City of Pontiac, Michigan

Financial Report
with Supplemental Information
June 30, 2008

City of Pontiac, Michigan

Contents

Report Letter 1-2

Management's Discussion and Analysis 3-13

Basic Financial Statements

Government-wide Financial Statements:
- Statement of Net Assets (Deficit) 14
- Statement of Activities 15-16

Fund Financial Statements:
- Governmental Funds:
  - Balance Sheet 17
  - Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities 18
  - Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) 19
  - Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities 20
- Proprietary Funds:
  - Statement of Net Assets 21
  - Statement of Revenue, Expenses, and Changes in Net Assets 22
  - Statement of Cash Flows 23
- Fiduciary Funds:
  - Statement of Fiduciary Net Assets 24
  - Statement of Changes in Fiduciary Net Assets 25
- Component Units:
  - Statement of Net Assets (Deficit) 26-27
  - Statement of Activities 28-29

Notes to Financial Statements 30-88

Required Supplemental Information 89

Budgetary Comparison Schedule - General Fund 90

Pension System Schedule of Funding Progress 91-93

Note to Required Supplemental Information 94-95

Contents (Continued)

Other Supplemental Information 96

Nonmajor Governmental Funds Summary:
Combining Balance Sheet 97
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances 98

Nonmajor Governmental Funds - Special Revenue Funds:
Combining Balance Sheet 99-102
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) 103-106

Nonmajor Governmental Funds - Capital Project Funds:
Combining Balance Sheet 107-108
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) 109-110

Nonmajor Governmental Funds - Debt Service Funds -
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances 111

Internal Service Funds:
Combining Statement of Net Assets 112
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets 113
Combining Statement of Cash Flows 114

Fiduciary Funds:
Combining Statement of Fiduciary Net Assets 115
Combining Statement of Changes in Fiduciary Net Assets 116
Combining Statement of Fiduciary Assets and Liabilities 117-118

Component Unit Governmental Funds:
Combining Balance Sheet 119
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) 120

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

7310 Woodward Ave., Suite 740
Detroit, MI 48202-3165

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pontiac, Michigan (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the General City Employees' Retirement System, Police and Fire Retirement System ("Retirement Systems") or the General Employees' Retiree Health & Insurance Benefits Trust and Police and Fire Retiree Prefunded Group Health and Insurance Trusts ("Health Trusts"), which statements reflect total assets of $942,391,774 as of December 31, 2007 and total additions of $70,776,094 and 100% of the net assets held in trust for pension benefits for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions expressed herein, insofar as it relates to the amounts included in the Retirement Systems and Health Trusts of the City are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis, the budgetary comparison schedule and pension system schedules of funding progress, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pontiac, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied by us and other auditors in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran.

December 22, 2008

Our discussion and analysis of the City of Pontiac, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- Expenses of governmental activities decreased $2.6 million from prior year, a 4.0 percent reduction. Public safety provided the greatest decrease in those activities with a 5 percent decrease. A portion of the decrease is due to significant lay-offs and attrition in the police department.

- Charges for services from public safety activities have increased by $2.4 million over prior year. The City had a significant new commercial development that increased permit fees over $1.6 million. In addition, the City had instituted ambulance transport for only part of the 2007 fiscal year. The increase in ambulance transport revenue was $1.2 million.

- The General Fund's excess of expenditures over revenue before other financing sources significantly improved over last year. In the current year, there is an increase of $2.6 million compared to a loss of $1.7 million in the prior year.

- Tax revenue is down approximately $1.5 million which includes a decrease in property tax revenue of $1.1 million and a decrease in income tax revenue of $400,000.

- The City's subsidy of the District Court operations remained consistent with prior year's subsidy of approximately $2.1 million.

- The North Oakland Medical Center defaulted on a contractual obligation to pay the City $1,000,000 annually and did not make any payments in the current fiscal year.

- The General Fund incurred an operating loss (after other financing sources/uses) of approximately $930,000, increasing the total fund deficit to $7,007,957.

Using this Annual Report

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

- The first two statements are government-wide financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

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

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

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

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

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

  - The City uses Internal Service Funds (the other type of proprietary fund) to report activities that provide supplies and services for other programs and activities, such as the Equipment Revolving Fund.

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

The City as a Whole

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

	June 30					
	2008	2007	2008	2007	2008	2007
	Governmental Activities		Business-type Activities		Total	
Assets						
Current and other	$ 42.9	$ 49.3	$ 18.0	$ 20.8	$ 60.9	$ 70.1
Capital assets	83.0	84.3	53.4	52.8	136.4	137.1
Total assets	125.9	133.6	71.4	73.6	197.3	207.2
Liabilities						
Current liabilities	21.3	29.3	1.8	1.5	23.1	30.8
Long-term liabilities	43.3	51.8	7.8	8.5	51.1	60.3
Total liabilities	64.6	81.1	9.6	10.0	74.2	91.1
Net Assets						
Invested in capital assets - Net of related debt	82.0	78.6	46.1	44.8	128.1	123.4
Restricted	11.3	10.8	3.1	2.9	14.4	13.7
Unrestricted (deficit)	(32.0)	(36.9)	12.6	15.9	(19.4)	(21.0)
Total net assets	**$ 61.3**	**$ 52.5**	**$ 61.8**	**$ 63.6**	**$ 123.1**	**$ 116.1**

A portion of the net assets of the City's governmental activities is either restricted as to the purpose for which they can be used or they are invested in capital assets net of related debt. Consequently, unrestricted net assets were a deficit of $32.0 million. A deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

Although the unrestricted business-type net assets total $12.6 million, these resources are restricted for operations of their respective operations and cannot be used to make up for declines in governmental net assets.

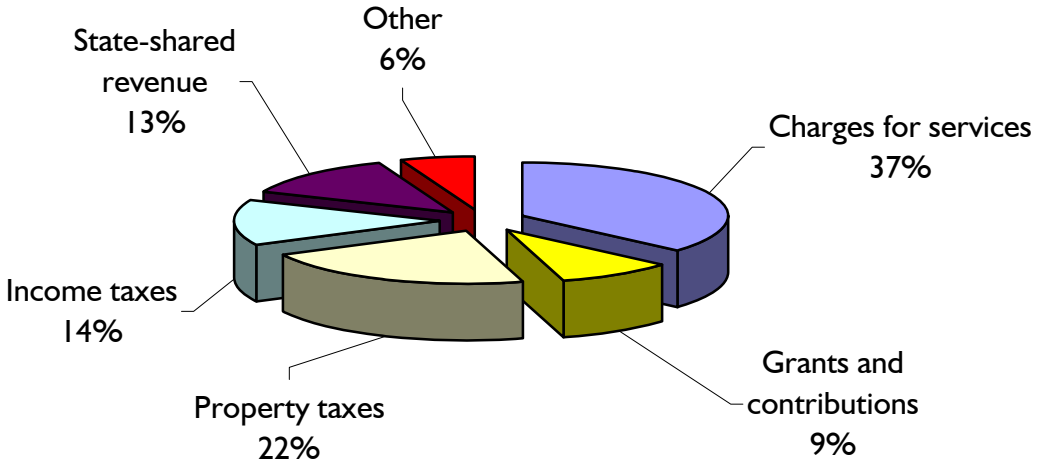
The City's combined net assets increased 6 percent from a year ago - increasing from $116.1 million to $123.1 million. Looking at only the governmental activities, the net assets added $8.8 million. This is primarily due to the increases in permit and ambulance transport charges for services revenue, decreases in public safety expenses, the State of Michigan waiving $3.0 million of Transportation Center debt, and a contribution from component units of $2.0 million relating to credit enhancement fees received by the City for pledging its good faith and credit on the TIFA Michigan Municipal Bond Authority Series 2007C bonds.

Looking at business-type activities, the net assets went down $1.8 million. The decrease is due primarily to a decrease in water and sewer consumption.

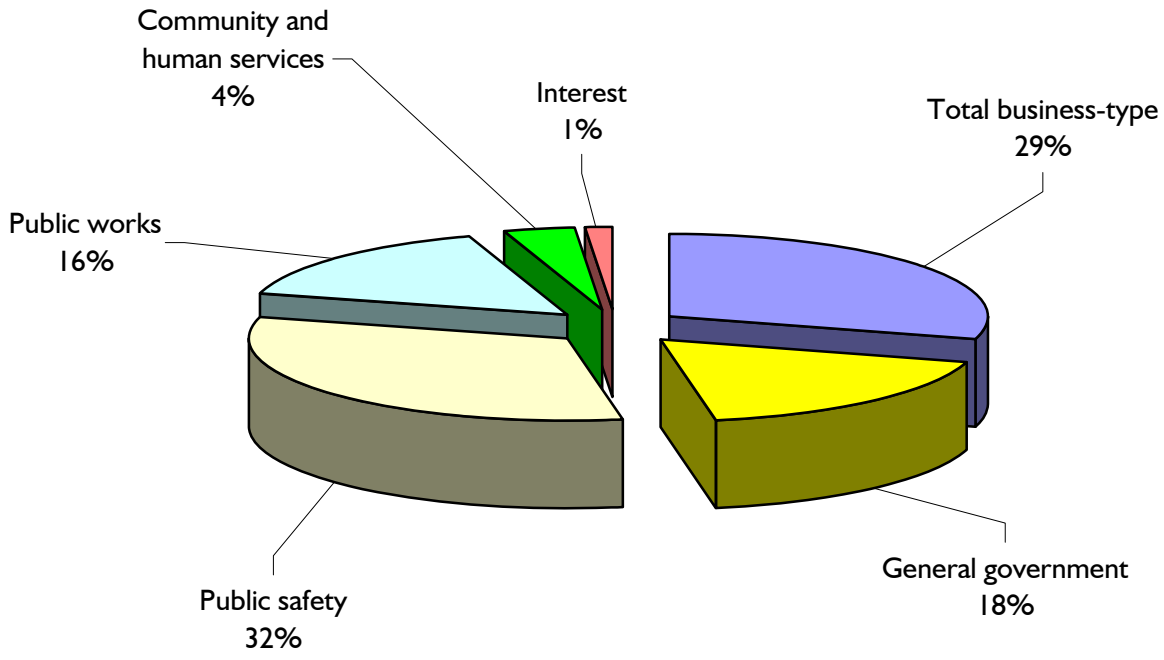
The following table shows the changes of the net assets during the current year (in millions of dollars):

	Year Ended June 30					
	2008	2007	2008	2007	2008	2007
	Governmental Activities		Business-type Activities		Total	
Revenue						
Program revenue:						
Charges for services	$ 9.9	$ 7.5	$ 24.5	$ 26.6	$ 34.4	$ 34.1
Operating grants and contributions	7.7	9.5	-	-	7.7	9.5
Capital grants and contributions	0.8	1.5	-	-	0.8	1.5
General revenue:						
Property taxes	20.8	19.1	(0.1)	2.7	20.7	21.8
Income taxes	13.1	13.5	-	-	13.1	13.5
State-shared revenue	12.1	12.1	-	-	12.1	12.1
Unrestricted investment earnings	1.1	1.6	0.3	0.6	1.4	2.2
Unrestricted cable revenue	0.5	0.5	-	-	0.5	0.5
Contribution from component units	3.2	0.8	0.1	0.5	3.3	1.3
Miscellaneous	0.1	0.1	0.1	0.1	0.2	0.2
Total revenue	69.3	66.2	24.9	30.5	94.2	96.7
Program Expenses						
General government	16.0	16.3	-	-	16.0	16.3
Public safety	28.9	30.5	-	-	28.9	30.5
Public works	14.4	15.3	-	-	14.4	15.3
Community and human services	3.2	2.8	-	-	3.2	2.8
Interest on long-term debt	1.2	1.4	-	-	1.2	1.4
Water	-	-	12.9	12.1	12.9	12.1
Sewer	-	-	10.8	11.1	10.8	11.1
Parking	-	-	1.8	2.2	1.8	2.2
Golf course	-	-	1.0	1.1	1.0	1.1
Total program expenses	63.7	66.3	26.5	26.5	90.2	92.8
Excess of Revenue Over (Under) Expenses						
Before Transfers	5.6	(0.1)	(1.6)	4.0	4.0	3.9
Transfers	0.2	0.1	(0.2)	(0.1)	-	-
Special Items	3.0	-	-	-	3.0	-
Change in Net Assets	**$ 8.8**	**$ -**	**$ (1.8)**	**$ 3.9**	**$ 4.0**	**$ 3.9**

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



As illustrated in Figure 2, the City's largest use of resources on a government-wide basis is public safety (police and fire protection), followed by the total business-type expenses, which is the total of the Water, Sewer, Parking, and Golf Course Funds.



Governmental Activities

Expenses for the City's governmental activities totaled $63.7 million, which is a 3 percent decrease from last year's total of $66.3 million.

Although the expenses of governmental activities decreased from prior year, revenue increased. Revenues totaled $69.3 million for the year ended June 30, 2008, which is an increase of $3.1 million from last year's total of $66.2 million. The increase in revenues is primarily due to charges for services revenue increasing as a result of increased permit fees and increased ambulance transport fees, and a $2.0 million credit enhancement fee received from component units.

Business-type Activities

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

The City provides water to residents from the Detroit water system. The City provides sewage treatment through a City-owned and operated sewage treatment plant. The Water and Sewer Funds had a combined operating loss of approximately $437,000, which includes $2.9 million of depreciation expense. The funds had operating income of $2.1 million in the prior year, including $2.6 million of depreciation. The primary reason for the fluctuation of operating results is that water and sewer revenue decreased $2.1 million while the cost of water and sewage disposal operations remained fairly consistent with the prior year.

The Parking Fund accounts for the activity of numerous City-owned parking lots and continues to rely on contributions from other funds to offset operating losses. The operating loss for 2008 was approximately $753,000, compared to $1.1 million in 2007. Depreciation expense contributed approximately $547,000 to these losses each year.

The City-owned golf course sustained an operating loss in the current year totaling approximately $206,000, which is less than prior year's operating loss of $278,000. Depreciation expense contributed approximately $275,000 and $281,000 to the losses in 2008 and 2007, respectively.

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages or grants. The only governmental major fund for the year ended June 30, 2008 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately $28.5 million during the year ended June 30, 2008. These two service areas represent 61.7 percent of the General Fund's operating expenses and are primarily funded through general revenues such as taxes and state-shared revenues.

The General Fund had total revenues of $48.8 million and total expenses of $46.2 million. In addition, the fund incurred net other financing uses of $3.6 million, resulting in a net decrease in fund balance of $929,717.

The General Fund transferred a total of $3.6 million to other funds, including operating subsidies to the District Court and Cemetery Funds totaling $2,083,599 and $492,894, respectively. The actual subsidies needed by these funds exceeded the budgeted subsidies by $556,687.

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

	June 30				
	2004	2005	2006	2007	2008
Fund balance (deficit):					
Unreserved	$ (21,278,858)	$ (31,761,547)	$ (4,177,203)	$ (6,142,240)	$ (7,071,957)
Reserved	432,889	64,000	64,000	64,000	64,000
Total fund balance	$ (20,845,969)	$ (31,697,547)	$ (4,113,203)	$ (6,078,240)	$ (7,007,957)

The 2006 improvement was primarily attributable to the issuance of fiscal stabilization bonds, as well as a structure repayment for the General Motors tax appeal obligation. During 2008, the excess of expenditures over revenues (including interfund transfers) was reduced to $930,000.

General Fund Budgetary Highlights

The General Fund deficit increased by $929,717 during the year ended June 30, 2008, increasing the cumulative deficit to $7,007,957. Actual revenue was less than budget by approximately $1.3 million primarily due to income tax revenue being less than budget by $1.5 million.

Total expenditures were less than budget by approximately $385,000. The City kept expenses within budget by monitoring expenses closely during the year. However, the City's deficit still increased due to income tax revenue falling short of budget.

Capital Asset and Debt Administration

At the end of 2008, the City had invested $136.4 million in a broad range of capital assets including land and improvements, buildings and improvements, equipment, roads, street signs, bridges, sidewalks, furniture, vehicles, and water and sewer lines.

The Saginaw Streetscape project and other road improvements were completed during the current year and were reclassified from construction in progress to streets in the amount of $4.1 million. A variety of other projects were still in progress as of June 30, 2008.

New debt incurred during the year included capital lease of $250,000 for a vehicle exhaust system in the fire department. In addition, the City's TIFA Component Unit Funds issued $31,080,000 in Michigan Municipal Bond Authority Series 2007C revenue bonds. These bonds were used to refund several TIFA 2 and TIFA 3 bonds issued in prior years. See Note 7 for additional disclosure.

Economic Factors and Next Year's Budgets and Rates

As previously discussed, the General Fund's deficit increased from $6.1 million to just over $7 million for the year ended June 30, 2008. During 2008, the City voted on two possible charter amendments that would help the City in its goal to eradicate the deficit. One ballot item was to allow the City to retain the property taxes levied for police and recreation services. The other item on the ballot was to eliminate the minimum manning requirement in the fire department. Neither of the ballot items was passed. If these items had passed, the property tax levies would have increased revenue by approximately $1.5 million and eliminating minimum manning would have reduced expenditures by approximately $5.0 million. The City entered into a consent agreement with the State of Michigan during 2008 that mandates certain remedial actions by the City. Not complying with the agreement could result in the immediate appointment of an emergency financial manager by the State. See Note 16 for more detail.

The City projects significant decreases in income tax and property tax revenue in future years. Economic conditions driving these decreases continue to be a challenge for the City in fiscal year 2009 and beyond. Balancing the budget and eliminating the deficit continues to be a high priority of the mayor and City Council.

Contacting the City's Management

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

City of Pontiac, Michigan

Statement of Net Assets (Deficit)
June 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	$ 17,328,962	$ 976,717	$ 18,305,679	$ 5,478,888
Receivables - Net (Note 4):				
Property and income taxes	5,178,446	88,251	5,266,697	30,128
Customer receivables	-	9,982,124	9,982,124	-
Special assessments receivable	322,391	79,220	401,611	-
Other receivables	5,690,078	71,474	5,761,552	244,979
Internal balances	(4,611,054)	4,611,054	-	-
Due from primary government	-	-	-	921,370
Due from other governmental units	6,257,182	-	6,257,182	-
Prepaid and other assets	541,164	-	541,164	-
Restricted assets (Note 8)	9,011,662	2,146,140	11,157,802	-
Long-term lease receivable (Note 14)	3,175,000	-	3,175,000	-
Capital assets (Note 5):				
Nondepreciable capital assets	24,103,399	4,421,614	28,525,013	5,679,200
Depreciable capital assets - Net	58,867,012	49,031,081	107,898,093	14,249,316
Total assets	125,864,242	71,407,675	197,271,917	26,603,881
Liabilities				
Accounts payable	6,758,738	1,346,433	8,105,171	152,225
Other accrued liabilities	9,867,769	380,165	10,247,934	-
Deposits	1,221,015	22,778	1,243,793	10,228
Due to component units	921,370	-	921,370	-
Due to other governmental units	534,967	-	534,967	-
Accrued interest payable	-	-	-	348,902
Deferred revenue (Note 4)	2,012,197	-	2,012,197	666,693
Long-term liabilities (Note 7):				
Due within one year	5,872,315	52,202	5,924,517	2,880,000
Due within one year - Payable from restricted assets	-	655,000	655,000	-
Due in more than one year	37,393,148	7,117,128	44,510,276	55,960,045
Total liabilities	64,581,519	9,573,706	74,155,225	60,018,093
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	82,032,734	46,128,365	128,161,099	19,928,516
Restricted for:				
Streets	1,378,857	-	1,378,857	-
Sanitation	1,698,770	-	1,698,770	-
Drains	941,396	-	941,396	-
Senior activities	466,223	-	466,223	-
Library	947,660	-	947,660	-
Grants	270,506	-	270,506	-
Capital projects	3,806,314	-	3,806,314	-
Cemetery endowment	991,960	-	991,960	-
Cable television	713,259	-	713,259	-
Debt service	-	949,453	949,453	-
Water and sewer bond reserves	-	2,146,140	2,146,140	-
Revolving loan program	-	-	-	1,195,123
Unrestricted (deficit)	(31,964,956)	12,610,011	(19,354,945)	(54,537,851)
Total net assets (deficit)	**$ 61,282,723**	**$ 61,833,969**	**$ 123,116,692**	**$ (33,414,212)**

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

Statement of Activities
Year Ended June 30, 2008

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Expense
Functions/Programs					
Primary government:					
Governmental activities:					
General government	$ 15,985,894	$ 212,524	$ -	$ -	$ (15,773,370)
Public safety	28,880,942	6,125,723	208,773	-	(22,546,446)
Public works	14,414,963	3,318,456	4,298,742	760,826	(6,036,939)
Community and human services	3,246,576	267,238	3,214,028	-	234,690
Interest on long-term debt	1,186,332	-	-	-	(1,186,332)
Total governmental activities	63,714,707	9,923,941	7,721,543	760,826	(45,308,397)
Business-type activities:					
Water	12,850,971	13,713,566	-	-	862,595
Sewer	10,804,561	8,958,074	-	-	(1,846,487)
Parking	1,831,858	1,079,153	-	-	(752,705)
Golf course	990,186	784,646	-	-	(205,540)
Total business-type activities	26,477,576	24,535,439	-	-	(1,942,137)
Total primary government	**$ 90,192,283**	**$ 34,459,380**	**$ 7,721,543**	**$ 760,826**	**$ (47,250,534)**
Component units:					
Tax Increment Financing Authority	$ 11,057,089	$ -	$ 33,000	$ -	$ (11,024,089)
Downtown Development Authority	607,692	-	34,375	-	(573,317)
Economic Development Corporation	240,011	-	4,907	-	(235,104)
Brownfield Redevelopment Authority	109,064	-	-	-	(109,064)
Pontiac Silverdome	3,331,635	204,690	-	-	(3,126,945)
Total component units	**$ 15,345,491**	**$ 204,690**	**$ 72,282**	**$ -**	**$ (15,068,519)**

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

Statement of Activities (Continued)
Year Ended June 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net expense from previous page	$ (45,308,397)	$ (1,942,137)	$ (47,250,534)	$ (15,068,519)
General revenues:				
Property taxes	20,770,448	(105,108)	20,665,340	9,130,013
Income taxes	13,095,725	-	13,095,725	-
State-shared revenues	12,084,850	-	12,084,850	-
Unrestricted investment earnings	1,129,119	295,953	1,425,072	416,875
Unrestricted cable revenue	559,786	-	559,786	-
Gain on sale of fixed assets	-	-	-	8,225
Contribution from component units	3,204,842	110,000	3,314,842	-
Miscellaneous	53,267	110,135	163,402	97,867
Total general revenues	50,898,037	410,980	51,309,017	9,652,980
Special item - Forgiveness of debt	3,000,000	-	3,000,000	-
Transfers	187,668	(187,668)	-	-
Total general revenues and transfers	54,085,705	223,312	54,309,017	9,652,980
Change in Net Assets	8,777,308	(1,718,825)	7,058,483	(5,415,539)
Net Assets (Deficit) - Beginning of year	52,505,415	63,552,794	116,058,209	(27,998,673)
Net Assets (Deficit) - End of year	**$ 61,282,723**	**$ 61,833,969**	**$ 123,116,692**	**$ (33,414,212)**

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

Governmental Funds
Balance Sheet
June 30, 2008

	Major Fund		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	$ 211,994	$ 15,602,119	$ 15,814,113
Receivables - Net (Note 4):			
Property and income taxes	5,130,546	47,900	5,178,446
Special assessments receivable	322,391	-	322,391
Other receivables	2,444,258	132,398	2,576,656
Due from other governmental units	3,894,374	2,362,808	6,257,182
Inventory	-	239,012	239,012
Due from other funds (Note 6)	1,608,527	32,679	1,641,206
Lease receivable (Note 14)	2,000,000	-	2,000,000
Other assets	1,881	-	1,881
Restricted cash and cash equivalents (Note 8)	-	9,011,662	9,011,662
Total assets	**$ 15,613,971**	**$ 27,428,578**	**$ 43,042,549**
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable	$ 3,203,031	$ 2,337,282	$ 5,540,313
Other accrued liabilities	-	2,013,630	2,013,630
Deposits	1,221,015	-	1,221,015
Due to other funds	-	1,652,260	1,652,260
Due to other funds - Advances	10,300,000	-	10,300,000
Due to component units - Advances	921,370	-	921,370
Due to other governmental units	534,967	-	534,967
Deferred revenue	6,441,545	1,123,801	7,565,346
Total liabilities	22,621,928	7,126,973	29,748,901
Fund Balances (Deficit)			
Reserved for:			
Endowment	-	991,960	991,960
Landfill postclosure costs	-	3,158,832	3,158,832
Special projects	64,000	-	64,000
Unreserved, reported in:			
General Fund	(7,071,957)	-	(7,071,957)
Special Revenue Funds	-	7,349,994	7,349,994
Capital Projects Funds	-	8,800,819	8,800,819
Total fund balances (deficit)	(7,007,957)	20,301,605	13,293,648
Total liabilities and fund balances (deficit)	**$ 15,613,971**	**$ 27,428,578**	**$ 43,042,549**

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

Governmental Funds
Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities
Year Ended June 30, 2008

Fund Balance - Total Governmental Funds	$ 13,293,648
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	82,115,882
Long-term lease receivable from component unit to repay building authority bonds is not reported in the funds since the bonds payable are not recorded in the fund	1,175,000
Accrued interest on long-term debt is not included in the governmental funds but is included in the government-wide statements	(227,139)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(43,265,463)
Certain receivables are expected to be collected over several years and are not available to pay current liabilities in the funds	5,553,149
Internal Service Funds are included as part of governmental activities	2,637,646
Net Assets - Governmental Activities	**$ 61,282,723**

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

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)
Year Ended June 30, 2008

	Major Fund - General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Taxes	$ 26,216,986	$ 6,504,198	$ 32,721,184
Licenses and permits	3,221,969	-	3,221,969
Federal sources	628,798	3,319,031	3,947,829
State sources	12,192,198	6,472,309	18,664,507
Charges for services	2,634,589	1,098,884	3,733,473
Fines and forfeitures	-	1,709,174	1,709,174
Investment income	(64,402)	883,379	818,977
Contribution from component units	2,401,857	1,130,065	3,531,922
Other	1,594,053	663,263	2,257,316
Total revenue	48,826,048	21,780,303	70,606,351
Expenditures			
Current:			
General government	2,005,082	73,733	2,078,815
District court	-	3,540,820	3,540,820
Public safety	28,511,448	1,154,768	29,666,216
Public works and utilities	3,172,563	12,885,992	16,058,555
Community development	1,459,030	2,882,276	4,341,306
Community and human services	260,037	555,653	815,690
General and special programs	8,624,150	1,686,483	10,310,633
Commercial and industrial development	-	77,764	77,764
Debt service	2,160,813	1,827,930	3,988,743
Total expenditures	46,193,123	24,685,419	70,878,542
Excess of Revenue Over (Under) Expenditures	2,632,925	(2,905,116)	(272,191)
Other Financing Sources (Uses)			
Proceeds from issuance of long-term debt	-	250,000	250,000
Transfers in	-	6,993,825	6,993,825
Transfers out	(3,562,642)	(3,216,795)	(6,779,437)
Total other financing sources (uses)	(3,562,642)	4,027,030	464,388
Net Change in Fund Balances	(929,717)	1,121,914	192,197
Fund Balances (Deficit) - Beginning of year	(6,078,240)	19,179,691	13,101,451
Fund Balances (Deficit) - End of year	**$ (7,007,957)**	**$ 20,301,605**	**$ 13,293,648**

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

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	$ 192,197
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay reported in governmental funds	4,397,185
Depreciation reported in the statement of activities	(5,447,475)
Certain revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	499,342
Proceeds from the issuance of debt are recorded as other financing sources in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(250,000)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,698,811
Decrease in pending litigation is not recorded in governmental funds; in the statement of activities, this is recorded as an adjustment to expense	1,000,000
Forgiveness of debt is not recorded in the governmental funds; in the statement of activities, this is recorded as a special item	3,000,000
Amortization of bond discount is not recorded in governmental funds; in the statement of activities, this is recorded as an adjustment to interest expense	129,134
Interest expense is recorded when incurred in the statement of activities	25,626
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	1,730,585
Internal Service Funds are also included as governmental activities	801,903
Change in Net Assets of Governmental Activities	**$ 8,777,308**

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

City of Pontiac, Michigan

Proprietary Funds
Statement of Net Assets
June 30, 2008

	Major Funds			Nonmajor Fund		
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents (Note 3)	$ 103,709	$ 58,538	$ 693,046	$ 121,424	$ 976,717	$ 1,514,849
Receivables - Net (Note 4):						
Customer receivables	5,573,028	4,409,096	-	-	9,982,124	-
Taxes receivable	60,291	-	27,960	-	88,251	-
Special assessments receivable	19,530	59,690	-	-	79,220	-
Other receivables	-	56,249	15,225	-	71,474	3,113,422
Due from other funds	-	11,054	-	-	11,054	-
Prepaid and other assets	-	-	-	-	-	300,271
Total current assets	5,756,558	4,594,627	736,231	121,424	11,208,840	4,928,542
Noncurrent assets:						
Restricted cash and cash equivalents	894,120	1,252,020	-	-	2,146,140	-
Due from other funds - Advances (Note 6)	2,700,000	1,900,000	-	-	4,600,000	5,700,000
Nondepreciable capital assets (Note 5)	195,436	325,964	3,166,454	733,760	4,421,614	-
Depreciable capital assets - Net (Note 5)	15,295,668	19,465,362	12,260,296	2,009,755	49,031,081	854,529
Total noncurrent assets	19,085,224	22,943,346	15,426,750	2,743,515	60,198,835	6,554,529
Total assets	24,841,782	27,537,973	16,162,981	2,864,939	71,407,675	11,483,071
Liabilities						
Current liabilities:						
Accounts payable	1,003,917	277,276	15,992	49,248	1,346,433	1,218,425
Accrued and other liabilities	107,826	261,089	11,133	117	380,165	7,627,000
Deposits	371	-	22,407	-	22,778	-
Current portion of long-term debt	-	52,202	-	-	52,202	-
Total current liabilities	1,112,114	590,567	49,532	49,365	1,801,578	8,845,425
Noncurrent liabilities (Note 7):						
Payable from restricted assets -						
Current portion of long-term debt	270,000	385,000	-	-	655,000	-
Long-term debt - Net of current portion	2,595,000	4,022,128	500,000	-	7,117,128	-
Total noncurrent liabilities	2,865,000	4,407,128	500,000	-	7,772,128	-
Total liabilities	3,977,114	4,997,695	549,532	49,365	9,573,706	8,845,425
Net Assets						
Investment in capital assets - Net of related debt	12,626,104	15,331,996	15,426,750	2,743,515	46,128,365	854,529
Restricted	894,120	1,252,020	949,453	-	3,095,593	-
Unrestricted	7,344,444	5,956,262	(762,754)	72,059	12,610,011	1,783,117
Total net assets	**$ 20,864,668**	**$ 22,540,278**	**$ 15,613,449**	**$ 2,815,574**	**$ 61,833,969**	**$ 2,637,646**

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

City of Pontiac, Michigan

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2008

	Major Funds			Nonmajor Fund		
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenue						
Charges for services	$ 13,713,566	$ 8,958,074	$ 1,079,153	$ 784,646	$ 24,535,439	$ 25,154,581
Other	5,161	104,974	-	-	110,135	-
Total operating revenue	13,718,727	9,063,048	1,079,153	784,646	24,645,574	25,154,581
Operating Expenses						
Purchased water	5,939,330	-	-	-	5,939,330	-
Operations and maintenance	3,005,321	6,904,746	1,191,569	646,247	11,747,883	1,219,668
Insurance	-	-	-	-	-	22,647,478
Administrative expenses	2,851,253	1,620,503	93,997	68,699	4,634,452	628,271
Depreciation	871,073	2,026,914	546,292	275,240	3,719,519	322,250
Total operating expenses	12,666,977	10,552,163	1,831,858	990,186	26,041,184	24,817,667
Operating Income (Loss)	1,051,750	(1,489,115)	(752,705)	(205,540)	(1,395,610)	336,914
Nonoperating Revenue (Expenses)						
Property taxes	-	-	(105,108)	-	(105,108)	-
Interest revenue	160,010	106,934	26,650	2,359	295,953	310,142
Interest expense	(183,994)	(252,398)	-	-	(436,392)	-
Contribution from component unit	-	-	110,000	-	110,000	181,567
Total nonoperating revenue (expenses)	(23,984)	(145,464)	31,542	2,359	(135,547)	491,709
Income (Loss) - Before transfers	1,027,766	(1,634,579)	(721,163)	(203,181)	(1,531,157)	828,623
Transfers						
Transfers in	-	-	116,662	-	116,662	-
Transfers out	(83,992)	(200,387)	(19,951)	-	(304,330)	(26,720)
Total transfers (out) in	(83,992)	(200,387)	96,711	-	(187,668)	(26,720)
Change in Net Assets	943,774	(1,834,966)	(624,452)	(203,181)	(1,718,825)	801,903
Net Assets - Beginning of year	19,920,894	24,375,244	16,237,901	3,018,755	63,552,794	1,835,743
Net Assets - End of year	**$ 20,864,668**	**$ 22,540,278**	**$ 15,613,449**	**$ 2,815,574**	**$ 61,833,969**	**$ 2,637,646**

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

City of Pontiac, Michigan

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2008

	Major Funds			Nonmajor Fund		
	Water Fund	Sewer Fund	Parking Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities						
Receipts from customers	$ 13,540,257	$ 8,879,282	$ 1,063,928	$ 784,646	$ 24,268,113	$ 24,541,381
Payments to employees	2,934,071	4,444,712	810,988	196,100	8,385,871	723,311
Payments to suppliers	(14,418,990)	(12,904,344)	(2,161,052)	(889,954)	(30,374,340)	(23,959,881)
Net cash provided by (used in) operating activities	2,055,338	419,650	(286,136)	90,792	2,279,644	1,304,811
Cash Flows from Noncapital Financing Activities						
Transfers from other funds	-	-	116,662	-	116,662	-
Transfers to other funds	(83,992)	(200,387)	(19,951)	-	(304,330)	(26,720)
Interfund loans - Proceeds and collections	2,026,836	1,213,342	-	-	3,240,178	(5,700,000)
Component unit loans - Proceeds and collections	-	-	110,000	-	110,000	-
Net cash provided by (used in) noncapital financing activities	1,942,844	1,012,955	206,711	-	3,162,510	(5,726,720)
Cash Flows from Capital and Related Financing Activities						
Purchase of capital assets	(3,561,976)	(820,432)	-	-	(4,382,408)	(63,660)
Proceeds from sale of capital assets	-	-	-	-	-	181,567
Property taxes	-	-	(62,017)	-	(62,017)	-
Proceeds from special assessments	(3,577)	7,324	-	-	3,747	-
Principal and interest paid on capital debt	(534,419)	(672,183)	-	-	(1,206,602)	-
Net cash (used in) provided by capital and related financing activities	(4,099,972)	(1,485,291)	(62,017)	-	(5,647,280)	117,907
Cash Flows from Investing Activities - Investment income	160,010	106,934	26,650	2,359	295,953	310,142
Net Increase (Decrease) in Cash and Cash Equivalents	58,220	54,248	(114,792)	93,151	90,827	(3,993,860)
Cash and Cash Equivalents - Beginning of year	939,609	1,256,310	807,838	28,273	3,032,030	5,508,709
Cash and Cash Equivalents - End of year	**$ 997,829**	**$ 1,310,558**	**$ 693,046**	**$ 121,424**	**$ 3,122,857**	**$ 1,514,849**
Balance Sheet Classification of Cash and Cash Equivalents						
Cash and cash equivalents	$ 103,709	$ 58,538	$ 693,046	$ 121,424	$ 976,717	$ 1,514,849
Restricted cash and cash equivalents (Note 8)	894,120	1,252,020	-	-	2,146,140	-
Total cash and cash equivalents	**$ 997,829**	**$ 1,310,558**	**$ 693,046**	**$ 121,424**	**$ 3,122,857**	**$ 1,514,849**
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	$ 1,051,750	$ (1,489,115)	$ (752,705)	$ (205,540)	$ (1,395,610)	$ 336,914
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	871,073	2,026,914	546,292	275,240	3,719,519	322,250
Changes in assets and liabilities:						
Accounts receivable	(178,470)	(183,766)	(15,225)	-	(377,461)	(613,200)
Prepaids and other assets	-	-	-	-	-	1,388,229
Accounts payable	298,041	89,606	(20,939)	20,978	387,686	(40,314)
Accrued liabilities	12,944	(23,989)	5,333	114	(5,598)	(89,068)
Deposits	-	-	(48,892)	-	(48,892)	-
Net cash provided by (used in) operating activities	**$ 2,055,338**	**$ 419,650**	**$ (286,136)**	**$ 90,792**	**$ 2,279,644**	**$ 1,304,811**

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

Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	Pension and Other Employee Benefits Trust Funds (1)	Agency Funds
Assets		
Cash and cash equivalents	$ 201,496	$ 1,291,815
Cash and investments held as collateral for securities lending	131,821,506	-
Accrued interest and dividends receivable	2,223,906	-
Investments:		
Money markets and mutual funds	59,679,170	-
U.S. government agency notes and debentures	16,302,286	-
U.S. government obligations	9,319,543	-
Corporate and other bonds	100,192,957	-
Equities	480,956,897	-
U.S. government agency mortgage pools	63,106,482	-
Commercial mortgage pools	5,859,926	-
Asset-backed securities	4,118,652	-
Other fixed income	37,803,218	-
Other	30,229,193	-
Due from City of Pontiac Police and Fire Retirement System	158,827	-
Due from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust	19,150	-
Due from City of Pontiac	315,350	-
Due from GERS VEBA	75,448	-
Other	7,767	1,492,041
Total assets	942,391,774	**$ 2,783,856**
Liabilities		
Due to City of Pontiac	1,534,888	$ -
Due to City of Pontiac and Fire Retirement System	19,150	-
Due to City of Pontiac General Employees' Retirement System	234,275	-
Accounts payable	1,075,553	36,753
Amount due broker under securities lending agreement	131,821,506	-
Due to other governmental units	-	1,477,825
Accrued liabilities	-	1,141,669
Deposits	-	127,609
Total liabilities	134,685,372	**$ 2,783,856**
Net Assets - Held in trust for pension and other employee benefits	**$ 807,706,402**	

(1) The General City Employees Retirement, Police and Fire Retirement Systems', General Employees' Retiree Health and Insurance Benefits Trust, and Police and Fire Retiree Prefunded Group Health and Insurance Trust financial information is reported as of December 31, 2007.

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2008

	Pension and Other Employee Benefits Trust Funds (1)
Additions	
Investment income:	
Interest and dividends	$ 15,584,561
Net increase in fair value of investments	51,099,673
Less investment expenses	(3,682,157)
Net investment income	63,002,077
Securities lending income:	
Interest and fees	5,074,592
Less borrower rebates and bank fees	(4,822,180)
Net securities lending income	252,412
Contributions:	
Employer	5,704,314
Employee	335,862
Total contributions	6,040,176
Other - Miscellaneous and litigation revenue	1,481,429
Total additions	70,776,094
Deductions	
Retiree pension benefit payments	32,163,317
Retiree health benefit payments	1,592,615
Member refunds and withdrawals	458,782
Other expenses	506,395
Administrative expenses	396,657
Total deductions	35,117,766
Net Increase in Net Assets Held in Trust	35,658,328
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	772,048,074
End of year	**$ 807,706,402**

(1) The General City Employees Retirement, Police and Fire Retirement Systems', General Employees' Retiree Health and Insurance Benefits Trust, and Police and Fire Retiree Prefunded Group Health and Insurance Trust financial information is reported as of December 31, 2007.

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

	Governmental Activities			
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority
Assets				
Current:				
Cash and investments	$ 3,130,922	$ 200	$ 1,849,382	$ 218,158
Receivables - Net:				
Property taxes	18,121	12,007	-	-
Other receivables	64,668	-	180,311	-
Due from primary government	-	-	-	-
Total current assets	3,213,711	12,207	2,029,693	218,158
Noncurrent assets:				
Due from other component units - Advances	731,156	-	-	-
Nondepreciable capital assets	-	-	-	-
Depreciable capital assets - Net	-	-	6,654,412	-
Total noncurrent assets	731,156	-	6,654,412	-
Total assets	3,944,867	12,207	8,684,105	218,158
Liabilities				
Current:				
Accounts payable	50,037	2,860	611	-
Accrued liabilities	348,902	-	-	-
Deposits	-	1,400	8,828	-
Due to other component units - Advances	-	731,156	-	-
Deferred revenue	8,566	12,007	646,120	-
Total current liabilities	407,505	747,423	655,559	-
Noncurrent liabilities:				
Due within one year	2,880,000	-	-	-
Due in more than one year	55,960,045	-	-	-
Total noncurrent liabilities	58,840,045	-	-	-
Total liabilities	59,247,550	747,423	655,559	-
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	-	-	6,654,412	-
Restricted for revolving loans	-	-	1,195,123	-
Unrestricted	(55,302,683)	(735,216)	179,011	218,158
Total net assets (deficit)	**$ (55,302,683)**	**$ (735,216)**	**$ 8,028,546**	**$ 218,158**

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

Component Units
Statement of Net Assets (Deficit)
June 30, 2008

Business-type Activities	
Pontiac Silverdome	Totals
$ 280,226	$ 5,478,888
-	30,128
-	244,979
921,370	921,370
1,201,596	6,675,365
-	731,156
5,679,200	5,679,200
7,594,904	14,249,316
13,274,104	20,659,672
14,475,700	27,335,037
98,717	152,225
-	348,902
-	10,228
-	731,156
-	666,693
98,717	1,909,204
-	2,880,000
-	55,960,045
-	58,840,045
98,717	60,749,249
13,274,104	19,928,516
-	1,195,123
1,102,879	(54,537,851)
$ 14,376,983	**$ (33,414,212)**

Component Units
Statement of Activities
Year Ended June 30, 2008

		Program Revenues			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net Revenue (Expense)
Governmental activities:					
Tax Increment Financing Authority:					
Commercial and industrial development	$ 4,261,771	$ -	$ 33,000	$ -	$ (4,228,771)
Interest on long-term debt	6,795,318	-	-	-	(6,795,318)
Total Tax Increment Financing Authority	11,057,089	-	33,000	-	(11,024,089)
Downtown Development Authority - Commercial and industrial development	607,692	-	34,375	-	(573,317)
Economic Development Corporation - Commercial and industrial development	240,011	-	4,907	-	(235,104)
Brownfield Redevelopment Authority - Commercial and industrial development	109,064	-	-	-	(109,064)
Total governmental activities	12,013,856	-	72,282	-	(11,941,574)
Business-type activities - Pontiac Silverdome	3,331,635	204,690	-	-	(3,126,945)
Total component units	**$ 15,345,491**	**$ 204,690**	**$ 72,282**	**$ -**	**$ (15,068,519)**

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

Component Units (Continued)
Statement of Activities
Year Ended June 30, 2008

	Governmental Activities				Business-type Activities	
	Tax Increment Financing Authority	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Pontiac Silverdome	Totals
Net revenue (expense) from previous page	$ (11,024,089)	$ (573,317)	$ (235,104)	$ (109,064)	$ (3,126,945)	$ (15,068,519)
General revenues:						
Property taxes	8,459,680	603,808	-	66,525	-	9,130,013
Unrestricted investment earnings	233,956	5,046	56,947	8,802	112,124	416,875
Gain on sale of fixed assets	-	-	8,225	-	-	8,225
Miscellaneous	9,156	26,668	52,146	-	9,897	97,867
Total general revenues	8,702,792	635,522	117,318	75,327	122,021	9,652,980
Transfers	(50,000)	50,000	-	-	-	-
Total general revenues and transfers	8,652,792	685,522	117,318	75,327	122,021	9,652,980
Change in Net Assets	(2,371,297)	112,205	(117,786)	(33,737)	(3,004,924)	(5,415,539)
Net Assets (Deficit) - Beginning of year	(52,931,386)	(847,421)	8,146,332	251,895	17,381,907	(27,998,673)
Net Assets (Deficit) - End of year	**$ (55,302,683)**	**$ (735,216)**	**$ 8,028,546**	**$ 218,158**	**$ 14,376,983**	**$ (33,414,212)**

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

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Discretely Presented Component Units

a. The Pontiac Silverdome component unit was created to account for the operations of the Pontiac Silverdome facilities. The Silverdome's governing body consists of three (3) members. One member shall be appointed by the mayor of the City of Pontiac. One member shall be appointed by the City Council. The third member shall be appointed by the mayor subject to the approval by a majority vote of the member elect of the City Council. Internally prepared financial statements for the Pontiac Silverdome can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

b. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body consists of members appointed by the mayor, subject to approval by the Council. There can be not less than eight (8) or more than twelve (12) members and the chief executive officer (mayor) of the municipality. Not less than a majority of the members shall be persons having an interest in one property located in the downtown district. Not less than one (1) of the members shall be a resident of the downtown district, if the downtown district has 100 or more persons residing in it. Internally prepared financial statements for the DDA can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

Note 1 - Summary of Significant Accounting Policies (Continued)

c. The Economic Development Corporation (EDC) was created to provide a means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The EDC's governing body consists of a board of directors, which must consist of not less than nine (9) persons, not more than three (3) of whom shall be an officer or employee of the municipality. The chief executive officer and any member of the governing body of the municipality may serve on the board of directors. The chief executive officer (mayor), with the advice and consent of the governing body, shall appoint the members of the board of directors. Internally prepared financial statements for the EDC can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

d. The Tax Increment Financing Authority (TIFA) was created to promote economic growth and business development within the community. The TIFA's governing body consists of not less than seven (7) or more than thirteen (13) persons appointed by the mayor, subject to the approval of the City Council. A member shall hold office until the member's successor is appointed. An appointment to fill a vacancy shall be made by the mayor for the unexpired term only. Internally prepared financial statements for the TIFA can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

e. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City of Pontiac and to promote economic growth for these properties through the use of a state-approved revolving fund loan. The properties included are listed as contaminated by the Environmental Protection Agency. Each authority shall be under the supervision and control of a board chosen by the governing body (City Council). The governing body may by majority vote designate the trustees of the board of the Tax Increment Financing Authority as the Brownfield Redevelopment Board, which City Council did by resolution on December 18, 1997. Internally prepared financial statements for the Brownfield Redevelopment Authority can be obtained from the City of Pontiac Finance Department at 47450 Woodward, Pontiac, Michigan 48342.

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

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

Government-wide and Fund Financial Statements

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

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

Fiduciary Funds

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Property Tax Revenue

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

The City of Pontiac 2007 tax is levied and collectible on July 1, 2007 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2007 taxable valuation of the City of Pontiac totaled approximately $1.6 billion (a portion of which is abated and a portion of which is captured by the TIFA, DDA, and Brownfield), on which taxes levied consisted of 11.2737 mills for operating purposes, 2.8183 mills for refuse collection and disposal, 1.4091 mills for capital improvement, 1.0000 mills for library purposes, and .5000 mills for senior activities. This resulted in $13.17 million for operating, $3.29 million for refuse collection and disposal, $1.65 million for capital improvement, $1.17 million for library purposes, and $.6 million for senior activities. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Capital Project Fund financial statements as tax revenue.

Additionally, the City levied .8172 mills for police services and .5000 mills for recreation activities. This resulted in $.96 million for police services and $.78 million for recreation activities. The City subsequently received a legal opinion stating the entire levy for police services and recreation activities was to be refunded. These amounts are recognized in the respective Special Revenue Funds as other liabilities. The City refunded these levies as a credit on the July 1, 2008 tax bills.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that result from the allocation of available cash balances at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Supplies and Prepaid Items - Supplies are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Water and Sewer Enterprise Funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Cemetery endowments received by the City are required to be set aside for cemetery operations. These amounts have been classified as restricted assets in the Cemetery Fund. The City has also set cash aside for the future closure and post-closure care for the landfill. These assets have been classified as restricted assets in the Sanitation Fund.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

- The City is in violation of the State Budget Act by incurring deficits and exceeding budgeted appropriations as discussed in the required supplemental information section of this report.

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

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

Major governmental fund - General Fund	$ (7,071,957)
Nonmajor governmental funds:	
MDEQ Grant Pontiac Creek Stormwater Plan	(11,054)
University Drive widening	(26,186)
ML King Construction	(9,937)
Total nonmajor governmental funds	(47,177)
Total	$ (7,119,134)

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

Component Unit Deficits

The Downtown Development Authority has a fund deficit of $735,216 as of June 30, 2008. A deficit elimination plan is being filed with the Local Audit and Finance Division of the State of Michigan.

Note 3 - Deposits and Investments

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

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

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

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

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

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

Note 3 - Deposits and Investments (Continued)

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

The City, pension funds, and other employee benefit trust funds' cash and investments are subject to several types of risk, which are examined in more detail below. The following information includes the Police and Fire Retirement System, General Employees' Retirement System, Police and Fire Retirement System VEBA, and General City Employees' Retirement System VEBA balances as of December 31, 2007 because, as disclosed in Notes 10 and 12, these funds are maintained on a calendar year basis.

Custodial Credit Risk of Bank Deposits

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

City - The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately $15,190,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Police and Fire Retirement System - The PFRS does not have a deposit policy for custodial credit risk. At year end, the system had approximately $1,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The PFRS believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the PFRS evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

General Employees' Retirement System - The GERS does not have a deposit policy for custodial credit risk. At year end, the GERS had approximately $1,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The GERS believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the GERS evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Interest Rate Risk

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

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

Investments	Fair Value	Weighted Average Maturity
Bank investment pool	$ 11,562,126	60 days
Guaranteed investment contracts	3,340,343	1 year

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Market Value	Weighted Average Maturity
Asset-backed securities	$ 991,638	.641 years
Corporate and other bonds	11,318,860	3.23 years
Corporate and other bonds	16,184,365	Unavailable
U.S. government obligations	9,319,543	8.25 years
U.S. government agency mortgage pools:		
Government agencies	8,436,985	3.17 years
Government mortgage-backed securities	3,683,153	2.65 years
Government mortgage-backed securities	3,344,260	Unavailable
Commercial mortgage pools	2,355,339	Unavailable
Money market	158,761	.422 years
Money market	7,509,782	Unavailable
Real estate	9,190,163	Unavailable
Other fixed income	37,803,218	Unavailable

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Market Value	Weighted Average Maturity
Asset-backed securities	$ 3,127,014	1.86 years
Commercial mortgage pools	3,504,587	4.22 years
Corporate and other bonds	47,502,611	2.99 years
Corporate and other bonds	25,187,121	Unavailable
U.S. government agency mortgage pools:		
Government agencies	16,334,678	4.29 years
Government agencies	1,145,310	Unavailable
Government mortgage-backed securities	17,820,480	3.34 years
Government mortgage-backed securities	12,341,616	Unavailable
Other	2,081,653	1.86 years
Other	10,894,374	Unavailable
Money market funds	96,637	.0004 years

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

Investment	Fair Value	Weighted Average Maturity
Mutual fund	$ 6,225,556	4.1 years

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

Investment	Fair Value	Weighted Average Maturity
Mutual fund	$ 2,300,019	7 years

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

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

Investments	Fair Value	Rating	Rating Organization
Bank investment pools	$ 12,962,432	AAAm	Standard & Poor's
Guaranteed investment contracts	3,340,343	A+	Standard & Poor's
Bank investment pools	5,316,232	Not rated	N/A

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

Investment Type	Fair Market Value	Moody's Rating
Asset-backed securities	$ 991,638	Aaa
Corporate bonds	1,799,525	Aaa
Corporate bonds	1,711,298	Aa
Corporate bonds	4,806,293	A
Corporate bonds	3,001,744	Baa
Corporate bonds	16,184,365	Unrated
U.S. government agency mortgage pools	8,436,985	Aaa
U.S. government obligations	6,649,918	Aaa
Commercial mortgage pools	9,190,163	Unrated
Mortgages	2,355,339	Unrated
Other fixed income	37,803,218	Unrated
Money markets and mutual funds	7,668,543	Unrated

Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Market Value	Moody's Rating
Asset-backed securities	$ 2,955,438	Aaa
Asset-backed securities	171,576	Aa
Commercial mortgage pools	3,480,917	Aaa
Commercial mortgage pools	23,670	Unrated
Corporate bonds	3,170,358	Aaa
Corporate bonds	6,244,860	Aa
Corporate bonds	11,115,180	A
Corporate bonds	7,391,790	Baa
Corporate bonds	827,625	Ba
Corporate bonds	8,421,447	B
Corporate bonds	8,502,037	Caa
Corporate bonds	1,291,125	Ca
Corporate bonds	310,188	C
Corporate bonds	25,415,122	Unrated
U.S. government agency mortgage pools	15,730,802	Aaa
U.S. government agency mortgage pools	2,041,744	Unrated
Other	12,700,884	Unrated
Other	51,628	Aaa
Other	223,515	Aa
Money market funds	13,061,972	Unrated

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Mutual fund	$ 6,225,556	AA	S&P

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

Investment	Fair Value	Rating	Rating Organization
Mutual fund	$ 2,300,019	AAA	S&P

Concentration of Credit Risk

City - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in guaranteed investment contracts; these investments are 15.45 percent of the City's total investments.

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

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

Note 3 - Deposits and Investments (Continued)

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

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

Foreign Currency Risk

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

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

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

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

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

	Fair Market Value
Japanese yen	$ 1,022,719
British pound	584,613
French franc	520,074
Swiss franc	347,187
German deutschemark	344,832
Mexican peso	242,607
Dutch guilder	182,309
S. African comm rand	116,357
Norwegian kroner	106,936
Other	1,243,185

Note 3 - Deposits and Investments (Continued)

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

Securities Lending

Police and Fire Retirement System - As permitted by state statutes and under the provisions of a securities lending authorization agreement, the PFRS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The PFRS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2007, only United States currency was received as collateral.

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

The PFRS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2007 was 27 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2007, the PFRS had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the PFRS as of December 31, 2007 was $37,597,497 and $36,710,696, respectively.

General Employees' Retirement System - As permitted by state statutes and under the provisions of a securities lending authorization agreement, the GERS lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The GERS's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2007, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

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

The GERS and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of December 31, 2007 was 27 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2007, the GERS had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the GERS as of December 31, 2007 was $94,224,009 and $92,036,298, respectively.

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

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

Note 4 - Receivables

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

	Major Funds					
	Governmental Funds	Proprietary Funds				
	General Fund	Enterprise Fund - Water Fund	Enterprise Fund - Sewer Fund	Enterprise Fund - Parking Fund	Nonmajor and Other Funds	Total
Receivables:						
Taxes	$ 5,445,546	$ 60,291	$ -	$ 110,960	$ 188,900	$ 5,805,697
Accounts	-	5,573,028	4,409,096	-	-	9,982,124
Special assessments	322,391	19,530	59,690	-	-	401,611
Intergovernmental	3,894,374	-	-	-	2,362,808	6,257,182
Other	2,444,258	-	56,249	15,225	3,245,820	5,761,552
Less allowance for uncollectibles	(315,000)	-	-	(83,000)	(141,000)	(539,000)
Net receivables	$ 11,791,569	$ 5,652,849	$ 4,525,035	$ 43,185	$ 5,656,528	$ 27,669,166

Note 4 - Receivables (Continued)

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

	Governmental Funds			Governmental Activities
	Unavailable	Unearned	Total	Unearned
Delinquent property taxes and payments in lieu of taxes	$ 224,865	$ -	$ 224,865	$ -
Income tax receivables	3,451,191	-	3,451,191	-
Weed cutting receivables	322,391	-	322,391	-
Sanitation receivables	14,090	-	14,090	-
Road maintenance receivables	184,223	-	184,223	-
Grant receivables	1,081,855	-	1,081,855	-
Other receivables	274,534	-	274,534	-
Capital lease receivable	-	2,000,000	2,000,000	2,000,000
Grant payments received prior to meeting all eligibility requirements	-	12,197	12,197	12,197
Total	$ 5,553,149	$ 2,012,197	$ 7,565,346	$ 2,012,197

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Other governmental capital assets:				
Capital assets not being depreciated:				
Land	$ 16,188,831	$ 2,248	$ -	$ 16,191,079
Construction in progress	11,561,083	470,648	(4,119,411)	7,912,320
Subtotal	27,749,914	472,896	(4,119,411)	24,103,399
Capital assets being depreciated:				
Streets and bridges	45,934,921	7,023,399	-	52,958,320
Land improvements	5,782,212	-	-	5,782,212
Buildings and improvements	45,973,042	-	-	45,973,042
Equipment	12,892,925	799,688	(75,000)	13,617,613
Vehicles	11,764,838	178,412	(794,898)	11,148,352
Furniture and fixtures	8,345,498	42,201	-	8,387,699
Subtotal	130,693,436	8,043,700	(869,898)	137,867,238
Accumulated depreciation:				
Streets and bridges	13,918,792	2,664,641	-	16,583,433
Land improvements	5,086,912	532,699	-	5,619,611
Buildings and improvements	24,674,938	1,407,685	-	26,082,623
Equipment	12,031,843	521,108	(75,000)	12,477,951
Vehicles	11,222,804	313,512	(794,898)	10,741,418
Furniture and fixtures	8,341,889	7,830	-	8,349,719
Subtotal	75,277,178	5,447,475	(869,898)	79,854,755
Net capital assets being depreciated	55,416,258	2,596,225	-	58,012,483
Net other governmental capital assets	$ 83,166,172	$ 3,069,121	$ (4,119,411)	$ 82,115,882

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Internal Service Fund capital assets:				
Capital assets being depreciated:				
Buildings and improvements	$ 52,998	$ -	$ -	$ 52,998
Equipment	1,653,563	11,308	(18,500)	1,646,371
Vehicles	1,441,001	52,452	(340,128)	1,153,325
Furniture and fixtures	10,618	-	-	10,618
Subtotal	3,158,180	63,760	(358,628)	2,863,312
Accumulated depreciation:				
Buildings and improvements	10,141	8,650	-	18,791
Equipment	794,151	221,221	(18,400)	996,972
Vehicles	1,236,124	91,052	(340,128)	987,048
Furniture and fixtures	4,645	1,327	-	5,972
Subtotal	2,045,061	322,250	(358,528)	2,008,783
Net capital assets being depreciated	1,113,119	(258,490)	(100)	854,529
Governmental capital assets not being depreciated	27,749,914	472,896	(4,119,411)	24,103,399
Net governmental capital assets being depreciated	56,529,377	2,337,735	(100)	58,867,012
Net governmental activity capital assets	$ 84,279,291	$ 2,810,631	$ (4,119,511)	$ 82,970,411

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Water Fund				
Capital assets not being depreciated -				
Land	$ 195,436	$ -	$ -	$ 195,436
Capital assets being depreciated:				
Land improvements	274,027	44,300	-	318,327
Building and improvements	2,916,609	5,700	-	2,922,309
Machinery and equipment	7,466,876	1,296,752	-	8,763,628
Vehicles	1,815,119	-	(27,422)	1,787,697
Water systems	18,067,404	2,215,224	-	20,282,628
Subtotal	30,540,035	3,561,976	(27,422)	34,074,589
Accumulated depreciation:				
Land improvements	173,223	17,479	-	190,702
Building and improvements	1,571,602	48,293	-	1,619,895
Machinery and equipment	5,269,245	262,259	-	5,531,504
Vehicles	1,609,831	112,882	(27,422)	1,695,291
Water systems	9,311,369	430,160	-	9,741,529
Subtotal	17,935,270	871,073	(27,422)	18,778,921
Net capital assets being depreciated	12,604,765	2,690,903	-	15,295,668
Net Water Fund capital assets	12,800,201	2,690,903	-	15,491,104
Sewer Fund				
Capital assets not being depreciated -				
Land	325,964	-	-	325,964
Capital assets being depreciated:				
Land improvements	241,302	-	-	241,302
Building and improvements	11,542,244	154,394	-	11,696,638
Machinery and equipment	5,811,611	86,074	(27,412)	5,870,273
Vehicles	2,088,401	-	-	2,088,401
Sewer systems	46,195,265	579,964	-	46,775,229
Subtotal	65,878,823	820,432	(27,412)	66,671,843
Accumulated depreciation:				
Land improvements	107,911	11,121	-	119,032
Building and improvements	8,596,414	145,284	-	8,741,698
Machinery and equipment	5,356,052	128,688	(27,412)	5,457,328
Vehicles	1,553,813	134,682	-	1,688,495
Sewer systems	29,592,789	1,607,139	-	31,199,928
Subtotal	45,206,979	2,026,914	(27,412)	47,206,481
Net capital assets being depreciated	20,671,844	(1,206,482)	-	19,465,362
Net Sewer Fund capital assets	20,997,808	(1,206,482)	-	19,791,326

Note 5 - Capital Assets (Continued)

Business-type Activities (Continued)	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Parking Fund				
Capital assets not being depreciated -				
Land	$ 3,166,454	$ -	$ -	$ 3,166,454
Capital assets being depreciated:				
Land improvements	646,676	-	-	646,676
Building and improvements	33,679,528	-	-	33,679,528
Machinery and equipment	78,976	-	-	78,976
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	34,722,400	-	-	34,722,400
Accumulated depreciation:				
Land improvements	646,676	-	-	646,676
Building and improvements	20,896,991	535,661	-	21,432,652
Machinery and equipment	54,925	10,631	-	65,556
Vehicles	259,362	-	-	259,362
Traffic signs	57,858	-	-	57,858
Subtotal	21,915,812	546,292	-	22,462,104
Net capital assets being depreciated	12,806,588	(546,292)	-	12,260,296
Net Parking Fund capital assets	15,973,042	(546,292)	-	15,426,750
Golf Course Fund				
Capital assets not being depreciated -				
Land	733,760	-	-	733,760
Capital assets being depreciated:				
Land improvements	4,526,154	-	-	4,526,154
Building and improvements	909,387	-	-	909,387
Machinery and equipment	438,749	-	-	438,749
Subtotal	5,874,290	-	-	5,874,290
Accumulated depreciation:				
Land improvements	2,720,397	212,581	-	2,932,978
Building and improvements	523,647	39,035	-	562,682
Machinery and equipment	345,251	23,624	-	368,875
Subtotal	3,589,295	275,240	-	3,864,535
Net capital assets being depreciated	2,284,995	(275,240)	-	2,009,755
Net Golf Course Fund capital assets	3,018,755	(275,240)	-	2,743,515
Business-type capital assets not being depreciated	4,421,614	-	-	4,421,614
Net business-type capital assets being depreciated	48,368,192	662,889	-	49,031,081
Net business-type activity capital assets	$ 52,789,806	$ 662,889	$ -	$ 53,452,695

Note 5 - Capital Assets (Continued)

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

Component Unit - Pontiac Silverdome	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated - Land	$ 5,679,200	$ -	$ -	$ 5,679,200
Capital assets being depreciated:				
Land improvements	7,075,695	-	-	7,075,695
Building and improvements	43,871,687	-	-	43,871,687
Equipment	20,104,441	-	-	20,104,441
Vehicles	450,372	-	-	450,372
Furniture and fixtures	4,801,449	-	-	4,801,449
Street and traffic signs	722,355	-	-	722,355
Scoreboard	4,397,725	-	-	4,397,725
Subtotal	81,423,724	-	-	81,423,724
Accumulated depreciation:				
Land improvements	7,075,695	-	-	7,075,695
Building and improvements	35,709,160	1,083,328	-	36,792,488
Equipment	19,665,796	141,860	-	19,807,656
Vehicles	450,372	-	-	450,372
Furniture and fixtures	4,674,969	14,880	-	4,689,849
Street and traffic signs	722,355	-	-	722,355
Scoreboard	4,070,519	219,886	-	4,290,405
Subtotal	72,368,866	1,459,954	-	73,828,820
Net capital assets being depreciated	9,054,858	(1,459,954)	-	7,594,904
Net capital assets - Silverdome	$ 14,734,058	$ (1,459,954)	$ -	$ 13,274,104
Component Unit - Economic Development Corporation				
Capital assets being depreciated - Land improvements	$ 7,004,644	$ -	$ -	$ 7,004,644
Accumulated depreciation - Land improvements	175,116	175,116	-	350,232
Net capital assets - Economic Development Corporation	$ 6,829,528	$ (175,116)	$ -	$ 6,654,412

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	$ 1,416,087
Public safety	821,547
Public works	3,209,841
Internal Service Funds	322,250
Total governmental activities	$ 5,769,725
Business-type activities:	
Water	$ 871,073
Sewer	2,026,914
Parking	546,292
Golf course	275,240
Total business-type activities	$ 3,719,519

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

	Spent to Date	Remaining Commitment
Primary government:		
Governmental activities - Nonmajor funds:		
Oakland Plaza project	$ 628,174	$ 4,885,180
CVC infrastructure improvements	245,004	434,861
Baldwin Road improvements	-	1,104,500
Total governmental activities - Nonmajor funds	873,178	6,424,541
Business-type activities:		
Water system improvements	5,810,581	1,660,999
Sewer system improvements	2,361,695	613,733
Total business-type activities	8,172,276	2,274,732
Total primary government	$ 9,045,454	$ 8,699,273

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances, which represent advances to provide cash flow for operations, is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to Other Funds		
General Fund	Nonmajor governmental fund - District Court	$ 1,481,557
General Fund	Nonmajor governmental fund - Community Development Block Grant	121,430
General Fund	Nonmajor governmental fund - HOME Investment Partnerships Grant	5,540
Total General Fund		1,608,527
Nonmajor governmental funds	Nonmajor governmental funds	32,679
Sewer Fund	Nonmajor governmental funds - MDEQ Grant Pontiac Creek Stormwater Plan	11,054
Total		$ 1,652,260
Advances from/to Other Funds		
Nonmajor governmental fund - Internal Service Fund	General Fund	$ 5,700,000
Water Fund	General Fund	2,700,000
Sewer Fund	General Fund	1,900,000
Total Proprietary Funds		4,600,000
Total		$ 10,300,000
Advances to/from Primary Government and Component Units		
Component unit - Pontiac Silverdome	Primary government - General Fund	$ 921,370
Advances to/from Other Component Units		
Component unit - Tax Increment Financing Authority	Component unit - Downtown Development Authority	$ 731,156

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

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

Fund Providing Resources	Fund Receiving Resources	Amount	
Transfers to/from Other Funds			
General Fund	Nonmajor governmental fund - District Court	$ 2,083,599	(1)
General Fund	Nonmajor governmental fund - Employee Sick and Vacation Fund	986,149	(2)
General Fund	Nonmajor governmental fund - Permanent Fund - Cemetery	492,894	(1)
Total General Fund		3,562,642	
Nonmajor governmental fund - Major Road	Nonmajor governmental fund - Local Road	825,000	(3)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Debt Service Funds	391,376	(4)
Nonmajor governmental fund - Major Road	Nonmajor governmental funds - Capital Project Funds	118,602	(5)
Nonmajor governmental fund - District Court	Parking Fund	116,662	
Nonmajor governmental fund - Kennett Road Bridge	Nonmajor governmental fund - Major Road	641,487	(7)
Nonmajor governmental fund - North Telegraph Extension	Nonmajor governmental fund - Major Road	455,740	(7)
Nonmajor governmental fund - Orchard Lake Road Reconstruction	Nonmajor governmental fund - Major Road	335,467	(7)
Other nonmajor governmental funds	Nonmajor governmental fund - Employee Sick and Vacation Fund	112,024	(2)
Other nonmajor governmental funds	Other nonmajor governmental funds	220,437	(4) (5)
Total nonmajor governmental funds		3,216,795	
Internal Service Funds	Nonmajor governmental funds	26,720	(2)
Water Fund	Nonmajor governmental funds	83,992	(2)
Sewer Fund	Nonmajor governmental funds	200,387	(2) (6)
Parking Fund	Nonmajor governmental funds	19,951	(2)
Total		$ 7,110,487	

(1) Transfer to subsidize operating shortfalls

(2) Transfer of unrestricted resources to prefund employee sick and vacation liabilities

(3) Transfer from Major Road Fund to Local Road Fund as allowed by Act 51

(4) Transfer for payments of general obligation debt service

(5) Transfers to cover road construction costs

(6) Transfers to Stormwater Permit Activity Fund for related costs

(7) Transfers of Major Road Fund money remaining at the end of the project

Note 7 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bonds:							
1993 Michigan Department of Transportation bonds							
Amount of issue - $3,100,000 Maturing through 2008	5.35%	$315,000	$ 315,000	$ -	$ (315,000)	$ -	$ -
1995 Michigan Department of Transportation bonds							
Amount of issue - $1,450,000 Maturing through 2011	5.00%	$120,000 - $140,000	520,000	-	(120,000)	400,000	125,000
2000 Municipal Golf Course bonds							
Amount of issue - $6,505,000 Maturing through 2012	5.965%	$565,000 - $710,000	3,175,000	-	(565,000)	2,610,000	595,000
Transportation Fund note payable to State of Michigan, due in annual interest-free installments of 75% of net revenue over expenses over a 40-year period	0.00%	N/A	3,000,000	-	(3,000,000)	-	-
Building Authority Bonds #M043							
Amount of issue - $10,000,000 Maturing through 2027	4.625% - 4.700%	$260,000 - $315,000	1,435,000	-	(260,000)	1,175,000	275,000
2006 Fiscal Stabilization Bonds							
Amount of issue - $21,490,000 Maturing through 2021	3.70% - 5.00%	$1,130,000 - $2,050,000	21,490,000	-	(1,130,000)	20,360,000	1,175,000
Add: Unamortized Bond Premium			997,453	-	(129,134)	868,319	-
2006 Michigan Department of Transportation State Infrastructure Loan							
Amount of issue - $937,500 Maturing through 2011	3.00%	$181,880 - $198,745	760,917	-	(181,880)	579,037	187,336
2006 General Motors Corporation Property Tax Reimbursement agreement - Maturing in annual installments over a 10-year period, based on an economic formula	N/A	Various	10,500,000	-	-	10,500,000	-
Capital lease obligations	Various	$71,867 - $344,216	1,171,441	250,000	(386,931)	1,034,510	173,827
Other obligations:							
Pending litigation			1,000,000	-	(1,000,000)	-	-
Compensated absences, separation, and longevity accrual			5,889,170	-	(1,730,585)	4,158,585	3,341,152
Landfill closure and postclosure costs			1,580,012	-	-	1,580,012	-
Total governmental activities			51,833,993	250,000	(8,818,530)	43,265,463	5,872,315

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:							
General obligation debt:							
Parking Fund:							
2006 General Motors Corporation Property Tax Reimbursement Agreement							
Maturing in annual installments over a 10-year period, based on an economic formula	N/A	Various	$ 500,000	$ -	$ -	$ 500,000	$ -
Revenue bonds:							
Water Fund:							
1995 Water Supply System							
Amount of issue - $3,675,000 Maturing through 2015	6.25% - 6.35%	$205,000 - $300,000	1,995,000	-	(205,000)	1,790,000	215,000
2002 Water Supply System							
Amount of issue - $1,375,000 Maturing through 2022	5.00% - 5.80%	$50,000 - $105,000	1,125,000	-	(50,000)	1,075,000	55,000
Total Water Fund			3,120,000	-	(255,000)	2,865,000	270,000
Sewerage Fund:							
1995 Sewage Disposal System							
Amount of issue - $2,100,000 Maturing through 2010	5.30% - 6.25%	$180,000 - $205,000	575,000	-	(180,000)	395,000	190,000
2002 Sewage Disposal System							
Amount of issue - $5,000,000 Maturing through 2022	5.00% - 5.85%	$190,000 - $385,000	4,090,000	-	(190,000)	3,900,000	195,000
Capital lease obligation - 2007 vactor	4.85%	$49,785 - $57,393	214,115	-	(49,785)	164,330	52,202
Total Sewerage Fund			4,879,115	-	(419,785)	4,459,330	437,202
Total business-type activities			8,499,115	-	(674,785)	7,824,330	707,202
Total governmental and business-type activities			$ 60,333,108	$ 250,000	$ (9,493,315)	$ 51,089,793	$ 6,579,517

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt:							
Revenue bonds:							
Tax Increment Finance Authority Area #2:							
1997 TIFA Marriott Bonds							
Amount of issue - $1,800,000	9.00%	$85,000 -					
Maturing through 2017		$180,000	$ 1,275,000	$ -	$ (1,275,000)	$ -	$ -
1999 TIFA Marriott Bonds							
Amount of issue - $3,655,000	9.00%	$90,000 -					
Maturing through 2024		$295,000	3,200,000	-	(3,200,000)	-	-
2002 TIFA Bonds #M0005							
Amount of issue - $11,245,000	4.250% -	$215,000 -					
Maturing through 2022	5.6250%	$1,180,000	6,230,000	-	(1,130,000)	5,100,000	1,180,000
Less unamortized bond discount			(376,184)	-	22,415	(353,769)	-
2007 C TIFA 1997 Marriott Refunding Bonds							
Amount of issue - $1,315,000	3.50% -	$125,000 -					
Maturing through 2017	3.75%	$185,000	-	1,315,000	-	1,315,000	-
2007 C TIFA 1999 Marriott Refunding Bonds							
Amount of issue - $3,280,000	3.50% -	$145,000 -					
Maturing through 2024	5.00%	$315,000	-	3,280,000	-	3,280,000	-
2007 C TIFA Bonds							
Amount of issue - $1,385,000		$85,000 -					
Maturing through 2013	3.75%	$345,000	-	1,385,000	(285,000)	1,100,000	345,000
Other obligations:							
Lease payable - City of Pontiac General	4.625% -	$250,000 -					
Building Authority	4.700%	$315,000	1,435,000	-	(260,000)	1,175,000	275,000
County Contractual Agreement							
2006 County Building Authority Refunding Bonds							
Amount of issue - $8,160,000	3.250% -	$45,000 -					
Maturing through 2023	4.250%	$2,850,000	8,005,000	-	(45,000)	7,960,000	50,000
County Contractual Agreement							
2006 County Building Authority Bonds							
Amount of issue - $11,500,000	5.00% -	$350,000 -					
Maturing through 2026	5.40%	$900,000	11,150,000	-	(375,000)	10,775,000	375,000
Total Tax Increment Finance Authority Area #2			30,918,816	5,980,000	(6,547,585)	30,351,231	2,225,000

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit debt (Continued):							
Revenue bonds:							
Tax Increment Finance Authority Area #3:							
2002 TIFA Bonds #M006							
Amount of issue - $28,675,000	4.375% -	$385,000 -					
Maturing through 2031	6.375%	$1,625,000	$ 26,225,000	$ -	$ (21,375,000)	$ 4,850,000	$ 465,000
Less unamortized bond discount			(1,282,322)	-	1,041,907	(240,415)	-
2007 C TIFA Bonds							
Amount of issue - $24,450,000							
Maturing through 2031	3.75% -	$175,000 -	-	24,450,000	-	24,450,000	-
Less unamortized bond discount	5.00%	$1,680,000	-	(1,023,413)	42,642	(980,771)	-
2007 C TIFA Bonds							
Amount of issue - $650,000	3.500% -	$25,000 -					
Maturing through 2031	3.75%	$240,000	-	650,000	(240,000)	410,000	190,000
Total Tax Increment Finance Authority Area #3			24,942,678	24,076,587	(20,530,451)	28,488,814	655,000
Revenue bonds:							
Pontiac Hospital Finance Authority:							
1993 Hospital Revenue Bonds							
Amount of issue - $51,810,000		$1,400,000 -					
Maturing through 2023	6.00%	$3,560,000	39,490,000	-	(39,490,000)	-	-
Total component unit debt			$ 95,351,494	$ 30,056,587	$ (66,568,036)	$ 58,840,045	$ 2,880,000

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

	Governmental Activities			Business-type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2009	$ 2,531,163	$ 1,279,959	$ 3,811,122	$ 707,202	$ 421,894	$ 1,129,096
2010	2,579,093	1,163,739	3,742,832	744,736	383,503	1,128,239
2011	2,700,681	1,033,355	3,734,036	572,392	342,014	914,406
2012	2,488,039	906,088	3,394,127	545,000	309,465	854,465
2013	1,534,460	775,508	2,309,968	575,000	277,666	852,666
2014-2018	8,460,111	2,748,279	11,208,390	2,370,000	887,087	3,257,087
2019-2023	5,865,000	596,000	6,461,000	1,810,000	267,875	2,077,875
Total	$ 26,158,547	$ 8,502,928	$ 34,661,475	$ 7,324,330	$ 2,889,504	$ 10,213,834

Note 7 - Long-term Debt (Continued)

	Component Units		
Year	Principal	Interest	Total
2009	$ 2,880,000	$ 2,842,957	$ 5,722,957
2010	2,030,000	2,711,599	4,741,599
2011	2,165,000	2,617,451	4,782,451
2012	2,285,000	2,516,716	4,801,716
2013	4,810,000	2,409,170	7,219,170
2014-2018	13,970,000	9,727,076	23,697,076
2019-2023	16,635,000	6,234,285	22,869,285
2024-2028	10,750,000	2,524,213	13,274,213
2029-2032	4,890,000	443,475	5,333,475
Total	$ 60,415,000	$ 32,026,942	$ 92,441,942

The Transportation Center debt of $3,000,000, a governmental activity debt, has no fixed maturity date. According to an agreement with the State, the City will transfer title of the Center to the State and the State will develop a new transportation terminal. At the time that all sections of the property are transferred to the State, the $3 million liability stemming from the original construction of the Transportation Center will be waived. All sections of the property have been transferred to the State as of June 30, 2008 and the $3 million liability has been waived.

Pontiac General Hospital and Medical Center (PGHMC) defaulted on the 1993 Hospital Revenue bonds with an outstanding balance of $39,490,000. These bonds are not obligations of the City and are only special limited obligations of the Pontiac Hospital Finance Authority. The bond liability and related lease receivable are no longer recorded by the City as of June 30, 2008. See Note 14 for more detail.

Compensated absences and separation accruals of $4,158,585 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and postclosure cost accrual of $1,580,012 has no fixed maturity dates; therefore, they have been excluded from the above summary.

Note 7 - Long-term Debt (Continued)

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the General Fund and Debt Service Funds. Lease payments are made directly from the fund incurring the expenditure. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The landfill closure and postclosure costs represent the cumulative amount of closure and postclosure care costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. The claims and judgments have been removed from governmental activities long-term debt. The liability has been recorded in and will be liquidated from 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.

No Commitment Debt - The Economic Development Corporation, a component unit, issues tax-exempt revenue bonds and notes under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities which are leased to industrial and commercial enterprises under contracts which provide for sufficient revenue to pay principal and interest obligations of the bond issues and which further provide that the property be transferred to the lessee at the time that the indebtedness is paid in full. The debt instruments specifically indicate that the lender looks to the lessee for payment of the debt and that the Corporation and its officers are held harmless except to the extent of rentals they collect. The lease property and the bonds and notes are not considered to be assets or general obligations of the Corporation and, therefore, are not recognized in the financial statements of the City. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of June 30, 2008, no commitment debt outstanding has been determined.

Note 7 - Long-term Debt (Continued)

Advance and Current Refunding - During the year, the City issued $31,080,000 in Michigan Municipal Bond Authority Series 2007C revenue bonds with an average interest rate of 4.52 percent. The proceeds of these bonds were used for advance and current refunding of TIFA 2 and TIFA 3 bonds. A total of $1,275,000 of outstanding 1997 TIFA 2 Marriott bonds with an average interest rate of 9.08 percent and $3,200,000 of outstanding 1999 TIFA 2 Marriott bonds with an average interest rate of 9.04 percent were currently refunded in 2008. A total of $20,930,000 of outstanding 2002 TIFA 3 revenue bonds were advance refunded. Net proceeds of $31,211,208 were received, of which $871,433 was used to pay underwriting fees, insurance, and other issuance costs, $28,304,775 was used to purchase U.S. government securities, and $1,385,000 and $650,000 was retained by the City for TIFA 2 and TIFA 3 operations, respectively. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets (deficit). The advance and current refunding reduced total debt service payments over the next 23 years by approximately $2,309,000, which represents an economic gain of $2,005,684.

Defeased Debt - In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2008, $7,779,436 of bonds outstanding is considered defeased.

Future Revenues Pledged for Debt Payment

Governmental Activities - The City has pledged its state-shared revenue to repay the above 2006 fiscal stabilization bonds. Proceeds from the bonds were used to finance prior years' operating expenses of the General Fund. The bonds are payable solely from state-shared revenue. The remaining principal and interest to be paid on the bonds is $28,015,175. During the current year, state-shared revenue was $12,041,756 compared to annual debt requirements of $2,156,913.

Note 7 - Long-term Debt (Continued)

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

The repayment agreement requires an annual payment, payable 60 days after the receipt of the annual audit report and is based on an economic growth formula (the agreement requires no payment in any year the economic growth formula produces a negative amount). The formula for payment due in the 2008/2009 fiscal year resulted in a negative amount; therefore, there is no current portion due on this liability.

The economic growth formula is determined by the increase in the sum of all property tax and income tax revenue to the City's General Fund over a baseline amount. The 2007/2008 General Fund property tax and income tax revenue was $26,253,953. The baseline amount of $28,510,813 was established using the 2005/2006 audited financial statements. The amount due GM annually beginning in the City's 2007/2008 fiscal year will be the difference between the annual property tax and income tax collections and the base year multiplied by a percentage. There was no amount due in the City's 2007/2008 or the 2008/2009 fiscal years. The percentage amounts are as follows:

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

Business-type Activities - The City has pledged substantially all revenue of the Water and Sewer Funds, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds of the bonds provided financing for the improvements and additions to the water and sewer supply systems. The bonds are paid solely from the net revenues of the water and sewer systems. The remaining principal and interest to be paid on the water and sewer bonds is $3,865,778 and $6,181,378, respectively. During the current year, net revenues of the water and sewer systems were $1,998,841 and $444,346, respectively, compared to annual debt requirements of $333,395 and $631,973, respectively.

Note 7 - Long-term Debt (Continued)

Component Units - Tax Increment Finance Authority Area #2 (TIFA 2) and Tax Increment Finance Authority Area #3 (TIFA 3) have pledged captured property tax revenue to repay the above TIFA 2 and TIFA 3 county contractual agreements, lease payable, and revenue bonds. Proceeds of the bonds provided financing for the Marriott Hotel construction, GM Centerpointe Improvements, Golf Course Improvements, Phoenix Center renovations, and Clinton Valley Center Hospital Housing project. The bonds are paid solely from TIFA 2 and TIFA 3 captured property taxes. The remaining principal and interest to be paid on the TIFA 2 and TIFA 3 bonds is $43,916,658 and $48,525,282, respectively. During the current year, TIFA 2 and TIFA 3 captured property tax revenue of $3,659,269 and $3,059,081, respectively, compared to annual debt requirements of $3,705,803 and $2,028,826, respectively.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities				Business-type Activities		
	Sanitation Fund	Oakland Plaza Construction	Cemetery Fund	Total Governmental Activities	Water Fund	Sewer Fund	Total Business-type Activities
Cash and investments:							
Landfill closure and postclosure care	$ 3,158,832	$ -	$ -	$ 3,158,832	$ -	$ -	$ -
Unspent bond proceeds	-	4,860,870	-	4,860,870	-	-	-
Cemetery endowments	-	-	991,960	991,960	-	-	-
Bond reserves	-	-	-	-	894,120	1,252,020	2,146,140
Total restricted assets	$ 3,158,832	$ 4,860,870	$ 991,960	$ 9,011,662	$ 894,120	$ 1,252,020	$ 2,146,140

Landfill - Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an expense in the government-wide statements in each period based on the acres of the entire permitted site used as of each balance sheet date. The $1,580,012 reported as landfill closure and postclosure liability at June 30, 2008 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used.

Note 8 - Restricted Assets (Continued)

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Effective October 15, 2006, the City closed the landfill. The Michigan Department of Environmental Quality is in the process of examining closure/postclosure costs. On a volume basis versus site acreage basis, approximately 100 percent of landfill capacity is used as of June 30, 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements and, at June 30, 2008, investments of $3,158,832 are held for these purposes. These are reported as restricted assets on the balance sheet. Fund balance has been reserved by the same amount. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 9 - Risk Management

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

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

Note 9 - Risk Management (Continued)

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

	Medical and Dental	Workers' Compensation	General Liability
Unpaid claims - June 30, 2006	$ 1,025,421	$ 4,200,000	$ 2,500,000
Incurred claims	(23,891,288)	(830,439)	(519,285)
Claims paid	23,881,935	830,439	519,285
Unpaid claims - June 30, 2007	1,016,068	4,200,000	2,500,000
Incurred claims	(22,591,585)	(606,427)	(822,475)
Claims paid	22,502,517	606,427	822,475
Unpaid claims - June 30, 2008	$ 927,000	$ 4,200,000	$ 2,500,000

Note 10 - Defined Benefit Pension Plan

General Employees' Retirement System

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

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

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended December 31, 2007, the City's annual pension cost of $0 was equal to the City's actual contribution. The annual required contribution of $0 was determined as part of an actuarial valuation at December 31, 2006, the latest actuarial valuation, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent to 9.4 percent per year, and (c) 2 percent (2.5 percent Court/MAPE) per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 30 years.

Reserves - As of December 31, 2007, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	$ 3,184,068
Reserved for retired benefit payments	196,282,238

Three-year Trend Information

	Fiscal Year Ended December 31		
	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	$ 16,926	$ 15,695	$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	$ 394,807,254	$ 391,409,757	$ 409,983,490
Actuarial accrued liability (AAL) (entry age normal)	$ 258,365,787	$ 260,103,260	$ 266,457,429
Unfunded AAL (UAAL)	$ (136,441,467)	$ (131,306,497)	$ (143,526,061)
Funded ratio	152.8%	150.5%	153.9%
Covered payroll	$ 21,320,477	$ 16,751,815	$ 14,996,753
UAAL percentage of covered payroll	-	-	-

Note 10 - Defined Benefit Pension Plan (Continued)

Police and Fire Retirement System

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

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

Annual Pension Cost - For the year ended December 31, 2007, the City's annual pension cost of $2,344,231 was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, the latest actuarial valuation, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent to 13.6 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 20 years.

Reserves - As of December 31, 2007, the plan's legally required reserves have been fully funded as follows:

Reserved for employees' contributions	$ 3,342,715
Reserved for retired benefit payments	148,691,435

Note 10 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2005	2006	2007
Police and Fire Retirement System:			
Annual pension costs (APC)	$ 2,242,320	$ 2,324,011	$ 2,344,231
Percentage of APC contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	$ 249,927,425 #	$ 253,702,503	$ 258,738,855
Actuarial accrued liability (AAL) (entry age normal)	$ 225,466,883	$ 229,779,819	$ 231,715,863
Unfunded AAL (UAAL)	$ (24,460,542)	$ (23,922,684)	$ (27,022,992)
Funded ratio	110.8%	110.4%	111.7%
Covered payroll	$ 15,830,247	$ 13,758,914	$ 12,831,719
UAAL a a percentage of covered payroll	-	-	-

Certain assumptions revised

Note 10 - Defined Benefit Pension Plan (Continued)

Financial Statement Information - As of December 31, 2007, the statement of net assets for the General Employees' Retirement System and the Police and Fire Retirement System is as follows:

	General Employees' Retirement System	Police and Fire Retirement System
Assets		
Cash	$ 100,748	$ 100,748
Cash and investments held as collateral for securities lending	94,224,009	37,597,497
Accrued interest and dividends receivable	1,828,111	395,795
Accounts receivable:		
Due from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Fund	-	19,150
Due from City of Pontiac Police and Fire Retirement System	158,827	-
Due from GERS VEBA	75,448	-
Due from City of Pontiac	-	293,439
Other	-	7,767
Investments at fair value - Including loaned securities:		
Money market and mutual funds	13,061,972	7,668,543
U.S. government obligations	-	9,319,543
U.S. government agency notes and debentures	16,302,286	-
U.S. government agency mortgage pools	47,642,084	15,464,398
Corporate and other bonds	72,689,732	27,503,225
Equities	317,218,852	163,738,045
Commercial mortgage pools	3,504,587	2,355,339
Asset-backed securities	3,127,014	991,638
Other fixed income	-	37,803,218
Other	12,976,027	17,253,166
Total investments	486,522,554	282,097,115
Total assets	582,909,697	320,511,511
Liabilities		
Due to City of Pontiac	67,184	-
Due to City of Pontiac General Employees' Retirement System	-	158,827
Accounts payable and other liabilities	712,908	333,281
Amounts due to broker under securities lending agreement	94,224,009	37,597,497
Total liabilities	95,004,101	38,089,605
Net Assets Held in Trust for Pension Benefits	$ 487,905,596	$ 282,421,906

Note 10 - Defined Benefit Pension Plan (Continued)

As of December 31, 2007, the statement of changes in net assets for the General Employees' Retirement System and the Police and Fire Retirement System is as follows:

	General Employees' Retirement System	Police and Fire Retirement System
Additions		
Investment income (loss):		
Interest and dividend income	$ 10,782,032	$ 3,850,525
Net appreciation in fair value	28,721,286	22,065,260
Investment advisor fees	(2,594,457)	(1,072,700)
Net investment income	36,908,861	24,843,085
Securities lending income (loss):		
Interest and fees	3,585,995	1,488,597
Less borrower rebates and bank fees	(3,399,903)	(1,422,277)
Net securities lending income	186,092	66,320
Contributions:		
Employee	5,869	329,993
Employer	-	2,344,231
Total contributions	5,869	2,674,224
Other - Miscellaneous and litigation revenue	592,943	888,486
Total additions	37,693,765	28,472,115
Deductions		
Retirees' pension benefits and retirement incentives	18,877,391	13,285,926
Member refunds and withdrawals	-	458,782
Other expenses	237,031	251,174
Charges from the City of Pontiac - Administrative expenses	260,271	119,518
Total deductions	19,374,693	14,115,400
Net Increase in Net Assets Held in Trust for Pension Benefits	18,319,072	14,356,715
Net Assets Held in Trust for Pension Benefits - January 1, 2007	469,586,524	268,065,191
Net Assets Held in Trust for Pension Benefits - December 31, 2007	$ 487,905,596	$ 282,421,906

Note 11 - Defined Contribution Pension Plan

Defined Contribution Plan - The City provides pension benefits to its full-time nonunion employees and elected officials through a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council, the City contributes 9 percent of the employees' gross earnings and employees are required to contribute 3 percent. Employer contributions for each employee plus interest allocated to the employees' account are immediately vested.

The City's total payroll during the current year was $32,376,107. The current year contribution was calculated based on covered payroll of $215,713, resulting in an employer contribution of $19,414 and employee contributions of $6,472.

Deferred Compensation Plan - The City offers to all its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 12 - Other Postemployment Benefits

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries through the following two plans:

General Employees' Retiree Health and Insurance Benefits Trust

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

Note 12 - Other Postemployment Benefits (Continued)

Funding Policy - The Trust is funded by employer contributions. The City is required to make minimum contributions in the amount of 3 percent of valuation payroll unless a lesser amount is actuarially determined to be necessary to actuarially fund the Trust. The ordinance that established the Trust requires annual funding of the actuarial rate or 3 percent of valuation payroll. The City contributed $451,945 to the Trust for the year ended December 31, 2007.

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

	Actuarial Valuation as of December 31, 2007	
Actuarial value of assets	$	4,928,700
Actuarial accrued liability	$	154,823,626
Unfunded AAL	$	149,894,926
Funded ratio		3.18%
Accrual covered payroll	$	14,996,753
Ratio of UAAL to covered payroll		10.00%

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

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

Note 12 - Other Postemployment Benefits (Continued)

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

Police and Fire Retiree Prefunded Group Health and Insurance Trust

Plan Description - The Police and Fire Retiree Prefunded Group Health and Insurance Trust was established as an irrevocable prefunded group health and insurance trust fund (the "Trust") for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac, and who retired on or after August 22, 1996. Currently, 126 retirees are eligible for benefits under this plan. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Trust at 47450 Woodward, Pontiac, Michigan 48342.

Funding Policy - The City is required by ordinance to contribute on a percent of covered payroll which the trustees have deemed to be based on actuarial recommended amounts. An actuarial valuation was performed as of December 31, 2006 which arrived at a required employer contribution rate of 22.85 percent of police and fire wages. During the year, the City contributed $2,908,138 into the Trust for the year ended December 31, 2007.

Note 12 - Other Postemployment Benefits (Continued)

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

	Actuarial Valuation as of December 31, 2007	
Actuarial value of assets	$	25,534,993
Actuarial accrued liability	$	79,788,465
Unfunded AAL	$	54,253,472
Funded ratio		32.00%
Accrual covered payroll	$	12,831,719
Ratio of UAAL to covered payroll		23.65%

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

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

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

Note 12 - Other Postemployment Benefits (Continued)

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

Financial Statement Information - As of December 31, 2007, the statements of net assets for the General Employees' Retiree Health and Insurance Benefits Trust and the Police and Fire Retiree Prefunded Group Health and Insurance Trust are as follows:

	General Employees' Retiree Health and Insurance Benefits Trust	Police and Fire Retiree Prefunded Group Health and Insurance Trust
Assets		
Investments at fair value	$ 5,750,047	$ 33,198,608
Due from City of Pontiac	21,911	-
Total assets	5,771,958	33,198,608
Liabilities		
Due to City of Pontiac	-	1,467,704
Due to City of General Employees' Retirement System	75,448	-
Due to City of Pontiac Police and Fire Retirement System	-	19,150
Accounts payable	14,000	15,364
Total liabilities	89,448	1,502,218
Trust Net Assets	$ 5,682,510	$ 31,696,390

Note 12 - Other Postemployment Benefits (Continued)

As of December 31, 2007, the statements of changes in net assets for the General Employees' Retiree Health and Insurance Benefits Trust and the Police and Fire Retiree Prefunded Group Health and Insurance Trust are as follows:

	General Employees' Retiree Health and Insurance Benefits Trust	Police and Fire Retiree Prefunded Group Health and Insurance Trust
Additions		
Investment income:		
Interest and dividend income	$ 168,786	$ 783,218
Net appreciation in fair value of investments	149,948	163,179
Investment advisor fees	-	(15,000)
Net investment gain	318,734	931,397
Contributions - Employer	451,945	2,908,138
Total additions	770,679	3,839,535
Deductions		
Professional services	16,868	-
Retirees' health benefits	-	1,592,615
Other expenses	-	18,190
Total deductions	16,868	1,610,805
Net Increase in Trust Net Assets	753,811	2,228,730
Trust Net Assets - January 1, 2007	4,928,699	29,467,660
Trust Net Assets - December 31, 2007	$ 5,682,510	$ 31,696,390

Note 12 - Other Postemployment Benefits (Continued)

Pay-as-you-go - For all retirees not eligible for the Police and Fire Retiree Prefunded Group Health and Insurance Trust noted above, the City pays the cost of healthcare benefits in accordance with various bargaining contracts. Currently, 363 retirees are eligible for postemployment health benefits. The City is self-insured for healthcare coverage.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 13 - Contingent Liabilities

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

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

Note 14 - Transfer of North Oakland Medical Center Operations

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

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

During the current year, PGHMC defaulted on the 1993 revenue bonds noted above. The City received no payments from PGHMC during the current year and the lease was terminated by PGHMC in November 2008. The City is entitled to receive all assets and liabilities of PGHMC upon termination of the lease and subsequently sold the facility and equipment to another entity in November 2008. The City recorded a gain on the sales of these assets of $2,000,000. As a result of the above, the City has removed the lease receivable and related debt service payable at June 30, 2008.

Note 15 - Subsequent Events

Declines in Investment Values - Subsequent to year end, the Pension and Other Postemployment Benefits Trust Funds' investment portfolio have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 16 - Management's Plans

The City prepared a formal deficit elimination plan and submitted it to the State of Michigan Department of Treasury (the "State") in March 2007. The State did not certify the plan because it did not provide adequate assurances that the deficit would be eliminated. A preliminary review of the City's financial condition was performed by the State on July 31, 2007 in accordance with Section 12(1) of Public Act 72 of 1990. The State concluded from the review that a serious financial problem did exist and the governor appointed a review team on April 28, 2008. The review team confirmed that a serious problem does exist and recommended to the governor that the City enter into a consent agreement rather than appointing an emergency financial manager (EFM). The consent agreement mandates the following remedial actions:

1) Provide a detailed plan containing realistic expenditure reductions or specific revenue enhancements, or both, in an amount sufficient to address any current or cumulative fund deficit. The City is also prohibited from interfund borrowing for more than 90 calendar days at any one time.
2) Provide a detailed plan addressing any deficiencies, material weaknesses or reportable conditions identified in the annual audit
3) Provide periodic detailed accounts payable listings of all accounts payable
4) Fill the position of income tax administrator on a permanent full-time basis by an individual deemed qualified by the State
5) Provide a detailed plan to address the processing of any and all income tax returns and provide a detailed listing of all refunds payable
6) Proceeds from the Silverdome sale (if consummated) to be restricted as follows:
   a) First, sale proceeds used to repay interfund borrowings
   b) Second, proceeds used to eliminate any cumulative General Fund deficit
   c) Any remaining proceeds placed in a budget stabilization fund that will be governed by a written policy approved by the State
   d) No portion of the proceeds can be used for increases in wages, salaries, or any benefits beyond those in effect at the time of this agreement.
7) Any proceeds from the sale of the North Oakland Medical Center will be utilized as described in number 6 above.

Note 16 - Management's Plans (Continued)

In addition, the State has imposed the following ongoing requirements:

1) Annually in April, the mayor and Council will meet and come to a consensus on revenue estimates for the next fiscal year.
2) The City will adopt a budget for the new fiscal year that complies with all statutory requirements, charter requirements, and any requirements of the consent agreement.
3) The City will not end a fiscal year with an operating deficit unless there is sufficient fund balance to cover the shortfall as disclosed in the audited annual financial statements from the preceding year.
4) The City will provide quarterly cash flow reports to the State.
5) The City shall pursue negotiations with neighboring communities and the County concerning consolidation of services.
6) The City cannot enter into or sign any collective bargaining agreements without prior approval of the State. Should an arbitration panel render a decision requiring an increase in expenditures, the City has 30 days to submit a plan to the State on how to address the increase in expenditures.
7) The City must submit quarterly reports to the State on pending litigation.
8) Absent the consent agreement, the review team would have recommended the appointment of an EFM. Failure to comply with the consent agreement may cause the immediate appointment of an EFM.
9) The City, its officers, and Council are bound to adhere to the consent agreement. Any action to the contrary may result in the immediate appointment of an EFM.
10) The City's obligations under the consent agreement are not subject to discharge or release due to any contingencies.
11) The City shall cooperate fully with the review team, the State, the independent auditors, and any other consultants retained to comply with the consent agreement.
12) The State will consider the feasibility of assisting with the income tax department.
13) The review team will continue to meet periodically to make a determination on whether the City is in compliance with the consent agreement.
14) The City shall comply will all due dates within the consent agreement.
15) The review team may waive provisions of the consent agreement.
16) The consent agreement remains in effect until the end of the fiscal year where there is no fund in a deficit, there is no structural imbalance in the operating budget, and the review team certifies no financial emergency exists.

Note 16 - Management's Plans (Continued)

The City's plan adopted with the 2008/2009 budget includes a balanced operating budget achieved through cost-cutting measures in the previous fiscal years. The budget does not address the cumulative General Fund deficit. The City anticipates closing on the sale of both the North Oakland Medical Center and the Silverdome during the 2008/2009 fiscal year. The estimated net proceeds from the sale of these facilities would be sufficient to eliminate the cumulative deficit and the proceeds would be allocated based on the consent agreement above.

Required Supplemental Information

City of Pontiac, Michigan

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	$ 14,991,000	$ 14,991,000	$ 14,872,764	$ (118,236)
Income taxes	13,375,000	13,300,000	11,781,189	(1,518,811)
State sources	12,186,110	12,041,810	12,041,756	(54)
Charges for services	4,900,148	6,957,552	7,448,452	490,900
Investment income	150,000	(100,000)	(64,402)	35,598
Other	752,162	682,151	316,005	(366,146)
Cable revenue	425,000	463,000	463,871	871
Charges to other funds for administrative services and reimbursements	3,456,631	3,450,881	3,522,212	71,331
Interdepartmental revenue	1,690,059	1,325,059	1,418,134	93,075
Contribution from component units	300,000	2,404,887	2,401,857	(3,030)
Total revenue	52,226,110	55,516,340	54,201,838	(1,314,502)
Expenditures				
General government:				
City Council	832,000	570,000	505,961	64,039
City clerk	439,650	445,000	408,287	36,713
Attorney	843,000	850,000	784,875	65,125
Finance	2,880,000	3,000,000	2,884,761	115,239
Executive office	654,970	545,000	496,801	48,199
Personnel	910,250	480,000	446,609	33,391
Total general government	6,559,870	5,890,000	5,527,294	362,706
Public safety:				
Police	13,015,690	13,843,600	13,735,576	108,024
Fire	12,740,000	14,812,792	14,793,501	19,291
Total public safety	25,755,690	28,656,392	28,529,077	127,315
Public works and utilities	4,257,807	4,753,107	4,590,697	162,410
Community development	1,676,000	1,500,000	1,459,030	40,970
Community and human services	142,193	147,593	260,037	(112,444)
General and special programs	13,834,550	14,569,248	14,765,420	(196,172)
Total expenditures	52,226,110	55,516,340	55,131,555	384,785
Excess of Expenditures Over Revenue	-	-	(929,717)	(929,717)
Fund Balances (Deficit) - Beginning of year	6,200,000	(6,078,240)	(6,078,240)	-
Fund Balances (Deficit) - End of year	**$ 6,200,000**	**$ (6,078,240)**	**$ (7,007,957)**	**$ (929,717)**

Required Supplemental Information
Pension System Schedule of Funding Progress
June 30, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
General Employees' Retirement System						
12/31/01 #	$ 395,743,819	$ 227,901,435	$ (167,842,384)	173.6	$ 19,887,803	-
12/31/02 *	393,214,033	235,422,367	(157,791,666)	167.0	20,039,136	-
12/31/03	394,367,065	247,396,857	(146,970,208)	159.4	20,807,612	-
12/31/04	394,807,254	258,365,787	(136,441,467)	152.8	21,320,477	-
12/31/05	391,409,757	260,103,260	(131,306,497)	150.5	16,751,815	-
12/31/06	409,983,490	266,457,429	(143,526,061)	153.9	14,996,753	-
Police and Fire Retirement System						
12/31/01	$ 245,966,812	$ 203,166,600	$ (42,800,212)	121.1	$ 13,710,467	-
12/31/02	239,657,864	204,588,488	(35,069,376)	117.1	13,528,501	-
12/31/03 *#	244,770,438	216,553,276	(28,217,162)	113.0	15,308,134	-
12/31/04 #	249,927,425	225,466,883	(24,460,542)	110.8	15,830,247	-
12/31/05	253,702,503	229,779,819	(23,922,684)	110.4	13,758,914	-
12/31/06	258,738,855	231,715,863	(27,022,992)	111.7	12,831,719	-
General Employees' Retiree Health and Insurance Benefits Trust						
12/31/04	$ 3,202,351	$ 139,925,086	$ 136,722,735	2.3	$ 21,210,461	15.51%
12/31/05	3,973,887	157,048,845	153,074,958	2.5	16,751,815	10.94%
12/31/06	4,928,700	154,823,626	149,894,926	3.2	14,996,753	10.00%
Police and Fire Retiree Prefunded Group Health and Insurance Trust						
** 12/31/06	$ 25,534,993	$ 79,788,465	$ 54,253,472	32.0	$ 12,831,719	23.65%

* Plan amended

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

Certain assumptions revised

Required Supplemental Information
Pension System Schedule of Funding Progress (Continued)
June 30, 2008

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage/ Amount Contributed
General Employees' Retirement System			
06/30/03	12/31/02	$ 46,888	166.00
06/30/04	12/31/03	10,608	100.00
06/30/05	12/31/04	2,767	392.90
06/30/06	12/31/05	16,926	100.00
06/30/07	12/31/06	15,695	100.00
06/30/08	12/31/07	-	100.00
Police and Fire Retirement System			
06/30/03	12/31/02	1,809,736	100.00
06/30/04	12/31/03	2,008,947	100.00
06/30/05	12/31/04	2,141,247	100.00
06/30/06	12/31/05	2,242,320	100.00
06/30/07	12/31/06	2,324,011	100.00
06/30/08	12/31/07	2,344,231	100.00
General Employees' Retiree Health and Insurance Benefits Trust			
06/30/06	12/31/04	*	$ 612,331
06/30/07	12/31/05	*	496,386
06/30/08	12/31/06	*	451,945
Police and Fire Retiree Prefunded Group Health and Insurance Trust			
06/30/06	12/31/04	*	3,258,180
06/30/07	12/31/05	*	2,799,008
06/30/08	12/31/06	*	2,908,138

* GASB Statement No. 45 is not required to be adopted until the fiscal year ending December 31, 2008.

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

General Employees' Retirement System

Actuarial cost method	Individual entry age actuarial cost
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value with five-year smoothing of gains and losses
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.5% - 9.4%
*Includes inflation at	4.5%
Cost of living adjustments	2% (2.5% Court/MAPE) of original amount, subject to a maximum that varies by group

Police and Fire Retirement System

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll
Remaining amortization period	20 years, open
Asset valuation method	Market value with five-year smoothing of changes in security prices
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.5% to 13.6%
*Includes inflation at	4.0%
Cost of living adjustments	2%

General Employees' Retiree Health and Insurance Benefits Trust

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

Police and Fire Retiree Prefunded Group Health and Insurance Trust

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

Note - Budgetary Information

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

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

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

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	$ 48,826,048	$ 46,193,123
Interdepartmental revenue	1,418,134	1,418,134
Property tax chargebacks reported as expenditures	417,815	417,815
Transfers out	-	3,562,642
Reimbursements from other funds recorded as revenue	3,539,841	3,539,841
Amounts per budgetary comparison schedule	$ 54,201,838	$ 55,131,555

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

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

Note - Budgetary Information (Continued)

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

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

	Amended Budget	Actual
General Fund		
Community and human services	$ 147,593	$ 260,037
General and special programs	14,569,248	14,765,420

Other Supplemental Information

Other Supplemental Information
Summary Combining Balance Sheet
Nonmajor Governmental Fund Types
June 30, 2008

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Fund	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 11,017,722	$ 4,531,540	$ -	$ 52,857	$ 15,602,119
Receivables - Net:					
Property taxes	34,477	13,423	-	-	47,900
Other receivables	35,688	-	-	96,710	132,398
Due from other funds	32,679	-	-	-	32,679
Due from other governmental units	2,326,684	36,124	-	-	2,362,808
Other assets	239,012	-	-	-	239,012
Restricted assets	3,158,832	4,860,870	-	991,960	9,011,662
Total assets	**$ 16,845,094**	**$ 9,441,957**	**$ -**	**$ 1,141,527**	**$ 27,428,578**
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 1,725,647	$ 558,912	$ -	$ 52,723	$ 2,337,282
Other accrued liabilities	2,013,496	-	-	134	2,013,630
Due to other funds	1,619,581	32,679	-	-	1,652,260
Deferred revenue	977,544	49,547	-	96,710	1,123,801
Total liabilities	6,336,268	641,138	-	149,567	7,126,973
Fund Balances					
Reserved for endowment	-	-	-	991,960	991,960
Reserved for landfill postclosure costs	3,158,832	-	-	-	3,158,832
Unreserved, reported in:					
Special Revenue Funds	7,349,994	-	-	-	7,349,994
Capital Project Funds	-	8,800,819	-	-	8,800,819
Total fund balances	10,508,826	8,800,819	-	991,960	20,301,605
Total liabilities and fund balance	**$ 16,845,094**	**$ 9,441,957**	**$ -**	**$ 1,141,527**	**$ 27,428,578**

Other Supplemental Information
Summary Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Permanent Fund - Cemetery Care	Total Nonmajor Governmental Funds
Revenue					
Taxes	$ 4,925,462	$ 1,578,736	$ -	$ -	$ 6,504,198
Federal grants	3,107,115	211,916	-	-	3,319,031
State grants	5,425,845	1,046,464	-	-	6,472,309
Charges for services	820,074	-	-	278,810	1,098,884
Fines and forfeitures	1,709,174	-	-	-	1,709,174
Investment income	510,690	333,507	-	39,182	883,379
Contribution from component units	44,696	-	1,085,369	-	1,130,065
Other	450,777	-	-	212,486	663,263
Total revenue	16,993,833	3,170,623	1,085,369	530,478	21,780,303
Expenditures					
Current:					
General government	20,890	52,843	-	-	73,733
District court	3,540,820	-	-	-	3,540,820
Public safety	282,788	871,980	-	-	1,154,768
Public works and utilities	10,585,337	1,290,675	-	1,009,980	12,885,992
Community development	2,882,276	-	-	-	2,882,276
Community and human services	555,653	-	-	-	555,653
General and special programs	1,658,327	28,156	-	-	1,686,483
Commercial and industrial development	63,509	14,255	-	-	77,764
Debt service	-	275,183	1,552,747	-	1,827,930
Total expenditures	19,589,600	2,533,092	1,552,747	1,009,980	24,685,419
Excess of Revenue Over (Under) Expenditures	(2,595,767)	637,531	(467,378)	(479,502)	(2,905,116)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	250,000	-	-	250,000
Transfers in	5,770,516	263,037	467,378	492,894	6,993,825
Transfers out	(1,961,741)	(1,241,662)	-	(13,392)	(3,216,795)
Total other financing sources (uses)	3,808,775	(728,625)	467,378	479,502	4,027,030
Net Change in Fund Balances	1,213,008	(91,094)	-	-	1,121,914
Fund Balances - Beginning of year	9,295,818	8,891,913	-	991,960	19,179,691
Fund Balances - End of year	**$ 10,508,826**	**$ 8,800,819**	**$ -**	**$ 991,960**	**$ 20,301,605**

Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Major Roads	Local Roads	PA 48 - Tele-communication Allocation	Sanitation Fund	District Court	Chapter 20 Drain
Assets						
Cash and investments	$ 359,894	$ 132,824	$ 346,294	$ 693,018	$ 1,586,401	$ 2,753,043
Receivables - Net:						
Property taxes	-	-	-	25,848	-	5,625
Other receivables	21,598	-	-	14,090	-	-
Due from other funds	32,679	-	-	-	-	-
Due from other governmental units	926,435	167,197	-	-	-	110,400
Other assets	19,382	-	-	-	-	219,630
Restricted cash and cash equivalents	-	-	-	3,158,832	-	-
Total assets	**$ 1,359,988**	**$ 300,021**	**$ 346,294**	**$ 3,891,788**	**$ 1,586,401**	**$ 3,088,698**
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	$ 371,102	$ 72,121	$ -	$ 642,684	$ 104,844	$ 191,677
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	1,481,557	-
Deferred revenue	184,223	-	-	39,938	-	5,625
Total liabilities	555,325	72,121	-	682,622	1,586,401	197,302
Fund Balances (Deficit)						
Reserved for landfill postclosure costs	-	-	-	3,158,832	-	-
Unreserved, undesignated	804,663	227,900	346,294	50,334	-	2,891,396
Total fund balances (deficit)	804,663	227,900	346,294	3,209,166	-	2,891,396
Total liabilities and fund balances (deficit)	**$ 1,359,988**	**$ 300,021**	**$ 346,294**	**$ 3,891,788**	**$ 1,586,401**	**$ 3,088,698**

Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2008

	Phoenix Center Plaza Events	Community Development Block Grant	Senior Activities	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan
Assets						
Cash and investments	$ 580	$ 37,282	$ 480,245	$ 100	$ 167,689	$ -
Receivables - Net:						
Property taxes	-	-	308	-	-	-
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	-	339,896	-	125,140	-	11,054
Other assets	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	**$ 580**	**$ 377,178**	**$ 480,553**	**$ 125,240**	**$ 167,689**	**$ 11,054**
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	$ 580	$ 239,810	$ 14,022	$ 48,400	$ 1,613	$ -
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	-	121,430	-	5,540	-	11,054
Deferred revenue	-	15,938	308	71,200	-	11,054
Total liabilities	580	377,178	14,330	125,140	1,613	22,108
Fund Balances (Deficit)						
Reserved for landfill postclosure costs	-	-	-	-	-	-
Unreserved, undesignated	-	-	466,223	100	166,076	(11,054)
Total fund balances (deficit)	-	-	466,223	100	166,076	(11,054)
Total liabilities and fund balances (deficit)	**$ 580**	**$ 377,178**	**$ 480,553**	**$ 125,240**	**$ 167,689**	**$ 11,054**

Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2008

	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund	Police Millage	Recreation Millage	Library
Assets						
Cash and investments	$ -	$ 104,430	$ 471,908	$ 1,236,962	$ 776,534	$ 967,315
Receivables - Net:						
Property taxes	-	-	-	772	308	1,616
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	646,562	-	-	-	-	-
Other assets	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	**$ 646,562**	**$ 104,430**	**$ 471,908**	**$ 1,237,734**	**$ 776,842**	**$ 968,931**
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 19,655
Accrued and other liabilities	-	-	-	1,236,962	776,534	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	646,562	-	-	772	308	1,616
Total liabilities	646,562	-	-	1,237,734	776,842	21,271
Fund Balances (Deficit)						
Reserved for landfill postclosure costs	-	-	-	-	-	-
Unreserved, undesignated	-	104,430	471,908	-	-	947,660
Total fund balances (deficit)	-	104,430	471,908	-	-	947,660
Total liabilities and fund balances (deficit)	**$ 646,562**	**$ 104,430**	**$ 471,908**	**$ 1,237,734**	**$ 776,842**	**$ 968,931**

Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2008

	Neighborhood Revitalization	Computer Purchase Control Fund	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	$ 170,805	$ 8,399	$ 721,898	$ 2,101	$ 11,017,722
Receivables - Net:					
Property taxes	-	-	-	-	34,477
Other receivables	-	-	-	-	35,688
Due from other funds	-	-	-	-	32,679
Due from other governmental units	-	-	-	-	2,326,684
Other assets	-	-	-	-	239,012
Restricted cash and cash equivalents	-	-	-	-	3,158,832
Total assets	**$ 170,805**	**$ 8,399**	**$ 721,898**	**$ 2,101**	**$ 16,845,094**
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	$ -	$ 8,399	$ 8,639	$ 2,101	$ 1,725,647
Accrued and other liabilities	-	-	-	-	2,013,496
Due to other funds	-	-	-	-	1,619,581
Deferred revenue	-	-	-	-	977,544
Total liabilities	-	8,399	8,639	2,101	6,336,268
Fund Balances (Deficit)					
Reserved for landfill postclosure costs	-	-	-	-	3,158,832
Unreserved, undesignated	170,805	-	713,259	-	7,349,994
Total fund balances (deficit)	170,805	-	713,259	-	10,508,826
Total liabilities and fund balances (deficit)	**$ 170,805**	**$ 8,399**	**$ 721,898**	**$ 2,101**	**$ 16,845,094**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Major Roads	Local Roads	PA 48 - Tele-communication Allocation	Sanitation Fund	District Court	Chapter 20 Drain
Revenue						
Taxes	$ -	$ -	$ -	$ 3,199,056	$ -	$ (22,213)
Federal grants	-	-	-	-	-	-
State grants	3,814,091	1,020,350	209,805	-	-	-
Charges for services	-	-	-	618,661	-	-
Fines and forfeitures	-	-	-	-	1,575,103	-
Investment income (loss)	40,872	(25,673)	11,729	179,791	57,408	110,553
Contribution from component units	-	-	-	-	-	-
Other	39,740	-	-	4,207	8,184	219,630
Total revenue	3,894,703	994,677	221,534	4,001,715	1,640,695	307,970
Expenditures - Current						
General government	-	-	-	-	-	-
District court	-	-	-	-	3,540,820	-
Public safety	-	-	-	-	-	-
Public works and utilities	3,187,756	1,141,323	499,295	5,448,320	-	196,230
Community development	-	-	-	-	-	-
Community and human services	-	-	-	-	-	-
General and special programs	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-
Total expenditures	3,187,756	1,141,323	499,295	5,448,320	3,540,820	196,230
Excess of Revenue Over (Under) Expenditures	706,947	(146,646)	(277,761)	(1,446,605)	(1,900,125)	111,740
Other Financing Sources (Uses)						
Transfers in	1,432,694	825,000	-	-	2,083,599	-
Transfers out	(1,334,978)	(76,002)	-	(14,090)	(183,474)	-
Total other financing sources (uses)	97,716	748,998	-	(14,090)	1,900,125	-
Net Change in Fund Balances	804,663	602,352	(277,761)	(1,460,695)	-	111,740
Fund Balances (Deficit) - Beginning of year	-	(374,452)	624,055	4,669,861	-	2,779,656
Fund Balances (Deficit) - End of year	**$ 804,663**	**$ 227,900**	**$ 346,294**	**$ 3,209,166**	**$ -**	**$ 2,891,396**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2008

	Phoenix Center Plaza Events	Community Development Block Grant	Senior Activities	HOME Investment Partnerships Grant	Drug Enforcement Fund	MDEQ Grant Pontiac Creek Stormwater Plan
Revenue						
Taxes	$ -	$ -	$ 582,832	$ -	$ -	$ -
Federal grants	-	2,477,578	-	417,879	151,806	59,852
State grants	-	-	-	-	-	-
Charges for services	-	-	210	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income (loss)	(311)	-	21,913	-	10,793	-
Contribution from component units	37,207	-	-	-	-	-
Other	26,613	-	-	-	-	-
Total revenue	63,509	2,477,578	604,955	417,879	162,599	59,852
Expenditures - Current						
General government	-	-	-	-	-	-
District court	-	-	-	-	-	-
Public safety	-	-	-	-	269,263	-
Public works and utilities	-	-	-	-	-	54,920
Community development	-	2,466,788	-	415,488	-	-
Community and human services	-	-	138,732	-	-	-
General and special programs	-	-	-	-	-	-
Commercial and industrial development	63,509	-	-	-	-	-
Total expenditures	63,509	2,466,788	138,732	415,488	269,263	54,920
Excess of Revenue Over (Under) Expenditures	-	10,790	466,223	2,391	(106,664)	4,932
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	22,210
Transfers out	-	(10,790)	-	(2,391)	-	-
Total other financing sources (uses)	-	(10,790)	-	(2,391)	-	22,210
Net Change in Fund Balances	-	-	466,223	-	(106,664)	27,142
Fund Balances (Deficit) - Beginning of year	-	-	-	100	272,740	(38,196)
Fund Balances (Deficit) - End of year	**$ -**	**$ -**	**$ 466,223**	**$ 100**	**$ 166,076**	**$ (11,054)**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2008

	Orchard Lake Road Reconstruction	Police Training Grant Act 302	Sale of Land Fund	Police Millage	Recreation Millage	Library	Neighborhood Revitalization
Revenue							
Taxes	$ -	$ -	$ -	$ -	$ -	$ 1,165,787	$ -
Federal grants	-	-	-	-	-	-	-
State grants	332,455	27,232	-	-	-	21,912	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	134,071	-
Investment income (loss)	3,012	3,699	19,328	-	-	44,139	6,620
Contribution from component units	-	-	-	-	-	-	-
Other	-	-	14,275	-	-	3,221	-
Total revenue	335,467	30,931	33,603	-	-	1,369,130	6,620
Expenditures - Current							
General government	-	-	-	-	-	-	-
District court	-	-	-	-	-	-	-
Public safety	-	13,525	-	-	-	-	-
Public works and utilities	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Community and human services	-	-	-	-	-	416,921	-
General and special programs	-	-	60,978	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-
Total expenditures	-	13,525	60,978	-	-	416,921	-
Excess of Revenue Over (Under) Expenditures	335,467	17,406	(27,375)	-	-	952,209	6,620
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(335,467)	-	-	-	-	(4,549)	-
Total other financing sources (uses)	(335,467)	-	-	-	-	(4,549)	-
Net Change in Fund Balances	-	17,406	(27,375)	-	-	947,660	6,620
Fund Balances (Deficit) - Beginning of year	-	87,024	499,283	-	-	-	164,185
Fund Balances (Deficit) - End of year	**$ -**	**$ 104,430**	**$ 471,908**	**$ -**	**$ -**	**$ 947,660**	**$ 170,805**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2008

	Employee Sick and Vacation Fund	Computer Purchase Control Fund	Cable Fund	Stormwater Permit Activities	Total Nonmajor Special Revenue Funds
Revenue					
Taxes	$ -	$ -	$ -	$ -	$ 4,925,462
Federal grants	-	-	-	-	3,107,115
State grants	-	-	-	-	5,425,845
Charges for services	-	201,203	-	-	820,074
Fines and forfeitures	-	-	-	-	1,709,174
Investment income (loss)	131	-	26,672	14	510,690
Contribution from component units	7,489	-	-	-	44,696
Other	38,992	-	95,915	-	450,777
Total revenue	46,612	201,203	122,587	14	16,993,833
Expenditures - Current					
General government	-	-	20,890	-	20,890
District court	-	-	-	-	3,540,820
Public safety	-	-	-	-	282,788
Public works and utilities	-	-	-	57,493	10,585,337
Community development	-	-	-	-	2,882,276
Community and human services	-	-	-	-	555,653
General and special programs	1,396,146	201,203	-	-	1,658,327
Commercial and industrial development	-	-	-	-	63,509
Total expenditures	1,396,146	201,203	20,890	57,493	19,589,600
Excess of Revenue Over (Under) Expenditures	(1,349,534)	-	101,697	(57,479)	(2,595,767)
Other Financing Sources (Uses)					
Transfers in	1,349,534	-	-	57,479	5,770,516
Transfers out	-	-	-	-	(1,961,741)
Total other financing sources (uses)	1,349,534	-	-	57,479	3,808,775
Net Change in Fund Balances	-	-	101,697	-	1,213,008
Fund Balances (Deficit) - Beginning of year	-	-	611,562	-	9,295,818
Fund Balances (Deficit) - End of year	**$ -**	**$ -**	**$ 713,259**	**$ -**	**$ 10,508,826**

Other Supplemental Information
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2008

	Capital Improvement	GM Pontiac North Complex Development 2001	University Drive Widening	North Telegraph Extension	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements	Pontiac Woods Development
Assets							
Cash and investments	$ 2,326,190	$ -	$ -	$ -	$ -	$ 732,214	$ 109,439
Property taxes receivable	13,423	-	-	-	-	-	-
Due from other governmental units	-	-	26,186	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Total assets	**$ 2,339,613**	**$ -**	**$ 26,186**	**$ -**	**$ -**	**$ 732,214**	**$ 109,439**
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	$ 47,884	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	26,186	-	-	-	-
Deferred revenue	13,423	-	26,186	-	-	-	-
Total liabilities	61,307	-	52,372	-	-	-	-
Fund Balances (Deficit) - Unreserved	2,278,306	-	(26,186)	-	-	732,214	109,439
Total liabilities and fund balances (deficit)	**$ 2,339,613**	**$ -**	**$ 26,186**	**$ -**	**$ -**	**$ 732,214**	**$ 109,439**

Other Supplemental Information
Combining Balance Sheet
Nonmajor Capital Project Funds (Continued)
June 30, 2008

	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Project Funds
Assets							
Cash and investments	$ 554,840	$ 256,765	$ 471,370	$ -	$ 32,502	$ 48,220	$ 4,531,540
Property taxes receivable	-	-	-	-	-	-	13,423
Due from other governmental units	-	-	-	9,938	-	-	36,124
Restricted assets	-	4,860,870	-	-	-	-	4,860,870
Total assets	**$ 554,840**	**$ 5,117,635**	**$ 471,370**	**$ 9,938**	**$ 32,502**	**$ 48,220**	**$ 9,441,957**
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	$ 507,584	$ -	$ -	$ 3,444	$ -	$ -	$ 558,912
Due to other funds	-	-	-	6,493	-	-	32,679
Deferred revenue	-	-	-	9,938	-	-	49,547
Total liabilities	507,584	-	-	19,875	-	-	641,138
Fund Balances (Deficit) - Unreserved	47,256	5,117,635	471,370	(9,937)	32,502	48,220	8,800,819
Total liabilities and fund balances (deficit)	**$ 554,840**	**$ 5,117,635**	**$ 471,370**	**$ 9,938**	**$ 32,502**	**$ 48,220**	**$ 9,441,957**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Capital Project Funds
Year Ended June 30, 2008

	Capital Improvement	GM Pontiac North Complex Development 2001	University Drive Widening	North Telegraph Extension	Kennett Road Bridge Reconstruction	CVC Infrastructure Improvements	Pontiac Woods Development
Revenue							
Taxes	$ 1,578,736	$ -	$ -	$ -	$ -	$ -	$ -
Federal grants	-	-	211,916	-	-	-	-
State grants	-	950,975	-	-	-	-	-
Investment income	101,729	-	-	-	-	25,962	4,242
Total revenue	1,680,465	950,975	211,916	-	-	25,962	4,242
Expenditures							
General government	52,843	-	-	-	-	-	-
Public safety	871,980	-	-	-	-	-	-
Public works and utilities	7,387	1,052,106	22,432	119,592	-	-	-
General and special programs	28,156	-	-	-	-	-	-
Commercial and industrial development	-	-	-	-	-	-	-
Debt service	70,475	-	204,708	-	-	-	-
Total expenditures	1,030,841	1,052,106	227,140	119,592	-	-	-
Excess of Revenue Over (Under) Expenditures	649,624	(101,131)	(15,224)	(119,592)	-	25,962	4,242
Other Financing Sources (Uses)							
Proceeds from issuance of long-term debt	250,000	-	-	-	-	-	-
Transfers in	-	176,479	63,993	-	-	-	-
Transfers out	-	-	-	(600,175)	(641,487)	-	-
Total other financing sources (uses)	250,000	176,479	63,993	(600,175)	(641,487)	-	-
Net Change in Fund Balances	899,624	75,348	48,769	(719,767)	(641,487)	25,962	4,242
Fund Balances (Deficit) - Beginning of year	1,378,682	(75,348)	(74,955)	719,767	641,487	706,252	105,197
Fund Balances (Deficit) - End of year	**$ 2,278,306**	**$ -**	**$ (26,186)**	**$ -**	**$ -**	**$ 732,214**	**$ 109,439**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Capital Project Funds (Continued)
Year Ended June 30, 2008

	Phoenix Plaza Renovations	Oakland Plaza Construction	Strand Theater Project	ML King Construction	Clinton River Linear Park Trail	GM Project	Total Nonmajor Capital Projects Funds
Revenue							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,578,736
Federal grants	-	-	-	-	-	-	211,916
State grants	-	-	-	95,489	-	-	1,046,464
Investment income	24,750	156,361	18,346	-	1,262	855	333,507
Total revenue	24,750	156,361	18,346	95,489	1,262	855	3,170,623
Expenditures							
General government	-	-	-	-	-	-	52,843
Public safety	-	-	-	-	-	-	871,980
Public works and utilities	-	-	-	88,690	468	-	1,290,675
General and special programs	-	-	-	-	-	-	28,156
Commercial and industrial development	-	-	14,255	-	-	-	14,255
Debt service	-	-	-	-	-	-	275,183
Total expenditures	-	-	14,255	88,690	468	-	2,533,092
Excess of Revenue Over (Under) Expenditures	24,750	156,361	4,091	6,799	794	855	637,531
Other Financing Sources (Uses)							
Proceeds from issuance of long-term debt	-	-	-	-	-	-	250,000
Transfers in	-	-	-	22,565	-	-	263,037
Transfers out	-	-	-	-	-	-	(1,241,662)
Total other financing sources (uses)	-	-	-	22,565	-	-	(728,625)
Net Change in Fund Balances	24,750	156,361	4,091	29,364	794	855	(91,094)
Fund Balances (Deficit) - Beginning of year	22,506	4,961,274	467,279	(39,301)	31,708	47,365	8,891,913
Fund Balances (Deficit) - End of year	**$ 47,256**	**$ 5,117,635**	**$ 471,370**	**$ (9,937)**	**$ 32,502**	**$ 48,220**	**$ 8,800,819**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds
Year Ended June 30, 2008

	Debt Service Funds				
	1993 State of Michigan Bond Loan	1995 Michigan Transportation Bonds	Refinanced Golf Course Bonds	GBA Bonds	Total Nonmajor Debt Service Funds
Revenue - Contribution from component unit	$ -	$ -	$ 758,289	$ 327,080	$ 1,085,369
Expenditures - Debt service	323,978	143,400	758,289	327,080	1,552,747
Excess of Expenditures Over Revenue	(323,978)	(143,400)	-	-	(467,378)
Other Financing Sources - Transfers in	323,978	143,400	-	-	467,378
Net Change in Fund Balances	-	-	-	-	-
Fund Balances - Beginning of year	-	-	-	-	-
Fund Balances - End of year	$ -	$ -	$ -	$ -	$ -

Other Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Assets						
Current assets:						
Cash and cash equivalents	$ 1,219,919	$ 98,935	$ 3,162	$ 201	$ 192,632	$ 1,514,849
Accounts receivable	813	37,842	267,231	15,045	2,792,491	3,113,422
Prepaids and other assets	101,590	-	-	-	198,681	300,271
Total current assets	1,322,322	136,777	270,393	15,246	3,183,804	4,928,542
Noncurrent assets:						
Due from other funds - Advances	-	4,100,000	-	-	1,600,000	5,700,000
Depreciable capital assets - Net	854,529	-	-	-	-	854,529
Total noncurrent assets	854,529	4,100,000	-	-	1,600,000	6,554,529
Total assets	2,176,851	4,236,777	270,393	15,246	4,783,804	11,483,071
Liabilities						
Accounts payable	133,926	36,777	55,519	2,659	989,544	1,218,425
Accrued liabilities	-	4,200,000	-	-	3,427,000	7,627,000
Total liabilities	133,926	4,236,777	55,519	2,659	4,416,544	8,845,425
Net Assets						
Invested in capital assets	854,529	-	-	-	-	854,529
Unrestricted	1,188,396	-	214,874	12,587	367,260	1,783,117
Total net assets	**$ 2,042,925**	**$ -**	**$ 214,874**	**$ 12,587**	**$ 367,260**	**$ 2,637,646**

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Internal Service Funds
Year Ended June 30, 2008

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Operating Revenue - Charges for services	$ 1,928,913	$ 435,453	$ 1,100,621	$ 60,730	$ 21,628,864	$ 25,154,581
Operating Expenses						
Operations and maintenance	1,219,668	-	-	-	-	1,219,668
Insurance	-	606,427	1,061,032	62,012	20,918,007	22,647,478
Administration	166,805	-	-	-	461,466	628,271
Depreciation	322,250	-	-	-	-	322,250
Total operating expenses	1,708,723	606,427	1,061,032	62,012	21,379,473	24,817,667
Operating Income (Loss)	220,190	(170,974)	39,589	(1,282)	249,391	336,914
Nonoperating Income						
Investment income	26,922	170,974	10,408	1,282	100,556	310,142
Gain on disposal of fixed assets	181,567	-	-	-	-	181,567
Total nonoperating income	208,489	170,974	10,408	1,282	100,556	491,709
Transfers to Other Funds	(20,331)	-	-	-	(6,389)	(26,720)
Change in Net Assets	408,348	-	49,997	-	343,558	801,903
Net Assets - Beginning of year	1,634,577	-	164,877	12,587	23,702	1,835,743
Net Assets - End of year	**$ 2,042,925**	**$ -**	**$ 214,874**	**$ 12,587**	**$ 367,260**	**$ 2,637,646**

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008

	Equipment Revolving Fund	Self-insurance Workers' Compensation Fund	Dental Insurance Fund	Self-insurance Optical and Hearing Fund	Insurance Fund	Totals
Cash Flows from Operating Activities						
Receipts from customers	$ 1,928,100	$ 397,611	$ 1,083,652	$ 58,272	$ 21,073,746	$ 24,541,381
Payments to suppliers	(1,933,963)	(649,129)	(1,094,581)	(59,353)	(20,222,855)	(23,959,881)
Payments to employees	537,926	-	-	-	185,385	723,311
Net cash provided by (used in) operating activities	532,063	(251,518)	(10,929)	(1,081)	1,036,276	1,304,811
Cash Flows from Noncapital Financing Activities						
Transfers to other funds	(20,331)	-	-	-	(6,389)	(26,720)
Interfund loans - Proceeds and collections	-	(4,100,000)	-	-	(1,600,000)	(5,700,000)
Net cash used in noncapital financing activities	(20,331)	(4,100,000)	-	-	(1,606,389)	(5,726,720)
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(63,660)	-	-	-	-	(63,660)
Proceeds from sale of capital assets	181,567	-	-	-	-	181,567
Net cash provided by capital and related financing activities	117,907	-	-	-	-	117,907
Cash Flows from Investing Activities - Investment income	26,922	170,974	10,408	1,282	100,556	310,142
Net Increase (Decrease) in Cash and Cash Equivalents	656,561	(4,180,544)	(521)	201	(469,557)	(3,993,860)
Cash and Cash Equivalents - July 1, 2007	563,358	4,279,479	3,683	-	662,189	5,508,709
Cash and Cash Equivalents - June 30, 2008	**$ 1,219,919**	**$ 98,935**	**$ 3,162**	**$ 201**	**$ 192,632**	**$ 1,514,849**
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	$ 220,190	$ (170,974)	$ 39,589	$ (1,282)	$ 249,391	$ 336,914
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	322,250	-	-	-	-	322,250
Changes in assets and liabilities:						
Accounts receivable	(813)	(37,842)	(16,969)	(2,458)	(555,118)	(613,200)
Prepaids and other assets	(26,931)	-	-	-	1,415,160	1,388,229
Accounts payable	17,367	(42,702)	55,519	2,659	(73,157)	(40,314)
Accrued liabilities	-	-	(89,068)	-	-	(89,068)
Net cash provided by (used in) operating activities	**$ 532,063**	**$ (251,518)**	**$ (10,929)**	**$ (1,081)**	**$ 1,036,276**	**$ 1,304,811**

Other Supplemental Information
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trust Funds - December 31, 2007				
	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Total
Assets					
Cash and cash equivalents	$ 100,748	$ 100,748	$ -	$ -	$ 201,496
Cash and investments held as collateral for securities lending	94,224,009	37,597,497	-	-	131,821,506
Accrued interest and dividends receivable	1,828,111	395,795	-	-	2,223,906
Accounts receivable:					-
Due from City of Pontiac Police and Fire Retirement System	158,827	-	-	-	158,827
Due from City of Pontiac Police and Fire Retiree VEBA	-	19,150	-	-	19,150
Due from City of Pontiac	-	293,439	21,911	-	315,350
Due from GERS VEBA	75,448	-	-	-	75,448
Other	-	7,767	-	-	7,767
Total accounts receivable	234,275	320,356	21,911	-	576,542
Investments:					
Money markets and mutual funds	13,061,972	7,668,543	5,750,047	33,198,608	59,679,170
U.S. government agency notes and debentures	16,302,286	-	-	-	16,302,286
U.S. government obligations	-	9,319,543	-	-	9,319,543
Corporate and other bonds	72,689,732	27,503,225	-	-	100,192,957
Equities	317,218,852	163,738,045	-	-	480,956,897
U.S. government agency mortgage pools	47,642,084	15,464,398	-	-	63,106,482
Commercial mortgage pools	3,504,587	2,355,339	-	-	5,859,926
Asset-backed securities	3,127,014	991,638	-	-	4,118,652
Other fixed income	-	37,803,218	-	-	37,803,218
Other	12,976,027	17,253,166	-	-	30,229,193
Total investments	486,522,554	282,097,115	5,750,047	33,198,608	807,568,324
Total assets	582,909,697	320,511,511	5,771,958	33,198,608	942,391,774
Liabilities					
Due to City of Pontiac	67,184	-	-	1,467,704	1,534,888
Due to City of Pontiac and Fire Retirement System	-	-	-	19,150	19,150
Due to City of Pontiac General Employees' Retirement System	-	158,827	75,448	-	234,275
Accounts payable	712,908	333,281	14,000	15,364	1,075,553
Amount due broker under securities lending agreement	94,224,009	37,597,497	-	-	131,821,506
Total liabilities	95,004,101	38,089,605	89,448	1,502,218	134,685,372
Net Assets - Held in trust for pension and other employee benefits	**$ 487,905,596**	**$ 282,421,906**	**$ 5,682,510**	**$ 31,696,390**	**$ 807,706,402**

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008

	Pension Trust Funds - December 31, 2007				
	General City Employees' Retirement System	Police and Fire Retirement System	General City Employees' Retirement System VEBA	Police and Fire Retirement System VEBA	Total
Additions					
Investment income:					
Interest and dividends	$ 10,782,032	$ 3,850,525	$ 168,786	$ 783,218	$ 15,584,561
Net appreciation in fair value	28,721,286	22,065,260	149,948	163,179	51,099,673
Less investment expenses	(2,594,457)	(1,072,700)	-	(15,000)	(3,682,157)
Net investment income	36,908,861	24,843,085	318,734	931,397	63,002,077
Securities lending income:					
Interest and fees	3,585,995	1,488,597	-	-	5,074,592
Less borrower rebates and bank fees	(3,399,903)	(1,422,277)	-	-	(4,822,180)
Net securities lending income	186,092	66,320	-	-	252,412
Contributions:					
Employer	-	2,344,231	451,945	2,908,138	5,704,314
Employee	5,869	329,993	-	-	335,862
Total contributions	5,869	2,674,224	451,945	2,908,138	6,040,176
Other - Miscellaneous and litigation revenue	592,943	888,486	-	-	1,481,429
Total additions	37,693,765	28,472,115	770,679	3,839,535	70,776,094
Deductions					
Retiree pension benefits and retirement incentives	18,877,391	13,285,926	-	-	32,163,317
Retiree health benefit payments	-	-	-	1,592,615	1,592,615
Member refunds and withdrawals	-	458,782	-	-	458,782
Other expenses	237,031	251,174	-	18,190	506,395
Administrative expenses	260,271	119,518	16,868	-	396,657
Total deductions	19,374,693	14,115,400	16,868	1,610,805	35,117,766
Net Increase in Net Assets	18,319,072	14,356,715	753,811	2,228,730	35,658,328
Net Assets Held in Trust for Pension Benefits					
Beginning of year	469,586,524	268,065,191	4,928,699	29,467,660	772,048,074
End of year	**$ 487,905,596**	**$ 282,421,906**	**$ 5,682,510**	**$ 31,696,390**	**$ 807,706,402**

	Agency Funds			
	District Court	Current Tax Collection Fund - Winter	Payroll Fund	Fire Insurance Trust Fund
Assets				
Cash and cash equivalents	$ 127,609	$ -	$ 580,933	$ 574,654
Receivables - Other	-	757,970	-	-
Total assets	**$ 127,609**	**$ 757,970**	**$ 580,933**	**$ 574,654**
Liabilities				
Due to other governmental units	$ -	$ 743,754	$ -	$ -
Accounts payable	-	14,216	-	13,918
Accrued and other liabilities	-	-	580,933	560,736
Deposits	127,609	-	-	-
Total liabilities	**$ 127,609**	**$ 757,970**	**$ 580,933**	**$ 574,654**

Agency Funds			
Pontiac Growth Group Administration	Retirement System Administration	Housing Commission Administration	Totals
$ 8,619	$ -	$ -	$ 1,291,815
-	642,270	91,801	1,492,041
$ 8,619	**$ 642,270**	**$ 91,801**	**$ 2,783,856**
$ -	$ 642,270	$ 91,801	$ 1,477,825
8,619	-	-	36,753
-	-	-	1,141,669
-	-	-	127,609
$ 8,619	**$ 642,270**	**$ 91,801**	**$ 2,783,856**

Other Supplemental Information
Combining Balance Sheet
Governmental Fund Component Units
June 30, 2008

	Tax Increment Financing Authority						
	District 2	District 3	District 4	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
Assets							
Cash and investments	$ 69,177	$ 2,147,589	$ 914,156	$ 200	$ 1,849,382	$ 218,158	$ 5,198,662
Due from other component units - Advances	731,156	-	-	-	-	-	731,156
Receivables - Net:							
Property taxes	9,555	6,853	1,713	12,007	-	-	30,128
Other receivables	64,668	-	-	-	180,311	-	244,979
Total assets	**$ 874,556**	**$ 2,154,442**	**$ 915,869**	**$ 12,207**	**$ 2,029,693**	**$ 218,158**	**$ 6,204,925**
Liabilities and Fund Balance (Deficit)							
Liabilities							
Accounts payable	$ 290	$ 49,747	$ -	$ 2,860	$ 611	$ -	$ 53,508
Due to other component units - Advances	-	-	-	731,156	-	-	731,156
Deposits	-	-	-	1,400	8,828	-	10,228
Deferred revenue	74,223	6,853	1,713	12,007	708,097	-	802,893
Total liabilities	74,513	56,600	1,713	747,423	717,536	-	1,597,785
Fund Balance (Deficit)							
Reserved	731,156	-	-	-	1,195,123	-	1,926,279
Unreserved, undesignated	68,887	2,097,842	914,156	(735,216)	117,034	218,158	2,680,861
Total fund balance (deficit)	800,043	2,097,842	914,156	(735,216)	1,312,157	218,158	4,607,140
Total liabilities and fund balance (deficit)	**$ 874,556**	**$ 2,154,442**	**$ 915,869**	**$ 12,207**	**$ 2,029,693**	**$ 218,158**	**$ 6,204,925**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Fund Component Units
Year Ended June 30, 2008

	Tax Increment Financing Authority						
	District 2	District 3	District 4	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
Revenue							
Taxes	$ 3,659,269	$ 3,059,081	$ 1,741,330	$ 603,808	$ -	$ 66,525	$ 9,130,013
Federal grants	-	-	-	-	4,907	-	4,907
State grants	33,000	-	-	34,375	-	-	67,375
Investment income	110,489	86,768	36,699	5,046	56,947	8,802	304,751
Other	2,983	-	-	26,668	18,155	-	47,806
Total revenue	3,805,741	3,145,849	1,778,029	669,897	80,009	75,327	9,554,852
Expenditures							
Commercial and industrial development	2,622,025	1,146,733	820,093	607,692	64,895	109,064	5,370,502
Debt service	3,480,075	2,711,524	-	-	-	-	6,191,599
Total expenditures	6,102,100	3,858,257	820,093	607,692	64,895	109,064	11,562,101
Excess of Revenue Over (Under) Expenditures	(2,296,359)	(712,408)	957,936	62,205	15,114	(33,737)	(2,007,249)
Other Financing Sources (Uses)							
Payment to escrow agent	(4,501,308)	(23,803,467)	-	-	-	-	(28,304,775)
Proceeds from issurance of debt	5,980,000	25,100,000	-	-	-	-	31,080,000
Transfer out to other funds	(50,000)	-	-	50,000	-	-	-
Total other financing sources (uses)	1,428,692	1,296,533	-	50,000	-	-	2,775,225
Net Change in Fund Balances	(867,667)	584,125	957,936	112,205	15,114	(33,737)	767,976
Fund Balances (Deficit) - Beginning of year	1,667,710	1,513,717	(43,780)	(847,421)	1,297,043	251,895	3,839,164
Fund Balances (Deficit) - End of year	**$ 800,043**	**$ 2,097,842**	**$ 914,156**	**$ (735,216)**	**$ 1,312,157**	**$ 218,158**	**$ 4,607,140**