,204	11.0

(A) Source: 2000 Federal Census
(B) Source: Southeast Michigan Council of Governments
(C) Source: Pontiac School District
(D) Source: Michigan Employment Security Commission

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

Population	1930	64,928	Official census
	1940	66,626	Official census
	1947	73,752	Special census, July 17, 1947
	1950	73,681	Official census
	1960	82,233	Official census
	1970	84,951	Official census
	1971	85,279	Official census
	1980	76,715	Official census
	1990	71,166	Official census
	2000	66,337	Official census
Area			20 Square Miles
Date of Incorporation			March 15, 1861
Form of Government			Council - Strong Mayor
Present City Charter			Adopted September 15, 1981; effective May 3, 1982
Primary Election September 9, 1997			Registered Voters: 43,547 Number of Voters: 6,375 Percentage of Registered Voters Voting: 14.63%
General Election November 4, 1997			Registered Voters: 43,403 Number of Voters: 9,593 Percentage of Registered Voters Voting: 22.10%
Annual School Election June 8, 1998			Registered Voters: 43,403 Number of Voters: 1,525 Percentage of Registered Voters Voting: 3.51%

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Playfields	City property operating during summer	5	5	5
	Board of Education property operating during summer on cooperative basis with city.	1	1	1
	Community Center programs operated by community programs in cooperation with Pontiac Board of Education.	20	20	20
Sewage Treatment	Number of gallons treated (in 1,000s)	1,075,545	1,075,545	19,037,715
	Cubic feet of gas produced (in 1,000s)	40,340 (E)	40,340 (E)	
	Number of employees	36	36	36
Garbage collection and disposal	Tons of garbage and rubbish collected	26,825	26,825	29,782
	Tons of solid waste disposed in the Collier Road Landfill	38,173	38,173	37,689
	Tons of yard waste to compost site	2,886	2,886	3,544

(E) Estimated

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Fiscal year begins	July 1st			
Number of permanent city employees	Regular, excluding hospital employees	780	723	640
Fire protection	Number of stations open	5	5	5
	Number of employees	117	117	114
	Number of calls answered	7,712	7,712	7,712
	Fire losses	20	20	23
	Number of resultant losses from fire calls	117	117	221
Golf course	Number of rounds played (9-hole rounds)	39,330	46,000	46,000
Parks	Number	29	29	29
(E) Estimated	Number of acres	331	331	331

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Cemeteries	Number of interments	408	380	352
	Number of graves sales	377	325	357
	Number of cremations	275	165	198
District Court	Number of employees	37	37	37
	Total civil cases filed	3,070	3,070	2,822
	Total criminal cases filed	5,144	5,144	112,015
	Total sate law cases filed	n/a	n/a	n/a
	Total small claims filed	641	641	690
	Total landlord summaries filed	4121	4121	4196
	Total new cases traffic misdemeanor	4,043	4,043	8,091
	Total new cases traffic civil infraction	11,680	11,680	13,482
	Total new cases parking	7,985	7,985	11,483
	Total new cases other	n/a	n/a	n/a
Library	Circulation of books	32,160	32,160	32,160
Streets	Miles of major streets	63.9	63.9	63.9
	Miles of state trunklines	13.823	13.823	13.823
	Total miles of local streets	159.59	159.59	159.59
	Total miles of streets	237.313	237.313	237.313

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Street lights	Number	5,251	5,251	5,251
Municipal Water Plant	Number of services			
	Residential	21,252	21,252	20,500
	Commercial and industrial	1,500	1,500	2,200
	Average daily pumpage	11.50MGD	11.50MGD	11.50MGD
	Plant capacity per day	40 million gallons	40 million gallons	40 million gallons
	Water mains	270 miles	270 miles	285 miles
	Fire hydrants	2,750	2,750	2,827
	New connections	165	165	196
	Number of current employee	40	40	40
Silverdome	Paid spectator attendance	1,122,918	1,122,918	1,143,840
	Total tickets sold	440,747	440,747	1,196,139
	Event days	335	335	263

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Police protection	Number of employees			
	Sworn	170	170	163
	Civilian	55	55	49
	Total assets	8,055	8,055	5,316
	Total of different charges	47	47	6,316
	Traffic citations issued	15,709	15,709	16,585
	Number of accidents reported	3,846	3,846	2,559
	Average vehicular patrol units per day	9	9	21
Community Development	Number of employees	50	49	49
	Number of			
	Building permits issued	4,652	2,361	2,163
	Registered rental units	7,544	1,870	1,788
	Registered business	1,692	2,169	1,196
	Housing violations issued	1,115	965	905
	Dog licenses purchased	585	862	842
	Animal vaccinations administered	585	865	586
	New site plan approved	50	45	38
	Newly constructed homes	110	550	350
	Housing rehabilitations completed	80	54	27
	Vacant house/building demolitions	27	55	74
	Residents receiving assistance for purchase of a new home	15	11	14
	Residents assisted with relocation from substandard housing	0	5	0

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

Type	Name of Taxpayer	2003	2002
Industrial	General Motors Corporation	658,088,370	60.14 %
Utility	DTE	29,474,800	2.69 %
Utility	Consumers Energy	14,419,550	1.32 %
Personal	Electronic Data Systems	13,184,880	1.20 %
Industrial	Hole Family LLC	7,606,770	0.70 %
Commercial	Glenn Ridge Development	6,801,660	0.62 %
Commercial	Columbia Living Trust	5,152,650	0.47 %
Residential	Baldwin Villas LTD	4,535,190	0.41 %
Industrial	Akzo Nobel Coatings Inc.	4313110	0.39 %
Apartments	Village Park of Auburn Hills	3,377,490	0.31 %
		746,954,470	68.26 %
	Total Taxable Value	$ 1,493,908,940	136.51 %

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2003

		2003	2002	2001
Fiscal year begins	July 1st			
Number of permanent city employees	Regular, excluding hospital employees	780	733	640
Fire protection	Number of stations open	5	5	5
	Number of employees	117	117	114
	Number of calls answered	7,712	7,712	7,712
	Fire losses	20	20	23
	Number of resultant losses from fire calls	117	117	221
Golf course	Number of rounds played (9-hole rounds)	39,330	46,000	46,000
Parks	Number	29	29	27
	Number of acres	331	331	331

City of Pontiac
Miscellaneous Statistics – Unaudited
June 30, 2002

City of Pontiac's ten largest taxpayers:

Type	Name of Taxpayer	Taxable Valuation	Percent of Total
Industrial	General Motors Corporation	$ 658,088,370	60.14%
Utility	D T E	$29,474,800	2.69%
Utility	Consumers Energy	$14,419,550	1.32%
Personal	Electronic Data Systems	$13,184,880	1.20%
Industrial	Hole Family LLC	$7,606,770	0.70%
Commercial	Glenn Ridge Development	$6,801,660	0.62%
Commercial	Columbia Living Trust	$5,152,650	0.47%
Residential	Badwin Villas LTD	$4,535,190	0.41%
Industrial	Akzo Nobel Coatings Inc	$4,313,110	0.39%
Apartments	Village Park of Auburn Hills	$3,377,490	0.31%
		746,954,470	68.26%
	Total Taxable Value	$ 1,094,292,018	100.00%

City of Pontiac
Special Assessment Collections
Last Ten Fiscal Years

Fiscal Year 2003 Fund	Roll	Special Assessment Levied	Special Assessment Collections
812	2,256	$ 238,271	
812	2,255	$ 251,613	
812	2,253	$ 328,158	$ 55,652
812	2,254	$ 27,631	$ 62,337
871			$ 6,812
871			$ 5,342
883			$ 155,017
Total		$ 845,673	$ 285,160