Michigan Deptartment of Treasury
496 (2-04)

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| Local Government Type | Local Government Name | County |
|---|---|---|
| ☑ City ☐ Township ☐ Village ☐ Other | City of Detroit, Michigan | Wayne |

| Audit Date | Opinion Date | Date Accountant Report Submitted to State: |
|---|---|---|
| 6/30/04 | 3/21/05 | 4/15/05 |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY
APR 18 2005
4/12
LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

As part of obtaining reasonable assurance about whether the Local unit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not a objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. "Yes" responses have been disclosed in the financial statements, including the notes, or the report of comments and recommendations.

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☑ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|---|---|---|
| The letter of comments and recommendations. | | ✔ | |
| Reports on individual federal financial assistance programs (program audits). | | | ✔ |
| Single Audit Reports (ASLGU). | | ✔ | |

| Certified Public Accountant (Firm Name) | | | |
|---|---|---|---|
| KPMG LLP | | | |
| Street Address | City | State | ZIP |
| 150 W. Jefferson Ave. Suite 1200 | Detroit | MI | 48226 |
| Accountant Signature | | Date | |
| | | 4/15/05 | |

CITY OF DETROIT, MICHIGAN

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Kwame M. Kilpatrick
Mayor

Sean K. Werdlow
Chief Financial Officer/Finance Director

A view of Jefferson Avenue from the GM World Headquarters Building.

Photo courtesy of City of Detroit - Communications and Creative Services Department.

# City of Detroit, Michigan
# Comprehensive Annual Financial Report
# For the Fiscal Year Ended June 30, 2004

**Kwame M. Kilpatrick**
***Mayor***

**Prepared by the Finance Department**
**Sean K. Werdlow**
***Chief Financial Officer/Finance Director***

*"We hope for better things"*

*"It shall rise again from the ashes"*

**FOUNDED 1701**
**INCORPORATED 1806**
**AREA (Square Miles) 137.9**
**POPULATION 911,402**

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All photographs courtesy of City of Detroit – Communications and Creative Services Department.

# INTRODUCTORY



**The Introductory Section contains:**

**Letter of Transmittal**
**GFOA Certificate of Achievement for Excellence in Financial Reporting**
**Auditor General's Letter**
**City of Detroit Organizational Chart**
**List of Principal Officials**

**Ford Field**

CITY OF DETROIT
FINANCE DEPARTMENT

1200 COLEMAN A. YOUNG MUNICIPAL CENTER
DETROIT, MICHIGAN 48226

March 25, 2005

The City of Detroit,
The Honorable Mayor Kwame M. Kilpatrick and
The Honorable City Council

The management and staff of the Finance Department is pleased to present the City of Detroit's (the "City") Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2004 along with the Independent Auditor's Report. The CAFR is prepared by the City's Finance Department in accordance with the financial reporting principles and standards of the Governmental Accounting Standards Board (GASB).

The City is pleased that the Government Finance Officers Association (GFOA) recognized Detroit with the prestigious award for excellence in financial reporting for our 2002-2003 CAFR. This is the second consecutive year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish a well-organized and easily understandable CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

Responsibility for the accuracy, completeness, and fairness of the financial statements, including all disclosures, rests with the City. Accordingly, we believe that the information, as presented, is accurate in all material respects. We also believe that the financial statement presentation accurately depicts the financial position and the results of operations as measured by the financial activity of our various funds. Finally, the notes and disclosures included provide the reader with a more comprehensive understanding of the City's financial position.

**Independent Audit**

The City's Charter requires the Auditor General of the City to audit the transactions of all City agencies at least once every two years. The Auditor General is appointed by the City Council for a ten-year term.

Additionally, state laws require the City to have its financial statements audited by an independent, outside auditor once every five years. However, beginning with the fiscal year 1980, the Mayor and City Council agreed to have an annual financial statement audit by an independent auditor. The independent auditor's report on the financial statements is included in the financial section of this report. The City of Detroit must also comply with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and non-profit organizations.*

## CITY OF DETROIT GOVERNANCE STRUCTURE

The City of Detroit was incorporated in 1806, and is a home rule city under state law. The organizational structure of the City is as follows:

### The Executive Branch

- The Mayor heads the executive branch. The citizens of Detroit elect the Mayor to a four-year term. The City Charter grants the Mayor broad managerial powers including the authority to appoint department directors, deputy directors, and other executive branch officials. The responsibility to implement most programs, provide services, activities, and manage day-to-day operations is delegated by the Charter to the executive branch.

### The Legislative Branch

- The legislative branch is comprised of the City Council and its agencies. The nine members of City Council are also elected to a four-year term. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved by the City Council.

### Other Agencies

- The City Clerk's Office and the Election Commission are not classified under either of the two branches mentioned above.

### Background and Overview

Detroit, Michigan's largest city is located in the County of Wayne in the southeastern section of the state's lower peninsula. The City covers approximately 140 square miles and accounts for nearly half of the population of Wayne County. The City is internationally known for automotive manufacturing and trade. Detroit is located on an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world.

## MAJOR INITIATIVES AND ACHIEVEMENTS

A number of significant initiatives, outlined below, are underway in the City of Detroit that will have a positive effect on the City's economic health and its ability to provide services to residents and businesses.

### Public Safety

Continuing a three-year trend, violent crimes decreased 15 percent and major crimes were down by 12 percent this year. Over the past three years, violent crimes have been reduced by more than 26 percent and major crimes fell almost 20 percent to a level last experienced in 1963.

- The number of uniformed police officers out in the streets has been increased. Assignments have been changed to increase police presence during peak hours and in areas identified as hot spots.

- A $20 million public safety mall will open in southwest Detroit, the first new precinct built in the City since 1991.

- A new state of the art Computed Aided Dispatch Communications Center will, for the first time coordinate the work of our 9-1-1 operators with Fire, EMS, and Police dispatchers replacing a 32-year-old system.

- The Detroit Fire Department reorganized its Emergency Medical Service (EMS) division in June. The restructuring has improved the effectiveness of EMS response times. More paramedics and larger quantities of medical supplies can be deployed more rapidly than before.

- In an era of tight municipal budgets, Fire's Emergency division secured nearly $12.7 million in state and federal grants for homeland security and other safety measures. This funding helps protect and secure every Detroiter.

- Passage of Proposal S will allow work to begin soon on a new $30 million detention facility to meet the requirements of the Department of Justice Consent Decree.

After decades of neglect, 27,000 of the City's 85,000 streetlights were out of service three years ago. Today that number has been reduced to 5,000 as the result of improvements launched in the Public Lighting Department.

Despite stormy weather that caused downed power lines, power outages, and malfunctioning traffic lights throughout the City, a record 56,480 volunteers took up their posts to keep their neighborhoods and the City safe during the Halloween period.

**Recreation and Entertainment**

- Belle Isle Park looks better than it has in years with resurfaced streets, opening of a state-of–the-art playscape, the Giant Slide, additional comfort stations, and upgraded athletic fields. New chimes were installed in the Nancy Brown Peace Carillon Tower. The island was the scene of more than 600 family reunions and hosted nearly 8 million visitors.

- All parks remain on a 10-day mowing cycle to make them safe and inviting.

- Ten parks in each sector of the City were renovated. Improvements include new benches, beautiful landscaping, brightly colored play equipment on soft rubber safety surfaces, new walking/jogging paths, picnic areas, tennis and basketball courts and football/soccer fields. Renovation decisions were based upon community input, available funding, and space availability.

- The streets of Detroit were alive as people came in record numbers to eat, dance, dream, and celebrate every season.

- The North American International Auto Show drew more than 815,000 visitors in January. More than 6,600 reporters representing 40 U.S. states and 68 countries converged on Detroit. The show had a $553 million economic impact on the Metro area.

- Movement 2004 was the largest electronic music festival in the world, making Detroit *the* destination for avid techno music fans from around the globe. The May event featured more than 70 acts performing for more than a million fans.

- In June, more than one million enthusiastic fans jammed downtown to celebrate the NBA Champion Detroit Pistons with a parade down Jefferson Avenue followed by a rally at Hart Plaza.

- The New Center Area was the destination in July as more than a half million people attended Comerica Taste-Fest 2004 – the largest crowd ever in the street festival's 16 year history.

- More than 6,600 runners entered the Detroit Free Press/Flagstar Bank Marathon, the largest field in the Detroit marathon's 27-year history.

- The lighting of the Detroit Christmas Tree was part of the grand opening of Campus Martius Park.

- Campus Martius Park and the surrounding area was the scene of the Winter Blast. The event featured a toboggan run, dog sled races, rides in antique cars, and of course skating and food.

- Detroit is preparing to host the Major League Baseball All Star Game at Comerica Park in July and the Super Bowl XL in January 2006.

**Economic Development**

- This past year has seen significant movement of new jobs into Detroit:

    - Excel Automotive moved into a 360,000 square foot new facility in the I-94 Industrial Park, located at Van Dyke and I-94, creating 254 new jobs

    - TDS Automotive moved into a 360,000 square foot new facility on Freud that created 250 new jobs.

    - Arvin Meritor opened its Light Vehicle Systems headquarters in Southwest Detroit, with a manufacturing facility and tech center creating a total of 530 jobs.

    - Mobius Microsystems, a start-up technology company that could have located anywhere, chose to locate its headquarters in Grand Circus Park.

    - PriceWaterhouseCoopers is relocating its headquarters to Ford Field, retaining 300 jobs and moving 150 jobs from its suburban office to the City.

    - Onstar, EDS and Saab have moved 1,600 new jobs into the Renaissance Center.

- Using Empowerment Zone and foundation funding to spur private investment, the City partnered again with community development corporations to renovate 689 building facades in 11 neighborhood commercial districts across the City.

- One of the most exciting indicators of progress in Detroit is the number of permits that have been issued for new housing construction. For the first time in 50 years, Detroit is near the top of the list in southeastern Michigan for new housing construction.

- The Riverwalk is becoming a reality along the Detroit River with the opening of the plaza located behind General Motors.

- The new Joe Dumars Field House opened last fall at the State Fairgrounds.

- Other developments of significance include:

  - *Campus Martius Development, a* partnership of developers began construction in 2001 of a $1 billion development located on a 9.2-acre site in downtown Detroit. The development includes a $400 million office building that houses the corporate offices of Compuware, retail space (including a Hard Rock café and Borders book store) and 2,700 parking spaces.

    In addition, the Campus Martius Development will include Merchant's Row, a $30 million redevelopment project that will include 163 loft condominiums, a 264-space parking garage and 28,400 square feet of retail space. Merchants Row is expected to add approximately 50 new small businesses to the central Detroit area. In addition, there will be significant façade and streetscape improvements to the area.

    Campus Martius Park opened in November 2004. The Detroit 300 Conservancy, a nonprofit organization, is funding the construction of this $20 million park. Major donors toward this project include; Compuware, DaimlerChrysler Corp. Fund, Ford Motor Co. Fund, General Motors Foundation, Hudson Webber Foundation, Carls Foundation, Kresge Foundation and Skillman Foundation. Construction began in the fall of 2002.

  - *Orchestra Place,* the second phase of an $80 million restoration and expansion of Orchestra Hall was completed in spring 2004.

  - *Hilton Garden Inn*, the newest ground-up hotel built in Detroit is in Harmonie Park, near Comerica Park, home of the Detroit Tigers. The $27-million project, offers 198 rooms, conference provisions, dining, swimming pool, fitness center and a 3-story glass atrium rotunda. The 10-story, 135,000-square-foot hotel was completed March 2004.

  - *Woodward Millennium, a* $37 million mixed-use development is being constructed in the Medical Center Area. Construction is expected to be completed in spring 2005. The

development will include 180 units of loft-style condominiums and garden-style apartments, a parking garage and retail space.

- *Brush Park Manor,* a 91,000 sq. ft. senior apartment residence on 3.3 acres of land on Brush Street was recently completed. The 3-story complex consists of 113 apartments. The estimated cost of the project is $9.9 million.

- The YMCA began construction of a $38 million 5-story recreational facility located in the City's downtown area. The new facility will house an auditorium, a swimming pool, health and fitness center, wellness center, parking garage and a childcare center. Completion is expected in late 2005.

**Infrastructure Improvements**

- Since 2003 and including this construction year, the City will resurface 346 miles of City streets.

- To improve customer service, the City will institute a new 311 system in May. Twenty operators trained in customer service and telephone etiquette will handle the calls to allow "One call to City Hall."

- The City launched eDetroit, a portal that allows people to transact business with the City via the Internet. The current online services include payment services for payment of DPW Commercial Bills and parking violations and access to Birth/Death Certificates, Property Auctions, information about Detroit properties, crime statistics, location of police precincts, etc.

- The Detroit Department of Water and Sewage (DWSD) maintained its "AA" bond rating for both the water and sewer systems, which means the City can borrow money at much lower interest rates to fund major DWSD capital improvement projects.

**Economic Considerations**

This is not an easy time for Detroit. But, we are not alone. The latest numbers tell us that around the world, a quarter of the world's urban centers are declining in population – twice the number of just a decade ago.

Nationally, the economy continues to be troubled. We are fighting two foreign wars that have diverted billions of dollars away from domestic programs at a time when the need for those programs has grown. Gasoline prices are reaching record levels that could seriously impact the auto industry. The federal government is running record deficits.

The federal government is systematically cutting assistance to local units of government across a broad range of programs such as community development block grants, homeless assistance and others. For example the funding under the federal COPS program to hire new police declined from $2.5 million to under $150,000 in three years.

Closer to home, Michigan's economy continues to be one of the weakest in the nation, ranking 49th out of 50 states in unemployment. For Detroit, that has meant deep cuts in income taxes and state revenue sharing.

In Detroit, rising health care and pension costs are costing the City $200 million more than they did just three years ago at a time when our revenues are falling. In the past three years –

- Health care costs have risen $78 million or 46%
- Pension costs have risen by $120 million

## BUDGETARY INITIATIVES

To address fiscal year 2003-04 General Fund deficit of $95 million, the City's budgetary initiatives in fiscal year 2004-05 include:

- Implemented a 10% salary cut for Mayor, appointees, and non-union employees
- Requested unions to accept a 10% wage cut in the form of Days Without Pay
- Requested City vendors to sacrifice with 10% concessions on their contracts
- Eliminated 237 vacant City jobs
- Laid off 686 City employees
- Implemented user fee increases and/or new fees for 6 City departments
- Issuing pension obligation certificates to cover unfunded pension liabilities

For fiscal year 2005-06, some of the City's budget cutting initiatives include:

- Eliminating all general-assigned City vehicles and all vehicles for mayoral appointees
- Restructuring employee benefit programs to reduce costs
- Reviewing workers compensation, to reduce cases and amount paid
- Fully implementing a defined contribution pension plan
- Reengineering and consolidating City departments
- Introducing state legislation to permit the City to levy a prepared food and beverage tax and a real estate property tax transfer

## OUR VIEW OF THE FUTURE

Financial position is one of the key indicators of an organization's strength. While financial statements are an objective measure of the strength of the City, there are other factors, which taken together, provide the framework for our view of the City. Last year this report included a quote from Mayor Kwame M. Kilpartrick's 2003 Annual Report to the Community that continues to drive the administration of the City of Detroit: "From education to economic development, from public safety to public works, the focus of this administration has been on Kids, Cops, Clean: improving the quality of life in Detroit and rebuilding our City for our children."

## ACKNOWLEDGEMENTS

I wish to express my appreciation to the entire staff of all accountants and fiscal staff within the City of Detroit, the City's Finance Department, and the fiscal staff at each of our component units whose professionalism, dedication and efficiency contributed to the preparation of this report. Also, thanks to the Mayor's Office, members of City Council and the Auditor General for their interest and support in planning and conducting the City's financial affairs.

Respectfully submitted,

SEAN K. WERDLOW
***Chief Financial Officer/Finance Director***

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

# City of Detroit, Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Detroit
OFFICE OF THE AUDITOR GENERAL
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 208
Detroit, Michigan 48226
Phone: (313) 224-3101
Fax: (313) 224-4091
www.ci.detroit.mi.us

**Joseph L. Harris, CPA, CIA**
Auditor General

**Sharon L. Gipson, CPA**
Deputy Auditor General

# AUDITOR GENERAL'S LETTER

March 21, 2005

The Honorable Mayor Kwame M. Kilpatrick
and Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004, were audited by KPMG LLP, and Alan C. Young and Associates, P.C., under contract with the City of Detroit, Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

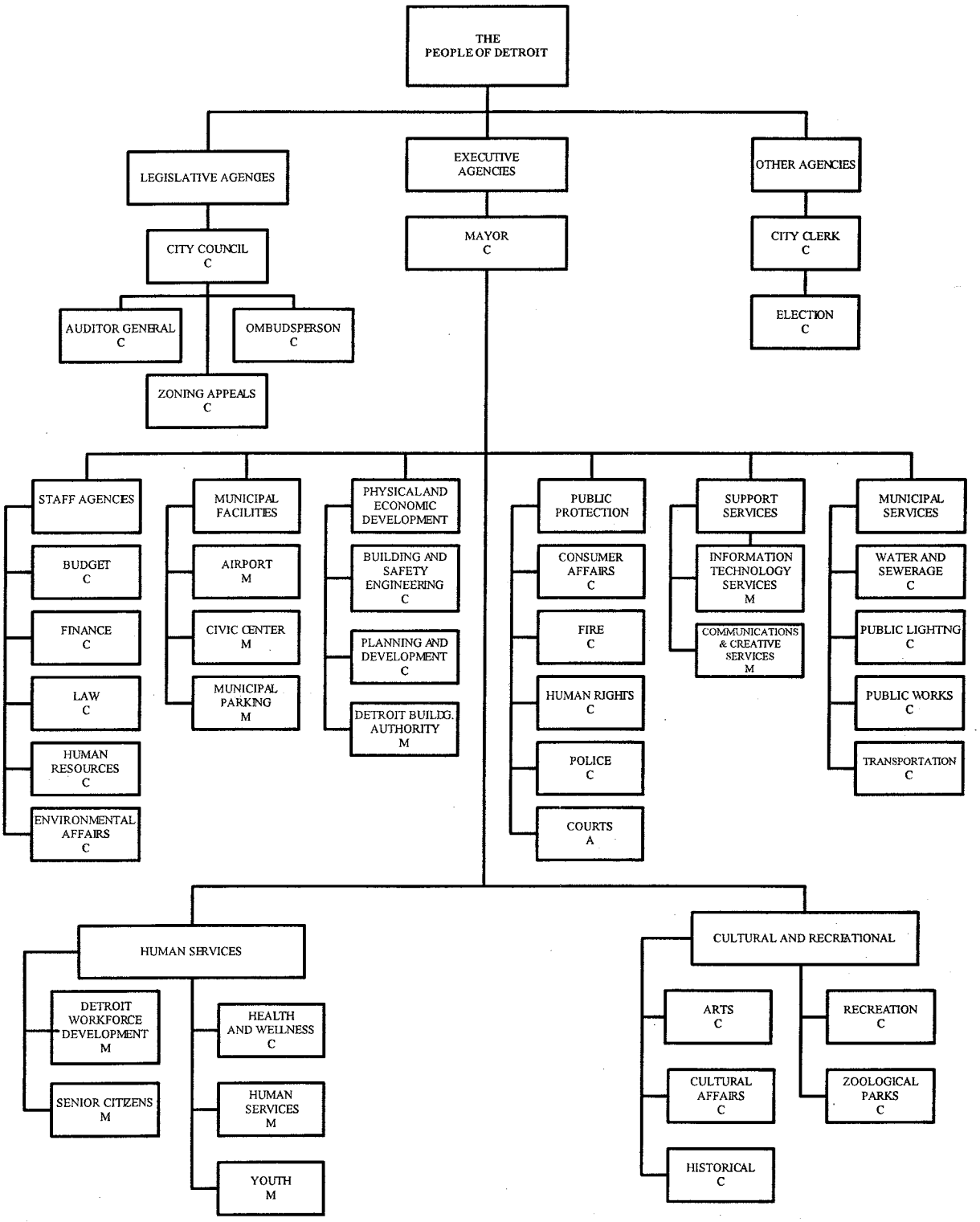
Based on the results of their audit, KPMG LLP has issued their report on the aforementioned financial statements, dated March 21, 2005.

Respectfully,

Joseph L. Harris
Auditor General

# CITY OF DETROIT ORGANIZATION CHART

June 30, 2004




ESTABLISHED BY:
A- STATE ACT
C- CITY CHARTER
M- MAYOR'S EXECUTIVE ORGANIZATION PLAN
O- CITY ORDINANCE

# PRINCIPAL OFFICIALS
# Of The
# CITY OF DETROIT, MICHIGAN

## Executive
**(Elected)**

## Mayor
KWAME M. KILPATRICK

## Legislative
**(Elected)**
**City Council**

MARYANN MAHAFFEY
President

KENNETH V. COCKREL, JR.
President Pro Tem

ALONZO W. BATES

SHEILA M. COCKREL

KAY EVERETT
(Deceased - November 24, 2004)

SHARON McPHAIL

# PRINCIPAL OFFICIALS
# Of The
# CITY OF DETROIT, MICHIGAN

BARBARA-ROSE COLLINS

ALBERTA TINSLEY-TALABI

JOANN WATSON

## City Clerk

JACKIE L. CURRIE

## Other Executive Officials
### (Appointed)

SEAN K. WERDLOW
Chief Financial Officer/Finance Director

MATTHEW A. GRADY III
Deputy Finance Director

MIKE D. BRIDGES, CPA
Chief Accounting Officer

**Spirit of Detroit -** The spirit of Detroit is one of invigorated revitalization. Champions call Detroit home including the World Champion Detroit Pistons and the Detroit Red Wings. Ford Field is the site of the Super Bowl XL, which could feature the Detroit Lions with a home field advantage on February 5, 2006.

# SPIRIT OF DETROIT

# FINANCIAL

**The Financial Section contains:**

**Independent Auditors' Report**
**Management's Discussion and Analysis**
**Basic Financial Statements**
**Notes to Basic Financial Statements**
**Required Supplementary Information**

House Construction

San Juan Townhomes

Bridgeview Townhomes

# INDEPENDENT

# AUDITORS'

# REPORT

KPMG LLP
Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

## Independent Auditors' Report

To the Honorable Mayor Kwame Kilpatrick
and Members of the City Council
City of Detroit:

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 Detroit, Michigan (the City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School District of the City of Detroit, the Downtown Development Authority, the Economic Development Corporation, the Museum of African American History, the Detroit Transportation Corporation, the Detroit Housing Commission, and the Greater Detroit Resource Recovery Authority, which represent 97.9% and 96.5%, respectively, of the assets and revenues of the discretely presented component units. We also did not audit the financial statements of the Retirement Systems, which represent 93.1% and 36.8%, respectively, of the assets and expenses/expenditures/deductions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports 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 the 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.

As described in note 3(B)1(c), the financial statements of the Detroit Housing Commission Component Unit did not include a liability to the Department of Housing and Urban Development in the amount of $14,236,946 related to unallowable costs claimed for federal reimbursement. Accounting principles generally accepted in the United States of America require that all liabilities that are probable and can be estimated should be recorded as liabilities, which would increase expenses and decrease net assets.



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

In our opinion, based on our audit and the reports of other auditors, except for the effects of not recording the liability of the Detroit Housing Commission Component Unit as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Detroit, Michigan as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports 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, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and budgetary comparison 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 have also issued our report dated March 21, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 1(C), the City changed the reporting of the Detroit Housing Commission from a proprietary fund to a discretely presented component unit as of July 1, 2003.

The Management's Discussion and Analysis on pages 7 through 25 and the schedules of employer contributions and the schedules of funding progress on page 104 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Detroit's basic financial statements. The combining individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan
March 21, 2005

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

(Left to Right)
Mike D. Bridges, CPA, CAO,
Sean K. Werdlow, CFO/Finance Director, and
Matthew A. Grady III, Deputy Finance Director

# CITY OF DETROIT FINANCE TEAM

This section of the City of Detroit's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2004 by $1.7 billion (net assets).
- The City's total net assets decreased during fiscal year 2004 by $174 million, a significant reduction over the previous year's net asset of $1.9 billion.
- Total revenues for governmental funds were approximately $1.9 billion for the current fiscal year, an increase of approximately 2.1% over the prior fiscal year. Expenditures for governmental funds totaled $2.2 billion, an increase of approximately 9.5 % from the same period.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of $387.9 million. The unreserved fund balance had a deficit of $20.6 million.
- At the end of the fiscal year, the City had an unreserved general fund deficit balance of $95 million. Significant contributing factors were decreases in major revenue sources such as, income taxes, and shared state taxes. In addition, there were increases in certain unanticipated expenditures, particularly in the areas of public protection and capital outlay.
- The City's total long-term liabilities, per the Statement of Net Assets were $5.3 billion as of June 30, 2004, with $5.1 billion related to bonds, notes, and other debt payable.

# I. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the Basic Financial Statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

## Organization of City of Detroit's Comprehensive Annual Financial Report

| | | | | | |
|---|---|---|---|---|---|
| CAFR | Introductory Section | **INTRODUCTORY SECTION** | | | |
| | Financial Section | + | | | |
| | | **Management's Discussion and Analysis** | | | |
| | | **Government-wide Financial Statements** | **Fund Financial Statements** | | |
| | | Statement of net assets | **Governmental Funds** | **Proprietary Funds** | **Fiduciary Funds** |
| | | | Balance Sheet | Statement of net assets | Statement of fiduciary net assets |
| | | Statement of activities | Statement of revenues, expenditures, and changes in fund balances | Statement of revenues, expenses, and changes in fund net assets | Statement of changes in fiduciary net assets |
| | | | Budgetary comparison statement | Statement of cash flows | |
| | | **Notes to the Financial Statements** | | | |
| | | **Required Supplementary Information Other Than MD &A** | | | |
| | | Information on individual non-major funds and other supplementary information that is not required | | | |
| | | + | | | |
| | Statistical Section | **STATISTICAL SECTION** | | | |

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

| | Government-wide Statements | Fund Financial Statements | | |
|---|---|---|---|---|
| | | Governmental | Proprietary | Fiduciary |
| **Scope** | Entire entity (except fiduciary funds) | The day-to-day operating activities of the City for basic governmental services | The day-to day operating activities of the City for business-type enterprises | Instances in which the City administers resources on behalf of others, such as employee benefits |
| **Accounting basis and measurement focus** | Accrual accounting and economic resources focus | Modified accrual and current financial resources measurement focus | Accrual accounting and economic resources focus | Accrual accounting and economic focus; except agency funds do not have measurement focus |
| **Type of asset and liability information** | All assets and liabilities, both financial and capital, short-term and long-term | Current assets and liabilities that come due during the year or soon thereafter | All assets and liabilities, both financial and capital, short-term and long-term | All assets held in a trustee or agency capacity for other |
| **Type of inflow and outflow information** | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expense during year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

## II. GENERAL DISCUSSION OF THE FINANCIAL STATEMENTS

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- **The statement of net assets** - presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- **The statement of activities** - presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

**The Primary Government**
Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, health, education development, recreation and culture, economic development, transportation, housing supply and conditions, physical environment and development and management functions. The business-type activities of the City include an airport, automobile parking, water and sewage disposal operations, and transportation.

**The Component Units**
The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate organizations and agencies for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Included within the governmental activities of the financial statements are the operations of the Brownfield Redevelopment Authority, Detroit Public Library, Downtown Development Authority, Economic Development Corporation, Detroit Housing Commission, Local Development Finance Authority, Museum of African American History, Tax Incremental Finance Authority, Detroit Public Schools, Detroit Transportation Corporation and the Greater Detroit Resource Recovery Authority. These legally separate entities are "discretely presented component units".

One other entity, the Detroit Building Authority is a "blended" component unit since its financial data is required to be "blended" with the City to present fairly the financial results of the primary government.

## Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental, proprietary**, and **fiduciary** funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements- i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To facilitate this comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide financial statements.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund statement of revenues expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds**
Proprietary funds are generally used to account for services for which the City charges customers. The City of Detroit has five proprietary or "enterprise" funds. The City's enterprise funds are Sewage Disposal, Transportation, Water, Automobile Parking and Airport. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

**Fiduciary funds**
Fiduciary funds are used to account for resources held for the benefit of parties outside of City government. The City employees' pension plan and the employee benefit trust funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this CAFR presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

## III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial analysis includes the **statement of net assets** and **the statement of activities.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

## Statement of Net Assets

The following is a summary of Net Assets at June 30, 2004 and 2003:

| | Primary Government (In Thousands) | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2004 | 2003 | 2004 | 2003 As Restated | 2004 | 2003 As Restated |
| **Assets** | | | | | | |
| Current and Other Assets | $ 781,052 | $ 853,956 | $ 1,384,886 | $ 1,714,772 | $ 2,165,938 | $ 2,568,768 |
| Capital Assets | 1,194,050 | 1,116,516 | 4,593,455 | 4,096,202 | 5,787,505 | 5,212,718 |
| Total Assets | 1,975,102 | 1,970,472 | 5,978,341 | 5,810,974 | 7,953,443 | 7,781,446 |
| **Liabilities** | | | | | | |
| Long-term Liabilities Outstanding | 1,300,807 | 982,419 | 4,077,927 | 3,997,731 | 5,270,593 | 4,980,150 |
| Other Liabilities | 481,145 | 557,501 | 354,373 | 330,645 | 943,659 | 888,146 |
| Total Liabilities | 1,781,952 | 1,539,920 | 4,432,300 | 4,328,376 | 6,214,252 | 5,868,296 |
| **Net Assets** | | | | | | |
| Invested in Capital Assets, net of Related Debt | 423,119 | 419,594 | 1,063,418 | 1,035,281 | 1,486,537 | 1,454,875 |
| Restricted | 85,250 | 113,243 | 199,037 | 120,671 | 284,287 | 233,914 |
| Unrestricted (Deficit) | (315,219) | (102,285) | 283,586 | 326,646 | (31,633) | 224,361 |
| Total Net Assets | $ 193,150 | $ 430,552 | $ 1,546,041 | $ 1,482,598 | $ 1,739,191 | $ 1,913,150 |

## Analysis of the Statement of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately $1.7 billion at the close of fiscal year 2004.

The largest portion of the City's net assets reflects its investment of $1.5 billion (85.5%) in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

Another portion of the City's net assets is restricted. $284.3 million (16.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a deficit unrestricted net assets, $31.6 million (1.8 %). Together, these two categories of net assets totaled 14.5%.

At the end of the current fiscal year, net assets for the governmental activities were $193.2 million. The unrestricted net assets had a deficit of $315.2 million. Major reasons for the decrease are noted in the "Governmental Activities" under the "Statement of Activities" section.

The "Business-type Activity" net assets decreased by $44.7 million during the fiscal year. The Detroit Housing Commission (DHC) was reported as a non-major proprietary fund for fiscal year ended June 30, 2003. Effective July 1, 2003 the DHC was determined to be a separate legal entity based on a ruling by the Michigan Supreme Court. The City determined that the DHC should be reported as a discrete component unit of the City, in accordance with the provisions of Government Accounting Standards Board Statement No.14, the 'Reporting Entity". Therefore, the City restated the net asset balance, beginning of year for the Proprietary Funds and Component Units. Refer to "Business-type Activities" under the "Statement of Activities" section for further explanation of the decrease in net assets.

## Statement of Activities

The following is a summary of activities for the year ended June 30, 2004 and 2003:

| | Governmental Activities | | Primary Government (In Thousands) Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 As Restated | 2004 | 2003 As Restated |
| **Revenues** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 318,536 | $ 270,783 | $ 464,344 | $ 578,523 | $ 782,880 | $ 849,306 |
| Operating Grants and Contributions | 315,322 | 365,858 | 89,345 | 65,723 | 404,667 | 431,581 |
| Capital Grants and Contributions | 115,529 | 35,557 | 33,759 | 10,657 | 149,288 | 46,214 |
| General Revenues: | | | | | | |
| Property Taxes | 253,881 | 221,339 | - | - | 253,881 | 221,339 |
| Municipal Income Tax | 290,615 | 310,935 | - | - | 290,615 | 310,935 |
| Utility User Tax | 47,423 | 55,526 | - | - | 47,423 | 55,526 |
| Wagering Tax | 116,146 | 111,341 | - | - | 116,146 | 111,341 |
| Hotel and Liquor Tax | 16,217 | 16,217 | - | - | 16,217 | 16,217 |
| Shared Taxes | 286,479 | 319,055 | - | - | 286,479 | 319,055 |
| Other Local Taxes | 18,118 | 26,866 | - | - | 18,118 | 26,866 |
| Investment Earnings | 4,500 | 5,691 | 12,516 | 18,593 | 17,016 | 24,284 |
| Other (Miscellaneous) | 13,173 | 14,513 | 3,813 | 4,489 | 16,986 | 19,002 |
| Total Revenues | 1,795,939 | 1,753,681 | 603,777 | 677,985 | 2,399,716 | 2,431,666 |
| **Expenses** | | | | | | |
| Public Protection | 755,816 | 593,346 | - | - | 755,816 | 593,346 |
| Health | 172,602 | 194,876 | - | - | 172,602 | 194,876 |
| Educational Development | 95,655 | 85,958 | - | - | 95,655 | 85,958 |
| Recreation and Culture | 82,149 | 81,401 | - | - | 82,149 | 81,401 |
| Economic Development | 102,680 | 102,939 | - | - | 102,680 | 102,939 |
| Transportation Facilitation | 49,858 | 44,218 | - | - | 49,858 | 44,218 |
| Housing Supply and Conditions | 21,190 | 18,567 | - | - | 21,190 | 18,567 |
| Physical Environment | 267,233 | 273,248 | - | - | 267,233 | 273,248 |
| Development and Management | 350,970 | 372,617 | - | - | 350,970 | 372,617 |
| Interest on Long-term Debt | 58,080 | 44,661 | - | - | 58,080 | 44,661 |
| Airport | - | - | 4,031 | 3,845 | 4,031 | 3,845 |
| Automobile Parking | - | - | 21,991 | 21,534 | 21,991 | 21,534 |
| Sewage Disposal | - | - | 186,980 | 261,672 | 186,980 | 261,672 |
| Transportation | - | - | 206,320 | 196,163 | 206,320 | 196,163 |
| Water | - | - | 198,120 | 249,329 | 198,120 | 249,329 |
| Total Expenses | 1,956,233 | 1,811,831 | 617,442 | 732,543 | 2,573,675 | 2,544,374 |
| Increase (Decrease) in Net Assets before Transfers and Special Item | (160,294) | (58,150) | (13,665) | (54,558) | (173,960) | (112,708) |
| Transfers | (77,108) | (78,019) | 77,108 | 78,019 | - | - |
| Special Item – Casino Development Revenue | - | 132,000 | - | - | - | 132,000 |
| Change in Net Assets | (237,402) | (4,169) | 63,443 | 23,461 | (173,960) | 19,292 |
| Net Assets, Beginning of Year, as restated | 430,522 | 434,721 | 1,482,598 | 1,459,137 | 1,913,150 | 1,983,858 |
| Net Assets, End of Year | $ 193,150 | $430,552 | $1,546,041 | $ 1,482,598 | $1,739,190 | $ 1,913,150 |

## Analysis of Statement of Activities

The City's net assets overall decreased by $174.0 million during fiscal year 2004 as compared to $37.9 million increase last fiscal year. The governmental activities component of this change was $237.4 million, a significantly larger decrease than in the prior year. Business-type activities' aggregate increased by $63.4 million over last year. Major reasons for these changes are noted in the "Government and Business-type Activities" discussion below.

### Governmental Activities

Governmental activities decreased the City's net assets by $237.4 million during fiscal year 2004, which are $233.3 million more than the decrease in fiscal year 2003. Significant changes from 2003 to 2004 in revenue and expenses for the City include the following:

- Property tax revenue increased by $32.5 million due to the Michigan state legislature passing Public Act 246 of 2003. This enactment brought Detroit in line with other municipalities in Michigan regarding the collection of delinquent property taxes. Beginning March 1, 2004 the City's delinquent real property taxes became the responsibility of the Wayne County Treasurer.

- State Share tax revenue decreased by $32.6 million due to a declining State economy and State budget cutbacks.

- Municipal Income Tax revenue decreased by $20.3 million due to the continued downturn in the economy and a 1999 rate rollback schedule agreement with the state legislature.

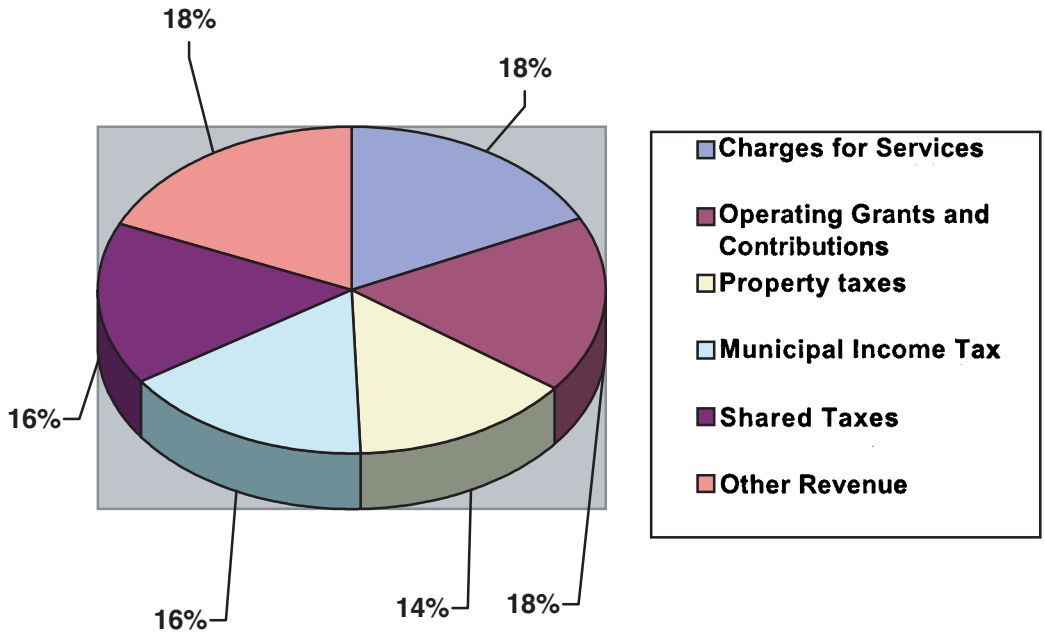
- Investment earnings decreased by $1.2 million as a result of a low interest rate environment.

- Casino Development Revenue (special item) decreased by $132 million (a 100% decrease). The decrease is the result of a one-time increase of $132 million in fiscal year 2003 as a result of renegotiation of the City's agreement with the casinos operating within Detroit.

- General government expenses increased $144.4 million due to a significant increase public protection expenses. The increase in public protection expenditures resulted mainly from salary and fringe benefit expenditures for uniform police officers and firefighters. As with other governmental agencies, the increase in pension costs and medical benefit premiums were the major causes of benefit increases. There also was an increase in homeland security expenditures, which were funded through federal grants. The implementation of the 800-megahertz system for public safety also increased public protection expenditures.

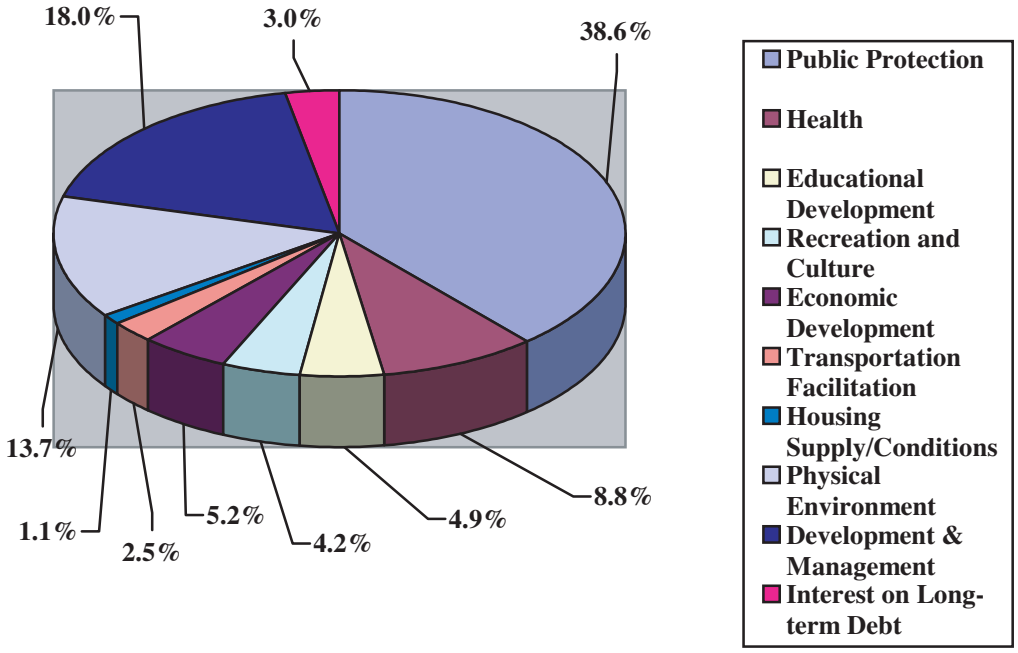
**Revenues** - General revenues such as property and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, charges for services are the largest single source of funds (17.7 %), followed by operating grants and contributions (17.6%), municipal income taxes (16.2 %), shared taxes (16.0%), and property taxes (14.1%).

**Governmental Activities - 2004 Revenues by Sources**



**Expenses** - As shown, public protection (38.6%) is the largest function in expenditures, followed by development and management (18.0%), physical environment (13.7%) and health (8.8 %).

**Governmental Activities - 2004 Expenses by Function Type**




**Business-type Activities**

Business-type activities increased the City's net assets by $63.4 million. The overall decrease is a combination of the following:

- The Airport Fund's net assets increased by approximately $30,000 due to an increase in the General Fund subsidy of approximately $258,000 over 2003.
- The Water and Sewage Fund's net assets increased by $51.5 million due to an increase in water and sewage rates.
- The Transportation Fund's net assets increased by $14 million due to an increase in Federal and State contributions. A portion of the contributions was used for the acquisition of 75 buses.

For all of the business-type activities, charges for services provided the largest share of revenues (68.2%) followed by operating grants and contributions (13.2%), transfers (11.1%), and capital grants and contributions (5.0%), and general revenues (2.4%).

## IV. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to presenting government-wide financial information, the City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fiscal activity for the City's governmental, proprietary, and fiduciary funds are discussed in the paragraphs below.

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

As of the end of fiscal year ended 2004, City's governmental funds reported combined ending fund balances of $ 387.9 million, a decrease of $ 68.5 million in comparison with the prior year. The fund balance includes an unreserved deficit of $20.6 million. The remaining fund balance is already committed as follows:

- To liquidate existing contracts and purchase orders - $61.3 million.
- To fund capital projects in future fiscal periods - $159.1 million.
- To reserve for risk management operations - $35.9 million.
- To reserve for debt service - $70.5 million.
- To reserve for inventory - $37.6 million.
- To reserve motor vehicle operations - $39.3 million.
- To fund a variety of other restricted purposes - $4.8 million.

Revenues for governmental functions overall totaled approximately $1.87 billion in the fiscal year ended June 30, 2004 which represents an increase of $37.8 million from the prior year. Expenditures for governmental functions totaled approximately $2.17 billion, which represents an increase of $188.5 million from the prior fiscal year. In the current fiscal year, expenditures for governmental functions exceeded revenues by approximately $303.3 million.

### The General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the undesignated fund deficit was $95 million, while the total fund balance was $69.2 million. Undesignated fund deficit represents 6.0 % of total

The undesignated fund balance in the City's general fund decreased by $25.9 million, from a deficit of $69.1 million to a deficit of $95.0 million. Some key factors include:

- Expenditures of $27 million incurred due to the implementation of the 800 Mega-Hertz Radio System for Public Safety, prior to obtaining bond financing.
- General Revenue shortfalls of $45.4 million in Income Tax and State Shared revenues
- Unanticipated Payroll Tax expenditures of $13 million

Overall, the General Fund's performance resulted in expenditures in excess of revenues in the fiscal year ended June 30, 2004 of $202.5 million, or 12.8% of total expenditures.

**General Fund Budgetary Highlights**

During the year, budgetary estimates exceeded actual revenues and other resources by $182.5 million. The majority of this amount is attributable to actual municipal income tax, sales and charges for services, grant revenues, and state revenue sharing being somewhat less than the final budgets. However, expenditures were less than budgeted estimates. Final budgeted expenditures were approximately $1.9 billion but actual expenditures were $1.6 billion, a difference of $0.3 billion.

Differences between the original budget and the final amended budget consisted of approximately a total net increase in estimated revenues of $67 million and a total net increase in appropriations of $204 million. The difference was offset by a total net increase in Other Financing Sources and Uses of $137 million.

A major reason for the increase in estimated revenues can be briefly summarized as follows:

- $118 million increase in grants (Federal, State and other)

Some major reasons for the increase in appropriations can be briefly summarized as follows:

- $51 million in increases allocated to the Police department
- $44 million in increases allocated to the Health department
- $62 million in increases allocated to Development and Management

## The Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the Water fund had unrestricted net assets of $101.6 million. This is primarily attributed to water rate increases, as water sales have not increased. Annual system operating revenues have increased approximately $62 million or 32% since fiscal year 2000. Total operating expenses have increased 13% since 2000 and were lower in 2004 than they were in 2003. The relatively stable cost levels are primarily attributable to the cost efficiency measures implemented by departmental management over the last two fiscal years.

The Sewage Disposal Fund had unrestricted net assets of $201.7 million. This is primarily attributed to increases in sewer rates, as billed volumes have remained relatively stable. Annual system operating revenues have increased approximately $96.9 million or approximately 43 percent since fiscal 2000. Total operating expenses have increased 17.1 percent since 2000, but only 5.8 percent since 2002. The relatively stable cost levels are primarily attributable to the cost efficiency measures installed by departmental management over the last two fiscal years.

The Airport Fund had unrestricted net assets of $0.66 million.

Deficits in unrestricted net assets were reported for the Transportation Fund of $14.0 million, and the Automobile Parking Fund of $6.4 million. Transportation services include the City's mass transit system with a fleet of over 540 bus and operation of three light repair garages and terminals. The program costs $206.6 million annually. The General Fund provided the Transportation fund with a $74 million subsidy for this fiscal year. Transportation net asset represents a prior year deficit of $12.8 million. The Parking operations have been running an operating deficit due to garages not being filled to capacity. The new facility, the Premier Garage did not generate anticipated revenues. Structural problems and fewer events in 2004 had a big impact on the customers using the garage. In the meantime, debt service payments and management fees for operating the garage had to be made. Also, the Detroit Red Wings', (the local National Hockey League team) early elimination in the 2004 National Hockey League playoffs had a significant impact on the parking revenues.

The total net assets for the proprietary funds were $1.5 billion. Of this amount, $1.1 billion represents investment in capital assets and $283.6 million was unrestricted.

## The Fiduciary Funds

The City maintains fiduciary funds for the assets of the Detroit's Employees' Retirement System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year, the net assets of the Retirement System totaled $5.6 billion, representing an increase of $442 million in total net assets from the prior year. The change is primarily related to increases in the market value of the Retirement System's investments.

## V. CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

**Changes in Capital Assets**
**Net of Accumulated Depreciation**
**(in Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 As Restated | 2004 | 2003 As Restated |
| Land and Land Rights | $ 355,512 | $ 314,539 | $ 36,702 | $ 36,482 | $ 392,214 | $ 351,021 |
| Land Improvements | - | - | 43,371 | 40,006 | 43,371 | 40,006 |
| Building and Structures | 434,835 | 326,889 | 1,058,727 | 941,159 | 1,493,562 | 1,268,048 |
| Sewer and water lines, | - | - | 879,131 | 881,940 | 879,131 | 881,940 |
| Machinery, Equipment, Fixtures and Vehicles | 80,405 | 74,064 | 681,482 | 633,408 | 761,887 | 707,042 |
| Works of Art | 29,788 | 29,846 | - | - | 29,788 | 29,846 |
| Infrastructure | 140,403 | 120,544 | - | - | 140,403 | 120,544 |
| Construction-in- Progress | 153,107 | 250,634 | 1,894,041 | 1,563,207 | 2,047,148 | 1,813,841 |
| Total | $ 1,194,050 | $ 1,116,516 | $ 4,593,454 | $ 4,096,202 | $ 5,787,504 | $ 5,212,718 |

The City's capital assets for its governmental and business-type activities as of June 30, 2004 were $5.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, vehicles, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the current fiscal year was $574.8 million, or 11.0% .The $77.5 million increase in governmental activities is primarily attributable to infrastructure, building additions and land acquisitions. The $497.3 million increase in business-type capital assets is primarily attributable to the Detroit Water and Sewage Disposal Fund's sewage disposal and water treatment systems improvement programs. Also, seventy-five new buses were added to the Transportation Department's fleet.
For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year.

Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note III A 7 to the basic financial statements.

**Debt Administration**

At the end of the current fiscal year, the City had total long-term obligations outstanding of $5.6 billion. Of this amount, $974.2 million are general obligation bonds backed by the full faith and credit of the City and $4.2 billion are revenue bonds, commercial paper, loans, and other obligations of the City's business enterprises. The remainder includes other types of long-term obligations.

In September 2003, the City issued $70.0 million of Self-Insurance Bonds Limited Tax to fund the payment of claims and $29.5 million in bonds to refund prior debt. The bonds mature beginning June 30, 2006, with an average yield of 4.59%.

In September 2003, the City issued $55.3 million of Convention Facility Special Tax Revenue for improvements to Cobo Hall and $35.6 million in Revenue Refunding Bonds to refund prior debt. The bonds mature beginning on September 30, 2004, with an average yield of 3.8%.

In October 2003, the City issued $44.0 million of G.O. Unlimited Tax Bonds for capital improvements to various General City Agencies. $10.8 million in refunding bonds were issued to relieve prior debt. The bonds mature beginning April 1, 2006, with an average yield of 4.36%.

In March 2004, the City issued $29.8 million of Capital Improvement Bonds (Limited Tax General Obligation) to acquire vehicles and equipments. $11.9 million in refunding bonds were issued to relieve prior debt. The bonds mature, beginning April 1, 2005, with an average yield or 2.3%.

In June 2004, the City issued $61 million of General Obligation Fiscal Stabilization Bonds (Limited Tax General Obligation) to fund a portion of the City's accumulated operating deficit. The bonds mature, beginning April 1, 2005, with an average yield of 3.37%.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. A comparison of these indicators follows:

| | FY 2004 | FY 2003 |
|---|---|---|
| Net General Bonded debt | $1,104,034 | $909,624 |
| Net General Bonded debt per capita | $1,211.37 | $998.05 |
| Ratio of net General Bonded debt to net assessed value (50% of present market value) | 13.24% | 12.75% |
| Ratio of debt to present market value | 6.62% | 6.375% |

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities. Not all the General Bonded debt is subject to the general debt limitation. The City's legal debt limitation at June 30, 2004 was $1.3 billion of which $582 million is available for use.

The City's ratings on uninsured general obligation bonds as of June 30, 2004 were:

| | |
|---|---|
| **Moody's Investors Service, Inc.** | **Baa1** |
| **Standard and Poor's Corporation** | **A-** |
| **Fitch IBCA, Inc.** | **A** |

Subsequent to June 30, 2004, the Standard & Poor's Corporation reduced the City's underlying bond ratings to BBB+.

Additional information on the City's long-term debt can be found in Notes III B 4,5 and 6 to the basic financial statements.

## VI. ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City made strategic budget cuts in 2004-2005 that did not impact City services:

- The number of vehicles assigned to City employees was cut by 57%. Additionally, $2 million was saved through aggressive management of leases.

- Professional and contractual services were cut citywide by over $20 million, or 9%. Also, contracts in the General Fund were reduced by in excess of $8.5 million, or 13% in 2004-2005.

- 263 vacant positions were eliminated in various City departments and the city was forced to lay off 347 employees in 2004-2005.

The City is currently experiencing a less favorable economic environment resulting from the continued decline in the manufacturing sector of the economy. Detroit's unemployment rate decreased from 15.4% in June 2003 to 15.1% by June 2004. As of November 2004, the rate had decreased to 13.6%.

Both Real and Personal Property taxable values continued to grow in the City. The City will issue pension bonds to satisfy all the unfunded liabilities associated with our pension funds. This is a one-time contribution for FY 2004-05 that will produce savings for the City over the next 10 to 12 years by paying these obligations up front.

The 2004-05 Budget has 962 fewer positions including layoffs.

## Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Detroit Finance Department, Coleman A. Young Municipal Center, Suite 1200, 2 Woodward Avenue, Detroit, Michigan 48226.

**Nortown Homes -** With more than 4,400 new residential units under development, Detroit is in the midst of a housing boom. New housing units continue to revitalize residential areas throughout the city. The Nortown neighborhood, near Bessemore and Georgia streets on Detroit's east side, features 50 single-family dwellings with three or four bedrooms, basements and garages. The homes will attract moderate-income tenants offering a rent-to-own option.

# NORTOWN HOMES

# BASIC

# FINANCIAL

# STATEMENTS

# (BFS)

## City of Detroit, Michigan
## STATEMENT OF NET ASSETS
## June 30, 2004

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 49,366,275 | $ 8,042,755 | $ 57,409,030 | $ 20,226,370 |
| Investments | 278,478,406 | 55,398,148 | 333,876,554 | 228,646,426 |
| Escrow Deposits | - | - | - | 52,444,684 |
| Accounts and Contracts Receivable: | | | | |
| Internal Balances | (986,712) | 986,712 | - | - |
| Due from Primary Government | - | - | - | 18,272,467 |
| Due from Component Units | 19,847,369 | - | 19,847,369 | - |
| Due from Other Governmental Agencies | 186,403,316 | 20,494,877 | 206,898,193 | 292,559,450 |
| Other Receivables - Net | 61,678,985 | 214,775,510 | 276,454,495 | 94,617,846 |
| Total Accounts and Contracts Receivable - Net | 266,942,958 | 236,257,099 | 503,200,057 | 405,449,763 |
| Inventories | 37,557,354 | 27,620,127 | 65,177,481 | 11,355,046 |
| Prepaid Expenses | 127,636 | 320,687 | 448,323 | 4,561,167 |
| Short-Term Loans and Advances to Component Units | 358,205 | - | 358,205 | - |
| Total Current Assets | 632,830,834 | 327,638,816 | 960,469,650 | 722,683,456 |
| Non-Current Assets: | | | | |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 69,361,602 | 53,622,374 | 122,983,976 | 8,357,104 |
| Investments | 64,620,924 | 943,746,429 | 1,008,367,353 | 732,870,459 |
| Restricted Loans and Notes Recievable | - | - | - | 68,642,830 |
| Total Non-Current Restricted Assets | 133,982,526 | 997,368,803 | 1,131,351,329 | 809,870,393 |
| Deferred Charges | - | - | - | 1,719,417 |
| Capital Assets: | | | | |
| Non-Depreciable | 538,406,664 | 1,930,743,648 | 2,469,150,312 | 558,683,239 |
| Depreciable, Net | 655,643,141 | 2,662,710,878 | 3,318,354,019 | 1,402,955,477 |
| Total Capital Assets, Net | 1,194,049,805 | 4,593,454,526 | 5,787,504,331 | 1,961,638,716 |
| Other Assets | 14,238,261 | 59,878,846 | 74,117,107 | 15,881,346 |
| Total Non-Current Assets | 1,342,270,592 | 5,650,702,175 | 6,992,972,767 | 2,789,109,872 |
| Total Assets | 1,975,101,426 | 5,978,340,991 | 7,953,442,417 | 3,511,793,328 |

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **LIABILITIES** | | | | |
| **Current Liabilities:** | | | | |
| Accounts and Contracts Payable | 172,892,718 | 58,855,488 | 231,748,206 | 167,492,022 |
| Due to Other Governmental Agencies | 49,076,833 | - | 49,076,833 | - |
| Due to Primary Government | - | - | - | 21,607,800 |
| Due to Component Units | 11,957,828 | 5,526,824 | 17,484,652 | - |
| Deposits and Refunds | 29,774,963 | 93,067 | 29,868,030 | - |
| Accrued Interest Payable | 13,300,998 | 60,160,084 | 73,461,082 | 23,770,338 |
| Loans and Advances from Primary Government | - | - | - | 358,205 |
| Accrued Salaries and Wages | 48,008,494 | 6,078,401 | 54,086,895 | 93,017,407 |
| Deferred Revenue | 2,711,367 | 122,331 | 2,833,698 | 9,810,804 |
| Other Current Liabilities | 50,252,146 | 13,021,194 | 63,273,340 | 281,149,623 |
| Restricted Liabilities: | | | | |
| Accounts Payable | 3,503,843 | 110,945,867 | 114,449,710 | - |
| Accrued Public Liability and Worker's Compensation | 22,704,836 | - | 22,704,836 | - |
| Other Liabilities | 690,683 | - | 690,683 | - |
| Total Restricted Liabilities | 26,899,362 | 110,945,867 | 137,845,229 | - |
| Bonds, Notes and Other Debt Payable - Current | 72,033,883 | 73,520,000 | 145,553,883 | 2,195,542,696 |
| Unamortized Premium and Defeasances | - | - | - | 33,919,892 |
| Bonds, Notes and Other Debt Payable - Current-Net | 72,033,883 | 73,520,000 | 145,553,883 | 112,460,920 |
| Accrued Compensated Absences | 4,236,630 | 19,391,069 | 23,627,699 | 2,803,205 |
| Accrued Public Liability and Workers' Compensation | - | 6,658,418 | 6,658,418 | 324,506 |
| Total Current Liabilities | 481,145,222 | 354,372,743 | 835,517,965 | 712,794,830 |
| **Long-Term Liabilities:** | | | | |
| Bonds, Notes and Other Debt Payable | 977,371,156 | 4,082,167,599 | 5,059,538,755 | 2,195,542,696 |
| Deferred Swap Termination Fees | - | 31,000,000 | 31,000,000 | - |
| Unamortized Premium/(Discount) and Loss (Gain) on Defeasances | 22,615,806 | (66,239,165) | (43,623,359) | 33,919,892 |
| Bonds, Notes and Other Debt Payable -Net | 999,986,962 | 4,046,928,434 | 5,046,915,396 | 2,229,462,588 |
| Accrued Compensated Absences | 136,234,385 | 13,001,247 | 149,235,632 | 150,074,583 |
| Accrued Public Liability and Workers' Compensation | 164,585,116 | 17,997,269 | 182,582,385 | 56,665,005 |
| Total Long-Term Liabilities | 1,300,806,463 | 4,077,926,950 | 5,378,733,413 | 2,436,202,176 |
| Total Liabilities | 1,781,951,685 | 4,432,299,693 | 6,214,251,378 | 3,148,997,006 |
| **NET ASSETS** | | | | |
| Invested in Capital Assets, Net of Related Debt | 423,118,665 | 1,063,418,365 | 1,486,537,030 | 541,600,728 |
| Restricted for: | | | | |
| Endowments and Trust (Non-Expendable) | 1,237,820 | - | 1,237,820 | - |
| Capital Projects | 31,229,238 | - | 31,229,238 | 31,082,216 |
| Debt Service | 52,782,890 | 199,037,340 | 251,820,230 | 24,241,754 |
| Unrestricted (Deficit) | (315,218,872) | 283,585,593 | (31,633,279) | (248,370,403) |
| Total Net Assets | $ 193,149,741 | $ 1,546,041,298 | $ 1,739,191,039 | $ 362,796,322 |

# City of Detroit, Michigan
## STATEMENT OF ACTIVITIES
## For the Year Ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions |
|---|---|---|---|
| **Primary Government:** | | | |
| **Governmental Activities:** | | | |
| Public Protection | $ 755,816,119 | $ 88,817,490 | $ - |
| Health | 172,601,779 | 11,875,150 | 128,616,159 |
| Recreation and Culture | 82,148,669 | 10,363,646 | - |
| Economic Development | 102,680,484 | 20,512,694 | 60,709,539 |
| Educational Development | 95,655,097 | - | 95,579,152 |
| Housing Supply and Conditions | 21,190,178 | 16,617,400 | 7,105,957 |
| Physical Environment | 267,232,775 | 85,667,448 | - |
| Transportation | 49,857,971 | - | 8,364,954 |
| Development and Management | 350,969,773 | 84,682,688 | 14,946,203 |
| Interest on Long-Term Debt | 58,080,402 | - | - |
| Total Governmental Activities | 1,956,233,247 | 318,536,516 | 315,321,964 |
| **Business-type Activities:** | | | |
| Sewage Disposal | 186,979,859 | 195,947,900 | - |
| Transportation | 206,319,905 | 24,712,839 | 89,345,418 |
| Water | 198,120,130 | 223,092,260 | - |
| Automobile Parking | 21,990,714 | 19,618,019 | - |
| Airport | 4,030,607 | 972,659 | - |
| Total Business-type Activities | 617,441,215 | 464,343,677 | 89,345,418 |
| Total Primary Government | $ 2,573,674,462 | $ 782,880,193 | $ 404,667,382 |
| **Component Units:** | | | |
| Brownfield Redevelopment Authority | $ 200,328 | $ 139,463 | $ 104,070 |
| Detroit Public Library | 37,989,764 | 304,294 | 5,712,417 |
| Downtown Development Authority | 62,463,896 | 11,095,995 | - |
| Economic Development Authority | 12,227,756 | 17,123,677 | - |
| Detroit Housing Commission | 66,240,398 | 69,036,445 | - |
| Local Development Finance Authority | 14,513,509 | - | 6,950,000 |
| Museum of African American History | 6,834,923 | 1,583,936 | 5,075,412 |
| Detroit Public Schools | 1,777,402,877 | 7,580,249 | 525,155,465 |
| Tax Increment Finance Authority | 11,636,682 | - | - |
| Detroit Transportation Corporation | 18,881,512 | 367,012 | 9,621,165 |
| Greater Detroit Resource Recovery Authority | 116,723,107 | 43,792,111 | 71,146,881 |
| Total Component Units | $ 2,125,114,752 | $ 151,023,182 | $ 623,765,410 |

General Revenues:
- Property Taxes, levied for General Purposes
- Property Taxes, levied for Debt Service Purposes
- Municipal Income Tax
- Utility Users Tax
- Wagering Tax
- Hotel and Liquor Tax
- Other Taxes
- Shared Taxes
- Interest and Penalities on Taxes
- Investment Earnings
- Miscellaneous
- Gain (Loss) on Disposal of Capital Assets

Transfers

Total General Revenues and Special Item

Change in Net Assets

Net Assets-Beginning of the Year, as Restated

Net Assets-End of Year

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

| | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|
| | Primary Government | | | |
| Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total | Component Units |
| $ - | $ (666,998,629) | $ - | $ (666,998,629) | $ - |
| 3,970,591 | (28,139,879) | - | (28,139,879) | - |
| - | (71,785,023) | - | (71,785,023) | - |
| 43,401,679 | 21,943,428 | - | 21,943,428 | - |
| - | (75,945) | - | (75,945) | - |
| - | 2,533,179 | - | 2,533,179 | - |
| - | (181,565,327) | - | (181,565,327) | - |
| 68,156,341 | 26,663,324 | - | 26,663,324 | - |
| - | (251,340,882) | - | (251,340,882) | - |
| - | (58,080,402) | - | (58,080,402) | - |
| 115,528,611 | (1,206,846,156) | - | (1,206,846,156) | - |
| - | - | 8,968,041 | 8,968,041 | - |
| 29,420,774 | - | (62,840,874) | (62,840,874) | - |
| 4,038,816 | - | 29,010,946 | 29,010,946 | - |
| - | - | (2,372,695) | (2,372,695) | - |
| 299,161 | - | (2,758,787) | (2,758,787) | - |
| 33,758,751 | - | (29,993,369) | (29,993,369) | - |
| $ 149,287,362 | (1,206,846,156) | (29,993,369) | (1,236,839,525) | - |
| $ - | - | - | - | 43,205 |
| - | - | - | - | (31,973,053) |
| - | - | - | - | (51,367,901) |
| - | - | - | - | 4,895,921 |
| - | - | - | - | 2,796,047 |
| - | - | - | - | (7,563,509) |
| - | - | - | - | (175,575) |
| - | - | - | - | (1,244,667,163) |
| - | - | - | - | (11,636,682) |
| - | - | - | - | (8,893,335) |
| - | - | - | - | (1,784,115) |
| $ - | - | - | - | (1,350,326,160) |
| ..... | 189,273,351 | - | 189,273,351 | 156,517,515 |
| ..... | 64,607,621 | - | 64,607,621 | 104,758,050 |
| ..... | 290,614,837 | - | 290,614,837 | - |
| ..... | 47,422,918 | - | 47,422,918 | - |
| ..... | 116,145,598 | - | 116,145,598 | - |
| ..... | 16,217,263 | - | 16,217,263 | - |
| ..... | 4,337,425 | - | 4,337,425 | 12,324,026 |
| ..... | 286,479,535 | - | 286,479,535 | 935,142,434 |
| ..... | 13,780,520 | - | 13,780,520 | 1,108,699 |
| ..... | 4,500,270 | 12,516,207 | 17,016,477 | 9,830,412 |
| ..... | 13,624,695 | 3,812,743 | 17,437,438 | 25,976,014 |
| ..... | (451,750) | - | (451,750) | - |
| ..... | (77,108,036) | 77,108,036 | - | - |
| ..... | 969,444,247 | 93,436,986 | 1,062,881,233 | 1,245,657,150 |
| ..... | (237,401,909) | 63,443,617 | (173,958,292) | (104,669,010) |
| ..... | 430,551,650 | 1,482,597,681 | 1,913,149,331 | 467,465,332 |
| ..... | $ 193,149,741 | $ 1,546,041,298 | $ 1,739,191,039 | $ 362,796,322 |

# City of Detroit, Michigan
# BALANCE SHEET
# GOVERNMENTAL FUNDS
# June 30, 2004

| | Primary Government | | |
|---|---|---|---|
| | General Fund | Other Governmental Funds | Total |
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 15,264,299 | $ 34,101,976 | $ 49,366,275 |
| Investments | 19,894,600 | 258,583,806 | 278,478,406 |
| Accounts and Contracts Receivable: | | | |
| Due from Other Funds | 21,530,355 | 9,099,438 | 30,629,793 |
| Due from Fiduciary Funds | 4,495,129 | - | 4,495,129 |
| Due from Component Units | 19,818,618 | 28,751 | 19,847,369 |
| Due from Other Governmental Agencies | 147,674,929 | 38,728,387 | 186,403,316 |
| Estimated Withheld Income Taxes Receivable | 26,684,072 | - | 26,684,072 |
| Utility Users' Taxes Receivable | 1,267,347 | - | 1,267,347 |
| Other Receivables | 27,026,133 | 860,766 | 27,886,899 |
| Total Accounts and Contracts Receivable | 248,496,583 | 48,717,342 | 297,213,925 |
| Allowance for Uncollectible Accounts | (13,614,758) | (452,744) | (14,067,502) |
| Total Accounts and Contracts Receivable - Net | 234,881,825 | 48,264,598 | 283,146,423 |
| Advances to Component Units | - | 358,205 | 358,205 |
| Land Contracts Receivable | 6,224,469 | - | 6,224,469 |
| Inventory-Forfeited Property | - | 572,568 | 572,568 |
| Inventories | 36,543,693 | 441,093 | 36,984,786 |
| Prepaid Expenditures | - | 127,636 | 127,636 |
| Property Tax Receivable, Net | 15,803,134 | 5,730,160 | 21,533,294 |
| Income Tax Assessments, Net | 40,250,167 | - | 40,250,167 |
| Special Assessments, Net | 1,370,579 | 335,844 | 1,706,423 |
| Interest and Penalties | 5,530,000 | 2,000,000 | 7,530,000 |
| Working Capital Advances to Other Funds | 3,557,000 | - | 3,557,000 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 1,251,069 | 68,110,533 | 69,361,602 |
| Investments | 64,620,924 | - | 64,620,924 |
| Due from Other Funds | 22,418,119 | - | 22,418,119 |
| Total Restricted Assets | 88,290,112 | 68,110,533 | 156,400,645 |
| Other Advances | 5,000 | - | 5,000 |
| Other Assets | 9,014 | - | 9,014 |
| Total Assets | $ 467,623,892 | $ 418,626,419 | $ 886,250,311 |

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

# City of Detroit, Michigan
# BALANCE SHEET
# GOVERNMENTAL FUNDS
# June 30, 2004

| | Primary Government | | |
|---|---|---|---|
| | General Fund | Other Governmental Funds | Total |
| **LIABILITIES** | | | |
| Accounts and Contracts Payable | $ 17,460,868 | $ 35,176,838 | $ 52,637,706 |
| Due to Other Funds | 37,752,259 | 18,772,806 | 56,525,065 |
| Due to Fiduciary Funds | 76,510,398 | - | 76,510,398 |
| Loans and Other Advances from Other Funds | - | 997,000 | 997,000 |
| Due to Other Governmental Agencies | 17,914,031 | 16,925,856 | 34,839,887 |
| Due to Component Units | 11,957,828 | - | 11,957,828 |
| Accrued Salaries and Wages | 23,137,821 | 2,138,438 | 25,276,259 |
| Fringes Benefits Payable | 4,196,493 | 10,263 | 4,206,756 |
| Payroll Deductions Payable | 18,525,479 | - | 18,525,479 |
| Accrued Compensated Absences | 706,105 | - | 706,105 |
| Income Tax Refunds Payable | 11,087,702 | - | 11,087,702 |
| Deposits from Vendors and Customers | 15,761,654 | 2,925,607 | 18,687,261 |
| Accrued Liabilities | 34,254,603 | 9,490,011 | 43,744,614 |
| Other Liabilities | 48,824,932 | 1,427,214 | 50,252,146 |
| Liabilities Payable from Restricted Assets: | | | |
| Accounts and Contracts Payable | 3,503,843 | - | 3,503,843 |
| Accrued Public Liability | 6,148,836 | - | 6,148,836 |
| Accrued Worker's Compensation Payable | 2,656,180 | - | 2,656,180 |
| Due to Other Funds | 69,559 | - | 69,559 |
| Other Liabilities | 690,683 | - | 690,683 |
| Total Liabilities Payable from Restricted Assets | 13,069,101 | - | 13,069,101 |
| Deferred Revenue | 67,248,349 | 12,113,460 | 79,361,809 |
| Total Liabilities | 398,407,623 | 99,977,493 | 498,385,116 |
| **FUND BALANCES** | | | |
| Reserved Fund Balance: | | | |
| Reserved for Inventory | 36,543,693 | 1,013,661 | 37,557,354 |
| Reserved for Encumbrances | 48,922,088 | 12,404,738 | 61,326,826 |
| Reserved for Short-Term Loans and Advances to Other Funds | 3,557,000 | - | 3,557,000 |
| Reserved for Risk Management Operations | 35,917,561 | - | 35,917,561 |
| Reserved for Motor Vehicle Operations | 39,303,450 | - | 39,303,450 |
| Reserved for Endowments and Trusts | 5,000 | 1,232,820 | 1,237,820 |
| Reserved for Debt Service | - | 70,466,781 | 70,466,781 |
| Reserved for Capital Projects | - | 159,136,549 | 159,136,549 |
| Total Reserved Fund Balance | 164,248,792 | 244,254,549 | 408,503,341 |
| Unreserved Fund Balance (Deficit): | | | |
| Undesignated, Reported In: | | | |
| General Fund Operations (Deficit) | (95,032,523) | - | (95,032,523) |
| Special Revenue Funds | - | 74,394,377 | 74,394,377 |
| Total Unreserved Fund Balance (Deficit) | (95,032,523) | 74,394,377 | (20,638,146) |
| Total Fund Balances | 69,216,269 | 318,648,926 | 387,865,195 |
| Total Liabilities, and Fund Balances | $ 467,623,892 | $ 418,626,419 | $ 886,250,311 |

**City Of Detroit, Michigan**
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF NET ASSETS**
**June 30, 2004**

| | | | |
|---|---|---|---|
| Fund balances - total governmental funds | | | $ 387,865,195 |
| 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 therefore are not reported in the governmental fund | | | |
| Governmental capital asset | $ | 2,381,753,466 | |
| Less accumulated depreciation | | (1,187,703,661) | 1,194,049,805 |
| Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund | | | |
| Bond Costs | | 27,798,281 | |
| Less accumulated amortization | | (13,574,034) | 14,224,247 |
| Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds | | | 14,819,129 |
| Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund | | | |
| Governmental long term debt payable | | (1,049,405,039) | |
| Premium | | (24,246,370) | |
| Loss on Advance Refunding | | 1,630,564 | |
| Grant Audit Amount Due to Other Governments | | (14,236,946) | |
| Accrued interest payable | | (13,300,998) | |
| Compensated Absences | | (139,764,910) | |
| Public Liability and Workers Compensation | | (178,484,936) | (1,417,808,635) |
| Net assets of governmental activities | | | $ 193,149,741 |

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

# City of Detroit, Michigan
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## For the Year Ended June 30, 2004

| | Primary Government | | |
|---|---|---|---|
| | General Fund | Other Governmental Funds | Total |
| **REVENUES:** | | | |
| Taxes: | | | |
| Property Taxes | $ 184,765,334 | $ 64,607,621 | $ 249,372,955 |
| Municipal Income Tax | 290,614,837 | - | 290,614,837 |
| Utility Users' tax | 50,473,815 | - | 50,473,815 |
| Wagering Taxes | 116,145,598 | - | 116,145,598 |
| Gas and Weight Tax | - | 65,806,351 | 65,806,351 |
| Other Taxes and Assessments | 12,004,503 | 2,906,653 | 14,911,156 |
| State Hotel and Liquor Tax | - | 16,217,263 | 16,217,263 |
| State Shared Taxes | 286,479,535 | - | 286,479,535 |
| Shared Taxes-Liquor and Beer Licenses | 528,355 | - | 528,355 |
| Interest and Penalties on Taxes | 13,969,136 | - | 13,969,136 |
| Licenses, Permits and Inspection Charges | 9,390,863 | 20,073,051 | 29,463,914 |
| Intergovernmental: | | | |
| Federal | 3,066,675 | 250,554,178 | 253,620,853 |
| State | 51,477,038 | 13,230,137 | 64,707,175 |
| State Equity Grant | 982,701 | - | 982,701 |
| Other | 24,026,485 | 12,189,505 | 36,215,990 |
| Sales and Charges for Services | 176,033,663 | 14,894,475 | 190,928,138 |
| Ordinance Fines | 23,433,745 | 4,804,153 | 28,237,898 |
| Revenue from Use of Assets | 26,136,815 | 2,559,616 | 28,696,431 |
| Earnings on Investments | 1,467,561 | 3,032,709 | 4,500,270 |
| Other Revenue | 104,070,617 | 20,716,987 | 124,787,604 |
| Total Revenues | 1,375,067,276 | 491,592,699 | 1,866,659,975 |
| **EXPENDITURES:** | | | |
| Current: | | | |
| Public Protection | 704,456,041 | 33,874,791 | 738,330,832 |
| Health | 88,874,154 | 83,427,373 | 172,301,527 |
| Recreation and Culture | 73,769,563 | - | 73,769,563 |
| Economic Development | 24,138,733 | 72,133,726 | 96,272,459 |
| Educational Development | - | 95,579,152 | 95,579,152 |
| Housing Supply and Conditions | 14,044,090 | 7,105,957 | 21,150,047 |
| Physical Environment | 232,268,536 | - | 232,268,536 |
| Transportation Facilitiation | - | 49,857,971 | 49,857,971 |
| Development and Management | 387,713,093 | - | 387,713,093 |
| Debt Service: | | | |
| Principal | - | 81,450,470 | 81,450,470 |
| Interest | - | 53,075,658 | 53,075,658 |
| Bond Issuance Costs | 3,367,420 | 2,224,008 | 5,591,428 |
| Capital Outlay | 48,930,333 | 113,663,461 | 162,593,794 |
| Total Expenditures | 1,577,561,963 | 592,392,567 | 2,169,954,530 |
| Excess (Deficiency) of Revenues Over Expenditures | (202,494,687) | (100,799,868) | (303,294,555) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Sources: | | | |
| Transfers In | 31,638,974 | 131,044,568 | 162,683,542 |
| Proceeds of Capital Leases | 24,541,150 | - | 24,541,150 |
| Proceeds from Debt Issuance | 201,725,000 | 145,673,138 | 347,398,138 |
| Premium from Debt Issuance | 8,160,573 | 10,410,102 | 18,570,675 |
| Uses: | | | |
| Transfers Out | 138,383,434 | 101,408,144 | 239,791,578 |
| Principal Paid to Bond Agent for Refunded Bonds | 40,880,000 | 79,845,000 | 120,725,000 |
| Interest Paid to Bond Agent for Refunded Bonds | 523,744 | 2,323,938 | 2,847,682 |
| Total Other Financing Sources (Uses) | 86,278,519 | 103,550,726 | 189,829,245 |
| **SPECIAL ITEM - Casino Development Revenue** | 38,250,000 | - | 38,250,000 |
| Net Change in Fund Balances | (77,966,168) | 2,750,858 | (75,215,310) |
| Fund Balance at Beginning of Year | 140,304,407 | 316,090,868 | 456,395,275 |
| Increase (Decrease) in Inventories | 6,878,030 | (192,800) | 6,685,230 |
| Fund Balance at End of Year | $ 69,216,269 | $ 318,648,926 | $ 387,865,195 |

**City of Detroit, Michigan**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2004**

| | | |
|---|---|---|
| Change in fund balances - total governmental funds | | $ (75,215,310) |
| Amounts reported for governmental activities in the statement of net assets are different because | | |
| Governmental funds report capital outlays as expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives | | |
| Expenditures for capital assets | $ 153,535,315 | |
| Less current year depreciation | (75,549,376) | 77,985,939 |
| Gain on sale of capital assets is reported in the statement of activities, whereas in the governmental funds, the gain from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold | | (451,750) |
| Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds | | (36,981,496) |
| Some expenditures reported in governmental funds are to be collected on a long-term basis and therefore are not reported as expenses in the statement of activities | | |
| Inventory | | 6,685,230 |
| Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets. | | 202,175,469 |
| Bond and note proceeds and provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and premiums that must be amortized over the life of the bond | | (384,918,535) |
| Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: | | |
| Increase in Due to Other Governments - Grant Audits | (14,236,946) | |
| Increase in accrued interest expense | (2,157,061) | |
| Increase in accrued compensated absences | (4,825,206) | |
| Increase in accrued public liability and workers compensation | (7,451,909) | |
| Amortization of current year bond premium and defeasances | 4,261,094 | |
| Amortization of current year bond cost | (2,271,428) | (26,681,456) |
| Change in net assets of governmental activities | | $ (237,401,909) |

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

City of Detroit

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | $ 188,159,810 | $ 188,159,810 | $ 184,765,334 | $ (3,394,476) |
| Municipal Income Tax | 311,080,000 | 311,080,000 | 290,614,837 | (20,465,163) |
| Utility Users' Tax | 55,200,000 | 55,200,000 | 50,473,815 | (4,726,185) |
| Wagering Taxes | 110,000,000 | 110,000,000 | 116,145,598 | 6,145,598 |
| Other Taxes and Assessments | 11,909,513 | 11,909,513 | 12,004,503 | 94,990 |
| Interest and Penalties on Taxes | 11,000,000 | 11,000,000 | 13,969,136 | 2,969,136 |
| Total Taxes, Assessments, Interest and Penalties | 687,349,323 | 687,349,323 | 667,973,223 | (19,376,100) |
| Licenses, Permits and Inspection Charges: | | | | |
| Business Licenses | 1,330,000 | 1,330,000 | 1,913,369 | 583,369 |
| Permits | 1,535,000 | 1,535,000 | 1,331,395 | (203,605) |
| Inspection Charges | 8,588,313 | 8,588,313 | 6,066,829 | (2,521,484) |
| Other Licenses | 95,364 | 95,364 | 79,270 | (16,094) |
| Total Licenses, Permits and Inspection Charges | 11,548,677 | 11,548,677 | 9,390,863 | (2,157,814) |
| Shared Taxes: | | | | |
| Liquor and Beer License | 545,000 | 545,000 | 528,355 | (16,645) |
| State Shared Tax | 311,494,672 | 311,494,672 | 286,479,535 | (25,015,137) |
| Total Shared Taxes | 312,039,672 | 312,039,672 | 287,007,890 | (25,031,782) |
| Intergovernmental: | | | | |
| Federal | 8,023,229 | 31,598,379 | 3,066,675 | (28,531,704) |
| State | 57,164,548 | 112,033,054 | 51,477,038 | (60,556,016) |
| State Equity Grant | 2,339,600 | 2,339,600 | 982,701 | (1,356,899) |
| Other Grants | 3,340,190 | 42,601,598 | 24,026,485 | (18,575,113) |
| Total Grants | 70,867,567 | 188,572,631 | 79,552,899 | (109,019,732) |
| Sales and Charges for Services: | | | | |
| Maintenance and Construction | 1,414,540 | 1,414,540 | 216,634 | (1,197,906) |
| Other Labor and Materials | 215,000 | 215,000 | 5,081 | (209,919) |
| Electrical | 47,190,000 | 47,190,000 | 44,471,502 | (2,718,498) |
| Steam | 630,900 | 630,900 | 772,045 | 141,145 |
| Sanitation Charges | 778,600 | 778,600 | 573,071 | (205,529) |
| Recreation Fees | 6,686,980 | 6,457,814 | 4,982,591 | (1,475,223) |
| Collection Fees | 5,607,000 | 5,637,000 | 3,452,267 | (2,184,733) |
| Other Fees | 35,087,402 | 35,201,289 | 37,901,639 | 2,700,350 |
| Personal Services | 64,046,761 | 63,725,305 | 58,519,619 | (5,205,686) |
| Other Departmental Sales | 36,674,387 | 39,846,823 | 25,139,214 | (14,707,609) |
| Total Sales and Charges for Services | 198,331,570 | 201,097,271 | 176,033,663 | (25,063,608) |
| Ordinance Fines | 25,975,517 | 25,975,517 | 23,433,745 | (2,541,772) |
| Revenue from Use of Assets: | | | | |
| Earnings on Investments | 2,643,000 | 2,608,685 | 1,467,561 | (1,141,124) |
| Real Estate Rentals | 7,859,939 | 7,859,939 | 6,693,751 | (1,166,188) |
| Concessions | 4,784,804 | 4,784,804 | 3,282,317 | (1,502,487) |
| Sale of Real Property | 13,534,041 | 13,534,041 | 16,160,747 | 2,626,706 |
| Total Revenue from Use of Assets | 28,821,784 | 28,787,469 | 27,604,376 | (1,183,093) |
| Other Revenue | 156,390,554 | 102,240,592 | 104,070,617 | 1,830,025 |
| Total Revenues | 1,491,324,664 | 1,557,611,152 | 1,375,067,276 | (182,543,876) |

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| EXPENDITURES: | | | | |
| Public Protection: | | | | |
| Consumer Affairs | 1,661,811 | 1,661,811 | 1,331,712 | 330,099 |
| Fire | 182,245,549 | 184,545,119 | 182,240,815 | 2,304,304 |
| Human Rights | 2,474,211 | 2,518,211 | 2,248,191 | 270,020 |
| Ombudsman | 1,566,079 | 1,566,079 | 1,498,440 | 67,639 |
| Parking Enforcement | 9,720,356 | 9,720,356 | 9,086,959 | 633,397 |
| Police | 434,999,479 | 485,977,121 | 462,645,107 | 23,332,014 |
| 36th District Court | 47,044,713 | 47,086,545 | 45,404,817 | 1,681,728 |
| Total Public Protection | 679,712,198 | 733,075,242 | 704,456,041 | 28,619,201 |
| Health | 99,789,054 | 144,200,497 | 88,874,154 | 55,326,343 |
| Recreation and Culture: | | | | |
| Arts | 642,975 | 642,975 | 643,544 | (569) |
| Cultural Affairs | 1,884,807 | 2,423,026 | 1,649,883 | 773,143 |
| Historical | 3,449,789 | 3,451,213 | 3,525,076 | (73,863) |
| Recreation | 54,779,568 | 66,265,568 | 53,550,033 | 12,715,535 |
| Senior Citizens | 1,190,399 | 2,026,146 | 1,012,608 | 1,013,538 |
| Zoological Park | 14,855,382 | 15,361,382 | 13,388,419 | 1,972,963 |
| Total Recreation and Culture | 76,802,920 | 90,170,310 | 73,769,563 | 16,400,747 |
| Economic Development — Civic Center | 26,845,141 | 26,830,829 | 24,138,733 | 2,692,096 |
| Housing Supply and Conditions: | | | | |
| Planning and Development | 11,569,597 | 23,510,673 | 14,044,090 | 9,466,583 |
| Total Housing Supply and Conditions | 11,569,597 | 23,510,673 | 14,044,090 | 9,466,583 |
| Physical Environment: | | | | |
| Environmental Affairs | 3,196,285 | 3,821,251 | 2,722,564 | 1,098,687 |
| Public Lighting | 68,222,263 | 68,194,879 | 61,493,752 | 6,701,127 |
| Public Works | 178,109,675 | 178,014,280 | 168,052,220 | 9,962,060 |
| Total Physical Environment | 249,528,223 | 250,030,410 | 232,268,536 | 17,761,874 |
| Development and Management: | | | | |
| Auditor General | 3,462,645 | 3,377,646 | 2,648,510 | 729,136 |
| Budget | 3,403,140 | 3,418,432 | 3,138,420 | 280,012 |
| City Clerk | 4,630,024 | 4,619,024 | 4,155,691 | 463,333 |
| City Council | 20,853,258 | 20,848,683 | 13,969,551 | 6,879,132 |
| Communications & Creative Services | 2,285,760 | 2,198,030 | 2,031,734 | 166,296 |
| Election | 8,691,046 | 8,726,046 | 6,088,909 | 2,637,137 |
| Finance | 50,381,667 | 50,168,111 | 41,674,999 | 8,493,112 |
| Law | 32,582,259 | 32,844,657 | 28,497,965 | 4,346,692 |
| Mayor's Office | 11,456,278 | 11,716,401 | 9,979,579 | 1,736,822 |
| Human Resources | 30,540,945 | 30,540,945 | 26,258,463 | 4,282,482 |
| Information Technology Services | 35,938,416 | 38,499,538 | 26,798,893 | 11,700,645 |
| Zoning Appeals Board | 1,057,476 | 1,057,476 | 892,449 | 165,027 |
| Employment & Training | 2,944 | 606,339 | 5,951 | 600,388 |
| Human Services | 6,482,136 | 9,419,930 | 5,640,332 | 3,779,598 |
| Non Departmental | 214,103,228 | 275,785,407 | 215,931,647 | 59,853,760 |
| Total Development and Management | 425,871,222 | 493,826,665 | 387,713,093 | 106,113,572 |
| Capital Outlay | 75,185,951 | 87,117,421 | 48,930,333 | 38,187,088 |

(Continued)

## City of Detroit
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
## GENERAL FUND
## For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Debt Service: | | | | |
| Bond Issuance Costs | 24,000 | 721,336 | 3,367,420 | (2,646,084) |
| Total Debt Service | 24,000 | 721,336 | 3,367,420 | (2,646,084) |
| Total Expenditures | 1,645,328,307 | 1,849,483,383 | 1,577,561,963 | 271,921,420 |
| Excess (Deficiency) of Revenues Over Expenditures | (154,003,643) | (291,872,231) | (202,494,687) | 89,377,544 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sources: | | | | |
| Transfers In | 35,454,845 | 114,689,313 | 31,638,974 | (83,050,339) |
| Proceeds of Capital Leases | 24,541,150 | 24,541,150 | 24,541,150 | - |
| Premium from Debt Issuance | 8,160,573 | 8,160,573 | 8,160,573 | - |
| Proceeds from Debt Issuance | 90,698,995 | 167,265,006 | 201,725,000 | 34,459,994 |
| Total Other Financing Sources | 158,855,563 | 314,656,042 | 266,065,697 | (48,590,345) |
| Uses: | | | | |
| Transfers Out | 108,522,123 | 126,454,014 | 138,383,434 | (11,929,420) |
| Principal Paid to Bond Agent for Refunded Bonds | 12,280,225 | 12,280,225 | 40,880,000 | (28,599,775) |
| Interest Paid to Bond Agent for Refunded Bonds | 523,744 | 523,744 | 523,744 | - |
| Total Other Financing Uses | 121,326,092 | 139,257,983 | 179,787,178 | (40,529,195) |
| Total Other Financing Sources and Uses | 37,529,471 | 175,398,059 | 86,278,519 | (89,119,540) |
| SPECIAL ITEM - Casino Development Revenue | 38,250,000 | 38,250,000 | 38,250,000 | - |
| Net Change in Fund Balance | (78,224,172) | (78,224,172) | (77,966,168) | 258,004 |
| Fund Balance at Beginning of Year | 78,224,172 | 78,224,172 | 140,304,407 | 62,080,235 |
| Increase (Decrease) in Inventories | - | - | 6,878,030 | 6,878,030 |
| Fund Balance at End of Year | $ - | $ - | $ 69,216,269 | $ 69,216,269 |

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

# City of Detroit, Michigan
# STATEMENT OF NET ASSETS
# PROPRIETARY FUNDS
# June 30, 2004

| ASSETS | Sewage Disposal Fund | Transportation Fund |
|---|---|---|
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ - | $ 2,367,033 |
| Investments | 40,242,687 | 1,643,586 |
| Accounts and Contracts Receivable: | | |
| Due from Other Funds | 40,413,894 | 236,405 |
| Due from Other Governmental Agencies | - | 20,485,453 |
| Other Receivables- Trade | 190,767,579 | 707,656 |
| Total Accounts and Contracts Receivable | 231,181,473 | 21,429,514 |
| Allowance for Uncollectible Accounts | (42,901,655) | (44,290) |
| Total Accounts and Contracts Receivable - Net | 188,279,818 | 21,385,224 |
| Inventories | 10,890,503 | 9,897,618 |
| Prepaid Expenses | 5,880 | - |
| Restricted Cash and Cash Equivalants | 31,905,215 | - |
| Restricted Investments | 349,717,460 | - |
| Restricted Due from Other Funds | 20,688,810 | - |
| Total Current Assets | 641,730,373 | 35,293,461 |
| **Noncurrent Assets:** | | |
| **Restricted:** | | |
| Investments | 261,766,757 | - |
| **Capital Assets:** | | |
| Land | 13,876,751 | 4,114,574 |
| Land Improvements | - | - |
| Buildings and Structures | 891,488,855 | 65,498,463 |
| Water and Sewer Lines | 532,455,750 | - |
| Equipment, Machinery, and Fixtures | 572,095,371 | 48,489,640 |
| Vehicles and Buses | - | 148,970,549 |
| Construction Work in Progress | 1,203,738,078 | 4,699,876 |
| Total Capital Assets | 3,213,654,805 | 271,773,102 |
| Less: Accumulated Depreciation | (637,571,035) | (141,287,061) |
| Net Capital Assets | 2,576,083,770 | 130,486,041 |
| Total Non-Current Assets | 2,837,850,527 | 130,486,041 |
| **Other Assets:** | | |
| Bond Issuance Costs | 31,105,792 | - |
| Other | - | 650,000 |
| Total Noncurrent Assets | 2,868,956,319 | 131,136,041 |
| Total Assets | 3,510,686,692 | 166,429,502 |

(Continued)

Enterprise Funds

| Water Fund | Automobile Parking Fund | Non-Major Funds | Total |
|---|---|---|---|
| $ 3,811,324 | $ 1,226,170 | $ 772,417 | $ 8,176,944 |
| 13,491,812 | 20,063 | - | 55,398,148 |
| 30,044,331 | 779,598 | 1,037,750 | 72,511,978 |
| - | - | 9,424 | 20,494,877 |
| 94,940,116 | 1,097,789 | 831,061 | 288,344,201 |
| 124,984,447 | 1,877,387 | 1,878,235 | 381,351,056 |
| (30,237,264) | - | (385,482) | (73,568,691) |
| 94,747,183 | 1,877,387 | 1,492,753 | 307,782,365 |
| 6,832,006 | - | - | 27,620,127 |
| 106,819 | 119,295 | 88,693 | 320,687 |
| 21,717,159 | - | - | 53,622,374 |
| 273,615,422 | 203,360 | - | 623,536,242 |
| 19,027,664 | - | - | 39,716,474 |
| 433,349,389 | 3,446,275 | 2,353,863 | 1,116,173,361 |
| 22,769,343 | 35,674,087 | - | 320,210,187 |
| 6,527,438 | 7,014,114 | 5,169,374 | 36,702,251 |
| 96,834,157 | 214,908 | 8,020,718 | 105,069,783 |
| 453,406,152 | 199,088,852 | 5,272,287 | 1,614,754,609 |
| 689,057,547 | - | - | 1,221,513,297 |
| 492,782,490 | 2,339,955 | 1,729,317 | 1,117,436,773 |
| - | - | 1,482,115 | 150,452,664 |
| 679,745,387 | 5,858,056 | - | 1,894,041,397 |
| 2,418,353,171 | 214,515,885 | 21,673,811 | 6,139,970,774 |
| (647,652,745) | (107,900,645) | (12,104,762) | (1,546,516,248) |
| 1,770,700,426 | 106,615,240 | 9,569,049 | 4,593,454,526 |
| 1,793,469,769 | 142,289,327 | 9,569,049 | 4,913,664,713 |
| 27,605,624 | - | - | 58,711,416 |
| - | 517,430 | - | 1,167,430 |
| 1,821,075,393 | 142,806,757 | 9,569,049 | 4,973,543,559 |
| 2,254,424,782 | 146,253,032 | 11,922,912 | 6,089,716,920 |

# City of Detroit, Michigan
# STATEMENT OF NET ASSETS
# PROPRIETARY FUNDS
# June 30, 2004 (Continued)

| LIABILITIES AND NET ASSETS | Sewage Disposal Fund | Transportation Fund |
|---|---|---|
| **Liabilities:** | | |
| Current Liabilities: | | |
| Book Cash Overdraft | 134,189 | - |
| Accounts and Contracts Payable | 13,928,353 | 14,478,990 |
| Due to Other Funds | 31,637,856 | 15,350,255 |
| Due to Fiduciary Funds | 3,037,250 | 4,367,232 |
| Due to Component Units | - | 5,526,824 |
| Refundable Deposits | - | - |
| Accrued Salaries and Wages | 1,455,830 | 2,778,992 |
| Accrued Compensated Absences | 6,051,544 | 2,984,129 |
| Accrued Public Liability and Workers Compensation | 1,181,346 | 709,620 |
| Other Liabilities | 9,738,648 | - |
| Bonds and Notes Payable | 44,825,000 | - |
| Accrued Interest on Bonds and Notes Payable | 25,691,034 | - |
| Restricted Accounts and Contracts Payable | 78,922,676 | - |
| Restricted Due to Other Funds | 5,207,146 | - |
| Restricted Other Liabilities | - | - |
| Deferred Revenue | - | 117,630 |
| Total Current Liabilities | 221,810,872 | 46,313,672 |
| Noncurrent Liabilities: | | |
| Bonds and Notes Payable | 2,330,327,599 | - |
| Unamortized Discount and Gain on Defeasances | (8,476,974) | - |
| Bonds and Notes Payable - Net | 2,321,850,625 | - |
| Deferred Swap Termination Fees | 14,056,137 | - |
| Accrued Compensated Absences | 6,106,719 | 746,032 |
| Accrued Public Liability and Workers' Compensation | 4,025,338 | 2,838,480 |
| Advance From Other Funds | - | - |
| Total Noncurrent Liabilities | 2,346,038,819 | 3,584,512 |
| Total Liabilities | 2,567,849,691 | 49,898,184 |
| **Net Assets:** | | |
| Invested in Capital Assets, Net of Related Debt | 610,829,187 | 130,486,041 |
| Restricted for Debt Service | 130,303,233 | - |
| Unrestricted (Deficit) | 201,704,581 | (13,954,723) |
| Total Net Assets | $ 942,837,001 | $ 116,531,318 |

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

| Enterprise Funds | | | |
|---|---|---|---|
| Water Fund | Automobile Parking Fund | Non-Major Funds | Total |
| - | - | - | 134,189 |
| 19,127,419 | 1,672,280 | 176,652 | 49,383,694 |
| 47,587,676 | 1,032,376 | 490,730 | 96,098,893 |
| 1,580,632 | 467,162 | 19,518 | 9,471,794 |
| - | - | - | 5,526,824 |
| - | - | 93,067 | 93,067 |
| 1,817,697 | - | 25,882 | 6,078,401 |
| 9,984,576 | 199,469 | 171,351 | 19,391,069 |
| 4,756,519 | - | 10,933 | 6,658,418 |
| 3,068,993 | - | 213,553 | 13,021,194 |
| 22,440,000 | 6,255,000 | - | 73,520,000 |
| 32,246,376 | 2,222,674 | - | 60,160,084 |
| 31,321,660 | - | 80,000 | 110,324,336 |
| 7,375,701 | - | - | 12,582,847 |
| 621,531 | - | - | 621,531 |
| - | - | 4,701 | 122,331 |
| 181,928,780 | 11,848,961 | 1,286,387 | 463,188,672 |
| 1,690,995,000 | 60,845,000 | - | 4,082,167,599 |
| (59,570,404) | 1,808,213 | - | (66,239,165) |
| 1,631,424,596 | 62,653,213 | - | 4,015,928,434 |
| 16,943,863 | - | - | 31,000,000 |
| 5,604,945 | 247,624 | 295,927 | 13,001,247 |
| 11,021,735 | - | 111,716 | 17,997,269 |
| - | 2,560,000 | - | 2,560,000 |
| 1,664,995,139 | 65,460,837 | 407,643 | 4,080,486,950 |
| 1,846,923,919 | 77,309,798 | 1,694,030 | 4,543,675,622 |
| 237,151,776 | 75,382,312 | 9,569,049 | 1,063,418,365 |
| 68,734,107 | - | - | 199,037,340 |
| 101,614,980 | (6,439,078) | 659,833 | 283,585,593 |
| $ 407,500,863 | $ 68,943,234 | $ 10,228,882 | $ 1,546,041,298 |

## City of Detroit, Michigan
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## For the Year Ended June 30, 2004

| | Sewage Disposal Fund | Transportation Fund |
|---|---|---|
| **Operating Revenues:** | | |
| Sales and Charges for Services | $ 312,798,177 | $ 24,712,839 |
| Rentals, Fees and Surcharges | 3,155,337 | - |
| Miscellaneous | 3,856,227 | - |
| Total Operating Revenues | 319,809,741 | 24,712,839 |
| **Operating Expenses:** | | |
| Salaries, Wages and Benefits | 45,861,755 | 123,721,317 |
| Contractual Services | - | 24,875,402 |
| Operating | 121,556,006 | - |
| Repairs and Maintenance | 15,566,222 | - |
| Materials, Supplies and Other Expenses | - | 43,588,697 |
| Depreciation and Amortization | 50,085,670 | 14,397,301 |
| Total Operating Expenses | 233,069,653 | 206,582,717 |
| Total Operating Income (Loss) | 86,740,088 | (181,869,878) |
| **Non-Operating Revenues (Expenses):** | | |
| Earnings on Investments | 8,017,586 | 49,744 |
| Grants-Federal | - | 23,160,885 |
| Contributions | - | 66,184,533 |
| Revenue from Interest Rate Swap | - | - |
| Interest on Bonds and Notes Payable | (59,629,554) | - |
| Gain on Disposal of Assets | - | - |
| Other Revenue | - | 2,609,933 |
| Other Expenses | (4,699,023) | - |
| Total Non-Operating Revenues (Expenses) | (56,310,991) | 92,005,095 |
| Net Income (Loss) Before Contributions and Transfers | 30,429,097 | (89,864,783) |
| Capital Contributions | - | 29,420,774 |
| Transfers In | - | 74,318,857 |
| Increase (Decrease) in Net Assets | 30,429,097 | 13,874,848 |
| Net Assets - Beginning of Year, as Restated | 912,407,904 | 102,656,470 |
| Net Assets - End of Year | $ 942,837,001 | $ 116,531,318 |

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

**Enterprise Funds**

| Water Fund | Automobile Parking Fund | Non-Major Funds | Total |
|---|---|---|---|
| $ 251,697,368 | $ - | $ 71,677 | $ 589,280,061 |
| - | 19,478,139 | 894,513 | 23,527,989 |
| 3,719,815 | - | 6,469 | 7,582,511 |
| 255,417,183 | 19,478,139 | 972,659 | 620,390,561 |
| | | | |
| 42,072,318 | 2,283,524 | 1,697,545 | 215,636,459 |
| - | 3,604,361 | - | 28,479,763 |
| 107,890,191 | 3,917,705 | 693,491 | 234,057,393 |
| - | 2,246,365 | 160,486 | 17,973,073 |
| 2,599,262 | 242,808 | 857,384 | 47,288,151 |
| 38,853,740 | 5,901,177 | 621,701 | 109,859,589 |
| 191,415,511 | 18,195,940 | 4,030,607 | 653,294,428 |
| 64,001,672 | 1,282,199 | (3,057,948) | (32,903,867) |
| | | | |
| 4,223,627 | 225,250 | - | 12,516,207 |
| - | - | 299,161 | 23,460,046 |
| - | - | - | 66,184,533 |
| - | 163,099 | - | 163,099 |
| (52,210,199) | (3,794,906) | - | (115,634,659) |
| - | 140,012 | - | 140,012 |
| 1,039,710 | - | - | 3,649,643 |
| - | - | - | (4,699,023) |
| (46,946,862) | (3,266,545) | 299,161 | (14,220,142) |
| | | | |
| 17,054,810 | (1,984,346) | (2,758,787) | (47,124,009) |
| 4,038,816 | - | - | 33,459,590 |
| - | - | 2,789,179 | 77,108,036 |
| 21,093,626 | (1,984,346) | 30,392 | 63,443,617 |
| | | | |
| 386,407,237 | 70,927,580 | 10,198,490 | 1,482,597,681 |
| $ 407,500,863 | $ 68,943,234 | $ 10,228,882 | $ 1,546,041,298 |

**City of Detroit, Michigan**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**For the Year Ended June 30, 2004**

| | Sewage Disposal Fund | Transportation Fund |
|---|---|---|
| **Cash Flows from Operations:** | | |
| Receipts from Customers | $ 323,241,563 | $ 26,602,717 |
| Advances from Other Funds | - | - |
| Repayments from Other Funds | - | - |
| Repayments to Other Funds | (3,467,351) | - |
| Deposits Refunded to Customers | - | - |
| Payments to Suppliers | (109,592,661) | (65,848,176) |
| Payments to Employees | (43,049,784) | (123,418,065) |
| Net Cash Provided by (Used in) Operating Activities | 167,131,767 | (162,663,524) |
| **Cash Flows from Non-Capital Financing Activities:** | | |
| Grants andContributions from Other Governments | - | 91,955,351 |
| Transfers from Other Funds | - | 79,814,654 |
| Net Cash Provided by Non-Capital Financing Activities | - | 171,770,005 |
| **Cash Flows from Capital and Related Financing Activities:** | | |
| Capital Contributions | - | 23,944,107 |
| Acquisition and Construction of Capital Assets | (354,410,519) | (29,433,117) |
| Proceeds from Bond and Note Issuances | 208,532,328 | - |
| Unamortized Discount and Bond Issuance Cost | 2,644,404 | - |
| Principal Paid on Bonds and Notes | (38,745,000) | - |
| Interest Paid on Bonds - Net | (113,346,957) | - |
| Principal Paid on Refunded Debt | (103,845,000) | - |
| Amount received through Swap Agreement Debt | - | - |
| Swap Termination Fees | 14,056,137 | - |
| Other Receipts | 410,035 | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | (384,704,572) | (5,489,010) |
| **Cash Flows from Investing Activities:** | | |
| Proceeds (Losses) from Sales and Maturities of Investments, Net | 195,891,333 | (1,369,744) |
| Interest on Investment Securities | 8,017,587 | 49,744 |
| Net Cash Provided by (Used in) Investing Activities | 203,908,920 | (1,320,000) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (13,663,885) | 2,297,471 |
| Cash and Cash Equivalents at Beginning of Year, as Restated | 45,434,911 | 69,562 |
| Cash and Cash Equivalents at End of Year | $ 31,771,026 | $ 2,367,033 |

(Continued)

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

| Enterprise Funds | | | |
|---|---|---|---|
| Water Fund | Automobile Parking Fund | Non-Major Funds | Total |
| $ 248,883,564 | $ 19,788,804 | $ 886,368 | $ 619,403,016 |
| - | 1,310,000 | - | 1,310,000 |
| - | (447,077) | - | (447,077) |
| (30,515,991) | (523,276) | (59,045) | (34,565,663) |
| - | - | 2,811 | 2,811 |
| (109,534,716) | (10,132,891) | (1,344,144) | (296,452,588) |
| (38,181,938) | (2,117,261) | (1,534,665) | (208,301,713) |
| 70,650,919 | 7,878,299 | (2,048,675) | 80,948,786 |
| | | | |
| - | - | 289,737 | 92,245,088 |
| - | - | 3,078,916 | 82,893,570 |
| - | - | 3,368,653 | 175,138,658 |
| | | | |
| 4,038,816 | - | - | 27,982,923 |
| (149,715,214) | (892,957) | - | (534,451,807) |
| 226,410,000 | - | - | 434,942,328 |
| 4,725,892 | 314,649 | - | 7,684,945 |
| (19,740,000) | (6,215,000) | - | (64,700,000) |
| (80,728,302) | (3,811,036) | - | (197,886,295) |
| (226,410,000) | - | - | (330,255,000) |
| - | 4,077,469 | - | 4,077,469 |
| 16,943,863 | - | - | 31,000,000 |
| 1,039,710 | - | - | 1,449,745 |
| (223,435,235) | (6,526,875) | - | (620,155,692) |
| | | | |
| 125,994,982 | (981,439) | - | 319,535,132 |
| 4,223,627 | 225,250 | - | 12,516,208 |
| 130,218,609 | (756,189) | - | 332,051,340 |
| | | | |
| (22,565,707) | 595,235 | 1,319,978 | (32,016,908) |
| 48,094,190 | 630,935 | 203,160 | 94,432,758 |
| $ 25,528,483 | $ 1,226,170 | $ 1,523,138 | $ 62,415,850 |

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2004

| | Sewage Disposal Fund | Transportation Fund |
|---|---|---|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | |
| Operating Income (Loss) | $ 86,740,088 | $ (181,869,878) |
| Adjustments to Operating Income (Loss): | | |
| Depreciation and Amortization | 50,085,670 | 14,397,301 |
| Allowance for Uncollectible Accounts | 5,237,411 | (7,580) |
| Late Charges and Other, Net | (6,468,196) | - |
| Changes in Assets and Liabilities: | | |
| Other Receivables - Trade | (10,074,723) | 1,889,878 |
| Inventories | 3,365,569 | 1,655,682 |
| Prepaid Expenses | 29,477,360 | - |
| Accounts Receivable Expenses | - | - |
| Due from Other Funds | - | - |
| Accounts and Contracts Payable | 5,412,445 | 1,062,881 |
| Due to Other Funds | (3,467,351) | (1,728,671) |
| Due to Component Units | - | 880,571 |
| Due to Governmental Agencies | - | - |
| Other Liabilities | 4,041,931 | - |
| Accrued Compensated Absences | - | (117,814) |
| Accrued Public Liability and Worker Compensation | 2,524,033 | 753,040 |
| Advances from Other Funds | - | - |
| Refundable Deposits | - | - |
| Prepaid Revenue | - | - |
| Accrued Salaries and Wages | 257,530 | 421,066 |
| Net Cash Provided by (Used in) Operating Activities | $ 167,131,767 | $ (162,663,524) |

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

| Enterprise Funds | | | |
|---|---|---|---|
| Water Fund | Automobile Parking Fund | Non-Major Funds | Total |
| $ 64,001,672 | $ 1,282,199 | $ - | $ (29,845,919) |
| 38,853,740 | 5,901,177 | - | 109,237,888 |
| - | - | - | 5,229,831 |
| - | - | - | (6,468,196) |
| (9,800,681) | - | - | (17,985,527) |
| 622,369 | - | - | 5,643,620 |
| 428,602 | (201,720) | - | 29,704,242 |
| - | 310,665 | - | 310,665 |
| (30,515,991) | (447,077) | 2,811 | (30,960,257) |
| 3,912,059 | 80,068 | 72 | 10,467,525 |
| - | (523,276) | - | (5,719,298) |
| - | - | - | 880,571 |
| - | - | - | - |
| - | - | - | 4,041,931 |
| - | 166,263 | (2,048,675) | (2,000,226) |
| 2,922,120 | - | - | 6,199,193 |
| - | 1,310,000 | - | 1,310,000 |
| - | - | - | - |
| - | - | - | - |
| 227,029 | - | - | 905,625 |
| $ 70,650,919 | $ 7,878,299 | $ (2,045,792) | $ 80,951,669 |

# City of Detroit, Michigan
# STATEMENT OF FIDUCIARY NET ASSETS
# FIDUCIARY FUNDS
# June 30, 2004

| | Pension and Other Employee Benefit Funds | Agency Funds | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 7,972,268 | $ 2,398,727 | $ 10,370,995 |
| Investments at Fair Value: | | | |
| Short-Term Investments | 153,642,872 | - | 153,642,872 |
| Commercial Paper | 4,964,125 | - | 4,964,125 |
| U. S. Government Obligations | 75,727 | - | 75,727 |
| Bonds and Stocks | 4,133,187,361 | - | 4,133,187,361 |
| Mortgage-Backed Securities | 152,535,435 | - | 152,535,435 |
| Mortgage and Construction Loans | 243,145,421 | - | 243,145,421 |
| Equity Interest in Real Estate | 166,362,111 | - | 166,362,111 |
| Real Estate Investment Trusts Held by Custodian | 28,522,443 | - | 28,522,443 |
| Pooled Investments | 472,759,003 | 7,108,506 | 479,867,509 |
| Private Placements | 302,152,022 | - | 302,152,022 |
| Total Investments | 5,657,346,520 | 7,108,506 | 5,664,455,026 |
| Accrued Interest Receivable | 25,454,111 | - | 25,454,111 |
| Accounts Receivable: | | | |
| Due from Primary Government | 85,796,911 | 185,281 | 85,982,192 |
| Due from Component Units | 1,760,431 | - | 1,760,431 |
| Other Receivables | 100,600,019 | - | 100,600,019 |
| Total Accounts Receivable | 188,157,361 | 185,281 | 188,342,642 |
| Cash and Investments Held as Collateral for Secuities Lending | 889,804,447 | - | 889,804,447 |
| Other Assets | 1,138,284 | - | 1,138,284 |
| Total Assets | 6,769,872,991 | 9,692,514 | 6,779,565,505 |
| **LIABILITIES AND NET ASSETS** | | | |
| Liabilities: | | | |
| Accounts and Contracts Payable | 12,104,309 | 1,758,815 | 13,863,124 |
| Due to Broker | 133,277,124 | - | 133,277,124 |
| Benefits and Claims Payable | 12,147,545 | - | 12,147,545 |
| Due to Primary Government | 4,377,914 | 117,215 | 4,495,129 |
| Due to Component Units | 787,815 | - | 787,815 |
| Amount Due to Broker for Secuities Lending | 889,804,447 | - | 889,804,447 |
| Other Liabilities | 29,245,952 | 7,816,484 | 37,062,436 |
| Total Liabilities | 1,081,745,106 | 9,692,514 | 1,091,437,620 |
| Net Assets: | | | |
| Net Assets Held in Trust for Pension and Employee Benefits | $ 5,688,127,885 | $ - | $ 5,688,127,885 |

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 104)

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

## City of Detroit, Michigan
## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS
## For the Year Ended June 30, 2004

| | Pension and Other Employee Benefit Funds |
|---|---|
| ADDITIONS: | |
| Employer Contributions | $ 418,018,244 |
| Plan Member Contributions | 57,700,769 |
| Other Income | 16,145,774 |
| Total Contributions | 491,864,787 |
| Investment Gain | 754,857,358 |
| Total Additions | 1,246,722,145 |
| DEDUCTIONS: | |
| Pension and Annuity Benefits | 357,303,189 |
| Premiums to Insurers and Damage Claims | 275,675,854 |
| Benefits | 2,855,837 |
| Refunds | 145,422,902 |
| General and Administrative Expenses | 7,590,116 |
| Total Deductions | 788,847,898 |
| Net Increase | 457,874,247 |
| Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year | 5,230,253,638 |
| Net Assets Held in Trust for Pension and Employee Benefits, End of Year | $ 5,688,127,885 |

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004

| | Brownfield Redevelopment Authority | Detroit Public Library | Downtown Development Authority | Economic Development Corporation | Detroit Housing Commission | Local Development Finance Authority | Museum of African American History |
|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | |
| Cash and Cash Equivalents | $ 125,218 | $ 68,321 | $ 1,428,134 | $ 3,170,197 | $ 5,239,526 | $ 5,358 | $ 1,037,167 |
| Escrow Deposits-Cash | - | - | 109,884 | 48,262,665 | 4,072,135 | - | - |
| Investments, including Accrued Interest | - | 3,922,184 | 118,437,981 | 18,777,406 | - | - | 426,082 |
| Accounts and Contracts Receivable: | | | | | | | |
| Due from Primary Government | - | 10,019,030 | 548,778 | - | - | 1,390,020 | - |
| Due from Other Governments | - | 1,598,535 | - | - | 13,324,884 | 365,548 | - |
| Other Recievables | 30,167 | 8,168,188 | 223,906 | 1,046,725 | 736,532 | | 20,618 |
| Total Accounts and Contracts Receivable | 30,167 | 19,785,753 | 772,684 | 1,046,725 | 14,061,416 | 1,755,568 | 20,618 |
| Allowance for Doubtful Accounts | - | (5,875,000) | - | - | (1,517,755) | - | - |
| Total Accounts and Contracts Receivable - Net | 30,167 | 13,910,753 | 772,684 | 1,046,725 | 12,543,661 | 1,755,568 | 20,618 |
| Inventory | - | 3,224,483 | - | - | - | - | 118,798 |
| Prepaid Expenditures/Expenses | - | - | 109,708 | - | 438,424 | - | 42,719 |
| Taxes, Interest, and Penalties Receivable - Net | - | 795,000 | 4,748,316 | - | 16,419 | - | - |
| Loans and Notes Receivable | - | - | 65,496,225 | 2,592,196 | 554,409 | - | - |
| Inventory Net of Allowance | - | - | - | - | 312,612 | - | - |
| Unamortized Bond and Note Issue Costs- Net | - | - | 3,631,939 | - | - | - | - |
| Restricted Cash | - | 1,390,386 | - | - | 417,123 | - | - |
| Restricted Escrow Deposits-Cash | - | - | - | - | 1,589,973 | - | - |
| Restricted Investments | - | 6,451,567 | - | - | - | 28,134,743 | - |
| Capital Assets: | | | | | | | |
| Land | - | 1,371,996 | 7,544,670 | - | 15,119,876 | - | - |
| Artwork | - | 1,230,175 | - | - | - | - | - |
| Plant and Equipment | - | 160,765,691 | 26,823,841 | - | 144,602,286 | - | 7,204,534 |
| Construction Work in Progress | - | - | - | - | 23,942,191 | - | - |
| Less: Accumulated Depreciation | - | (149,482,798) | (1,291,691) | - | (61,436,801) | - | (1,949,044) |
| Capital Assets, Net | - | 13,885,064 | 33,076,820 | - | 122,227,552 | - | 5,255,490 |
| Other | - | - | 2,556,203 | 1,009,482 | 6,639,235 | - | - |
| Deferred Charges | - | - | - | - | - | - | - |
| Total Assets | 155,385 | 43,647,758 | 230,367,894 | 74,858,671 | 154,051,069 | 29,895,669 | 6,900,874 |
| LIABILITIES: | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable and Contracts Payable | 84,765 | 134,644 | 1,283,061 | 48,409,675 | 3,777,483 | 295,117 | 437,641 |
| Interest Payable | - | - | 6,617,492 | 248,092 | - | 819,156 | - |
| Due to Primary Government | - | 2,016,105 | 899,109 | 2,715 | 2,971,985 | - | 3,047 |
| Advances Due to Primary Government | - | - | - | 358,205 | - | - | - |
| Accrued Salaries and Wages | - | 774,220 | - | - | 113,617 | - | 179,961 |
| Deferred Revenues | - | - | - | - | 628,301 | - | 510,000 |
| Other Current Liabilities | - | 281,061 | 7,163,135 | - | 3,426,413 | - | - |
| State Aid Anticipation and Other Notes Payable | - | - | - | - | - | - | - |
| Bonds, Notes, and Other Debt Payables-Current | - | - | 10,548,000 | 1,508,185 | - | 2,190,000 | 530,732 |
| Unamortized Premuims and Defeasances | - | - | (70,303) | - | - | - | - |
| Bonds, Notes and Other Debt Payable-Curent-Net | - | - | 10,477,697 | 1,508,185 | - | 2,190,000 | 530,732 |
| Accrued Compensated Absences | - | 189,017 | - | - | 288,311 | - | - |
| Accrued Public Liability and Workers Compensation | - | 177,597 | - | - | 146,909 | - | - |
| Noncurrent Liabilities: | | | | | | | |
| Bonds, Notes, and Other Debt Payables-Noncurrent | - | - | 169,273,198 | 1,255,963 | 15,343,095 | 89,211,533 | 34,543 |
| Unamortized Premuims and Defeasances | - | - | (1,492,731) | - | - | - | - |
| Bonds, Notes and Other Debt Payable-NonCurent-Net | - | - | 167,780,467 | 1,255,963 | 15,343,095 | 89,211,533 | 34,543 |
| Accrued Compensated Absences | - | 3,723,528 | - | - | 773,367 | - | - |
| Accrued Public Liability and Workers Compensation | - | 263,306 | - | - | - | - | - |
| Total Liabilities | 84,765 | 7,559,478 | 194,220,961 | 51,782,835 | 27,469,481 | 92,515,806 | 1,695,924 |
| NET ASSETS: | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | - | 13,885,064 | 33,076,820 | - | 122,227,552 | - | 5,255,490 |
| Restricted for: | | | | | | | |
| Restricted (Non-Expendable) | - | 7,841,953 | - | - | 417,123 | 5,982,951 | - |
| Capital Projects | 27,199 | - | 1,622,333 | 22,890,567 | - | - | 904,735 |
| Debt Service | - | - | 1,447,780 | - | - | 22,798,445 | - |
| Unrestricted (Deficit) | 43,421 | 14,361,263 | - | 185,269 | 3,936,913 | (91,401,533) | (955,275) |
| Total Net Assets (Deficit) | $ 70,620 | $ 36,088,280 | $ 36,146,933 | $ 23,075,836 | $ 126,581,588 | $ (62,620,137) | $ 5,204,950 |

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

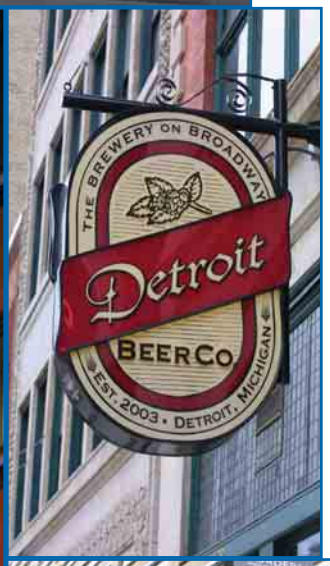
| Detroit Public Schools | Tax Increment Finance Authority | Detroit Transportation Corporation | Greater Detroit Resource Recovery Authority | Totals |
|---|---|---|---|---|
| $ 8,903,480 | $ - | $ 248,969 | $ - | $ 20,226,370 |
| - | - | - | - | 52,444,684 |
| 82,612,840 | - | 4,469,933 | - | 228,646,426 |
| | | | - | |
| - | - | 5,526,824 | - | 17,484,652 |
| 275,287,381 | - | 2,770,917 | - | 293,347,265 |
| 5,139,584 | - | 429,012 | 6,764,908 | 22,559,640 |
| 280,426,965 | - | 8,726,753 | 6,764,908 | 333,391,557 |
| - | - | - | - | (7,392,755) |
| 280,426,965 | - | 8,726,753 | 6,764,908 | 325,998,802 |
| 5,185,267 | - | 2,826,498 | - | 11,355,046 |
| - | - | 751,260 | 3,219,056 | 4,561,167 |
| 73,891,226 | - | - | - | 79,450,961 |
| - | - | - | - | 68,642,830 |
| - | - | - | - | 312,612 |
| - | - | - | 1,731,875 | 5,363,814 |
| - | - | - | 4,959,622 | 6,767,131 |
| - | - | - | - | 1,589,973 |
| 512,856,242 | - | 8,637,382 | 176,790,525 | 732,870,459 |
| 55,427,603 | - | 5,122,237 | 8,873,234 | 93,459,616 |
| - | - | 1,986,000 | - | 3,216,175 |
| 1,282,546,054 | - | 197,657,785 | 513,623,297 | 2,333,223,488 |
| 432,500,072 | - | 5,565,185 | - | 462,007,448 |
| (415,432,011) | - | (128,170,937) | (172,504,729) | (930,268,011) |
| 1,355,041,718 | - | 82,160,270 | 349,991,802 | 1,961,638,716 |
| - | - | - | - | 10,204,920 |
| - | - | - | 1,719,417 | 1,719,417 |
| 2,318,917,738 | - | 107,821,065 | 545,177,205 | 3,511,793,328 |
| 99,496,747 | - | 1,602,781 | 11,970,108 | 167,492,022 |
| 14,680,116 | - | - | 1,405,482 | 23,770,338 |
| - | - | 67,149 | 15,647,690 | 21,607,800 |
| - | - | - | - | 358,205 |
| 91,520,268 | - | 429,341 | - | 93,017,407 |
| 5,668,253 | - | 3,004,250 | - | 9,810,804 |
| 1,192,267 | - | 3,351,942 | - | 15,414,818 |
| 265,734,805 | - | - | - | 265,734,805 |
| 43,208,483 | - | - | 49,105,000 | 107,090,400 |
| 5,440,823 | - | - | - | 5,370,520 |
| 48,649,306 | - | - | 49,105,000 | 112,460,920 |
| 2,325,877 | - | - | - | 2,803,205 |
| - | - | - | - | 324,506 |
| 1,500,342,500 | - | - | 420,081,864 | 2,195,542,696 |
| 40,264,803 | - | - | (4,852,180) | 33,919,892 |
| 1,540,607,303 | - | - | 415,229,684 | 2,229,462,588 |
| 145,366,807 | - | 210,881 | - | 150,074,583 |
| 56,401,699 | - | - | - | 56,665,005 |
| 2,271,643,448 | - | 8,666,344 | 493,357,964 | 3,148,997,006 |
| 228,472,107 | - | 82,160,270 | 56,523,425 | 541,600,728 |
| - | - | - | - | 14,242,027 |
| - | - | 5,637,382 | - | 31,082,216 |
| 4,699,713 | - | - | (4,704,184) | 24,241,754 |
| (185,897,530) | - | 11,357,069 | - | (248,370,403) |
| $ 47,274,290 | $ - | $ 99,154,721 | $ 51,819,241 | $ 362,796,322 |

**City of Detroit, Michigan**
**STATEMENT OF ACTIVITIES**
**COMPONENT UNITS**
**For the Year Ended June 30, 2004**

| | Brownfield Redevelopment Authority | Detroit Public Library | Downtown Development Authority | Economic Development Corporation | Detroit Housing Commission |
|---|---|---|---|---|---|
| Expenses | $ (200,328) | $ (37,989,764) | $ (62,463,896) | $ (12,227,756) | $ (66,240,398) |
| Program Revenues: | | | | | |
| Charges for Services | 139,463 | 304,294 | 11,095,995 | 17,123,677 | 69,036,445 |
| Operating Grants and Contributions | 104,070 | 5,712,417 | - | - | - |
| Total Program Revenues | 243,533 | 6,016,711 | 11,095,995 | 17,123,677 | 69,036,445 |
| Net Program (Expenses) Revenue | 43,205 | (31,973,053) | (51,367,901) | 4,895,921 | 2,796,047 |
| General Revenues: | | | | | |
| Property Taxes - Levied for General Purposes | 27,199 | 30,335,182 | 29,101,165 | - | - |
| Property Taxes - Levied for Debt Service | - | - | - | - | - |
| Investment Income | - | 193,781 | - | 1,995 | 184,916 |
| Interest and Penalities on Taxes | 216 | 1,108,483 | - | - | - |
| Shared Taxes | - | 2,743,305 | - | - | - |
| Other Taxes and Assessments | - | 1,332,596 | - | - | - |
| Other Non Operating | - | 1,394,768 | 674,622 | 300,000 | 15,437,432 |
| General Revenues | 27,415 | 37,108,115 | 29,775,787 | 301,995 | 15,622,348 |
| Change in Net Assets | 70,620 | 5,135,062 | (21,592,114) | 5,197,916 | 18,418,395 |
| Net Assets(Deficit) - Beginning of Year, as Restated | - | 30,953,218 | 57,739,047 | 17,877,920 | 108,163,193 |
| Net Assets (Deficit) - End of Year | $ 70,620 | $ 36,088,280 | $ 36,146,933 | $ 23,075,836 | $ 126,581,588 |

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

| Local Development Finance Authority | Museum of African American History | Detroit Public Schools | Tax Increment Finance Authority | Detroit Transportation Corporation | Greater Detroit Resource Recovery Authority | Totals |
|---|---|---|---|---|---|---|
| $ (14,513,509) | $ (6,834,923) | $ (1,777,402,877) | $ (11,636,682) | $ (18,881,512) | $ (116,723,107) | $ (2,125,114,752) |
| - | 1,583,936 | 7,580,249 | - | 367,012 | 43,792,111 | 151,023,182 |
| 6,950,000 | 5,075,412 | 525,155,465 | - | 9,621,165 | 71,146,881 | 623,765,410 |
| 6,950,000 | 6,659,348 | 532,735,714 | - | 9,988,177 | 114,938,992 | 774,788,592 |
| (7,563,509) | (175,575) | (1,244,667,163) | (11,636,682) | (8,893,335) | (1,784,115) | (1,350,326,160) |
| 8,438,775 | - | 76,978,512 | 11,636,682 | - | - | 156,517,515 |
| - | - | 104,758,050 | - | - | - | 104,758,050 |
| 178,830 | 5,290 | 7,896,070 | - | 4,664 | 1,364,866 | 9,830,412 |
| - | - | - | - | - | - | 1,108,699 |
| - | - | 932,399,129 | - | - | - | 935,142,434 |
| 315,822 | - | 10,675,608 | - | - | - | 12,324,026 |
| - | 3,357,051 | - | - | 4,812,141 | - | 25,976,014 |
| 8,933,427 | 3,362,341 | 1,132,707,369 | 11,636,682 | 4,816,805 | 1,364,866 | 1,245,657,150 |
| 1,369,918 | 3,186,766 | (111,959,794) | - | (4,076,530) | (419,249) | (104,669,010) |
| (63,990,055) | 2,018,184 | 159,234,084 | - | 103,231,251 | 52,238,490 | 467,465,332 |
| $ (62,620,137) | $ 5,204,950 | $ 47,274,290 | $ - | $ 99,154,721 | $ 51,819,241 | $ 362,796,322 |



**New Commercial Developments -** A variety of commercial enterprises found homes and new locations in Detroit. Pure Detroit sells Detroit products from two new locations on Monroe in Greektown and in the Guardian Building. Two new restaurants – Small Plates and the Detroit Beer Company – opened across from the Detroit Opera House. Among the new businesses opening in the Compuware Building are national vendors, Hard Rock Café and Borders Bookstore, located in the Campus Martius area on Monroe and Woodward.

# NEW COMMERCIAL DEVELOPMENTS

# NOTES

# TO BASIC

# FINANCIAL

# STATEMENTS

## NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Detroit (the City), incorporated in 1806, is a home rule city under State law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, and (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, airport, and parking.

### A. REPORTING ENTITY

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The twelve component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### 1. Blended Component Unit:

**Detroit Building Authority (DBA)**: The City of Detroit Building Authority (DBA) is included in the operations and activities of the City because it was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining a building or buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings), recreational facilities, and the necessary site or sites, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, all for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.

#### 2. Discretely Presented Component Units:

Component units, which are not blended as part of the primary government, are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units presented in this manner are the following:

**Detroit Public Library (DPL):** The DPL is a statutory body created by the State of Michigan. The DPL was created to provide reference materials, research information, and publications to residents of the City and the County. Funding is provided by an ad valorem tax of 3.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. City Council is responsible for approving DPL's annual budget.

**Detroit Housing Commission (DHC):** The DHC was established in 1933 under the authority of the Housing Facilities Act, 1933 PA18 (Ex. Sess), MCL 125.651 et.seq. Section 2 of the act provided that any city or incorporated village with population of over 500,000 was authorized "to purchase, acquire, construct, maintain, operate, improve, extend, and/or repair housing facilities and to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, and/or welfare."

Effective July 1, 2003 the Michigan Supreme Court determined that the DHC is a separate legal entity from the City. The Commission is governed by a five (5) member board appointed by the Mayor. A change in the City's reporting entity regarding the DHC is discussed in footnote I-C.

**Downtown Development Authority (DDA):** The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of 1.0 mill on real and personal

(Continued)

property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

**Economic Development Corporation (EDC):** The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

**Local Development Finance Authority (LDFA):** The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. Incremental portions of the City and the County of Wayne (the County) property taxes fund LDFA.

**Museum of African American History (MAAH):** The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. The MAAH is primarily funded by means of private grants and grants from the City.

**School District of the City of Detroit (the District):** The District is a statutory body created by the State of Michigan and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 13.19 mills (homestead properties) and 31.19 mills (non-homestead) on real and personal property in the City and a "foundation allowance" provided by the State of Michigan.

**Detroit Brownfield Redevelopment Authority (DBRA):** The City of Detroit Brownfield Redevelopment Authority was created by a Detroit City Council resolution dated April 23, 1998, and approved by the Mayor of the City of Detroit on April 30, 1998, under the provisions of Act 381, Public Acts of Michigan of 1996. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property. This is the first year of substantial financial activity for this authority.

**Tax Increment Finance Authority (TIFA):** The TIFA was created to acquire property and provide financing for industrial development programs through issuance of long-term debt secured by a tax increment financing plan.

**Detroit Transportation Corporation (DTC):** The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is primarily funded by means of grants from the City.

**Greater Detroit Resource Recovery Authority (GDRRA):** The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The financing was provided by the issuance of revenue bonds.

Complete financial statements of the individual component units can be obtained directly from the following administrative offices:

Downtown Development Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Local Development Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Museum of African American History
315 East Warren Avenue
Detroit, MI 48201
(313) 494-5800

(Continued)

School District of the City of Detroit
3011 West Grand Blvd.
11th Floor
Detroit, MI 48202
(313) 873-4147

Brownfield Redevelopment Authority
500 Griswold, Suite 2200
Detroit, Michigan 48226
(313) 237-4616

Tax Increment Finance Authority
211 West Fort Street Avenue, Suite 900
Detroit, MI 48226
(313) 963-2940

Detroit Public Library
5201 Woodward Avenue
Detroit, MI 43202
(313) 833-1000

Detroit Housing Commission
2211 Orleans Street
Detroit, Michigan 48207
(313) 877-8557

Detroit Transportation Corporation
1420 Washington Blvd., 3rd Floor
Detroit, MI 48226
(313) 224-2160

Greater Detroit Resource Recovery Authority
5700 Russell Street
Detroit, MI 48211
(313) 876-0449

(Continued)

## B. JOINT VENTURE

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity, subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint venture:

The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and the County. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and the holders of the bonds. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the space in the Coleman A. Young Municipal Center was transferred to the City. As a result, the fixed asset costs are recorded within the City's government-wide financial statements.

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease.

Complete financial statements of the DWJBA may be obtained by writing the DWJBA at the following address:

Detroit-Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center (CAYMC)
Detroit, MI 48226

## C. CHANGE IN REPORTING ENTITY

Effective July 1, 2003, in accordance with the Michigan Supreme Court determination that the Detroit Housing Commission (DHC) is legally separate from the City, the DHC is being reported as a discretely presented component unit in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*. In previous years, the DHC has been reported as a non-major proprietary fund of the City.

As a result of implementing this change, the beginning net assets have been restated as follows:

| | Proprietary Funds | Component Units |
|---|---|---|
| Net Assets - Beginning of Year | $ 1,590,760,874 | $ 359,302,139 |
| Restatement | (108,163,193) | 108,163,193 |
| Net Assets - Beginning of Year, as Restated | $ 1,482,597,681 | $ 467,465,332 |

## D. BASIS OF PRESENTATION

The basic financial statements include both government-wide and fund financial statements.

### 1. Government-wide Financial Statements

The government-wide statement of net assets and statement of activities report the overall financial activity of the primary government (the City), excluding fiduciary activities, and its component units. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes,

(Continued)

intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The following major funds are used by the City:

**Governmental Funds:**

a. **General Fund** accounts for several of the City's primary services (Police, Fire, Public Works, Community and Youth Services, etc.) and is the primary operating unit of the City.

**Proprietary Funds:**

a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant; sewers, including sanitary and combined sewers; combined sewer outfalls; and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.

b. **Transportation Fund** accounts for the City's mass transit system with a fleet of over 572 coaches. The fund operates three light repair garages and terminals.

c. **Water Fund** accounts for the operations of 5 water treatment plants, 20 booster stations, and reservoirs. The fund provides service to Detroit and 125 other communities in southeastern Michigan.

d. **Automobile Parking Fund** accounts for the activity of the City's Auto Parking and Arena System, but does not include parking fine revenues.

(Continued)

**Fiduciary Fund Types**

The City additionally reports the following pension and other employee benefit funds:

a. **Retirement Systems** – accounts for contributions received, invested, and expended for the General Retirement System and the Policemen and Firemen Retirement System.

b. **Employee Benefit Fund** – accounts for the health, dental, life insurance, and eye care of City employees and retirees.

c. **Employee Disability Income Protection Plan** – accounts for long-term disability benefits of employees who become disabled and are not yet eligible for service requirements. The plan provides monthly income, hospitalization insurance, and life insurance.

**Agency Funds**

These funds account for assets that the City holds for others in an agency capacity

## E. BASIS OF ACCOUNTING

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from self-assessed taxes, including income taxes and sales tax, is recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Financial Accounting Standards Board (FASB) Statements and Interpretations, APB opinions and ARB'S of the Committee on Accounting Procedure issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent FASB guidance.

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## F. BUDGETARY DATA

**Budgeting Policy:**

The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included in separate sections of the budget. Any surplus or deficit during the preceding year is entered into the budget for the next fiscal year as either revenue (surplus) or appropriation (deficit), in accordance with the City Charter. The total of proposed expenditures cannot exceed the total of estimated revenues, so that the budget as submitted is a balanced budget. Budgets are prepared for all agencies of the City.

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council no later than May 15. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

## G. ASSETS, LIABILITIES, AND FUND EQUITY

1. **Cash and Investments:** Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices.

2. **Interfund Transactions:**

   The City has the following types of interfund transactions:

   a. **Loans** – amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.

   b. **Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

c. **Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

d. **Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

3. **Inventories:** Cost of inventories of the governmental-type funds is recorded as expenditures at the time of purchase. Inventories at year-end for the General, Construction Code, Drug Law Enforcement Fund, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based on a physical inventory, with a reserve for inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.

4. **Capital Assets:** Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at fair market value as of the date received. The City's capitalization levels are $5,000 on tangible personal property and for improvements other than buildings, and $50,000 on infrastructure, including sewer and stormwater lines. All acquisitions of land and land improvements will be capitalized regardless of cost. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest, net of related debt, for the year ended June 30, 2004 for the Sewage Disposal and Water Funds was $50,451,250 and $26,713,603 respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | Years |
|---|---|
| Land improvements | 5 – 20 |
| Buildings and building improvements | 5 – 50 |
| Improvements other than buildings | 5 – 50 |
| Machinery and equipment | 5 – 20 |
| Vehicles other than buses | 3 – 10 |
| Buses | 12 |
| Stormwater and wastewater lines and pump stations | 10 – 65 |
| Other infrastructure | 7 – 60 |

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained or enhanced over time, and thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

5. **Bond Premiums, Discounts, and Issuance Costs:** In the government-wide and proprietary fund financial statements, 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 and gains (losses) on defeasance. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(Continued)

In the fund financial statements, governmental fund types recognize bond premiums or discounts and gains or losses on defeasance, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. **Encumbrances:** Encumbrances outstanding for governmental funds at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting, except that budgetary-basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year-end.

7. **Compensated Absences:** For funds other than the Transportation Fund, unused vacation pay and banked overtime accumulate up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age 60 or completes 25 years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

   The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if they have matured.

8. **Property Taxes:** The Constitution of the State of Michigan limits the proportion of true cash value at which real property can be uniformly assessed to 50%. The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same level; then the State equalizes the various counties in relation to each other. State equalized values are important; aside from their use for local property tax levy purposes, because of their role in distribution of State school aid and in the calculation of debt limits. The only major items of personal property subject to property taxation in the City are commercial and industrial furniture, fixtures, and equipment. Though comprehensive authority is granted by the State to Michigan municipalities for governmental purposes, the Constitution and general laws of the State limit the municipal rate of taxation and restrict the amount of debt a municipality may incur. At the present time, the general ad valorem taxing power of the City is generally limited by State law and the City Charter to 20 mills. The City is levying at its current maximum rate limit. In addition, the City is authorized to levy additional taxes within specified amounts for specific purposes under specific legislation. At the present time, under such an authorization, the City is levying 3 additional mills for the purpose of garbage and rubbish collection. These millage limitations, however, do not apply to taxes levied by the City for payment of principal and interest on presently outstanding unlimited tax-supported bonds, nor do they apply to payment of principal and interest on tax-supported bonds issued in anticipation of presently outstanding contractual obligations of the City or presently outstanding assessments in the City.

   The City's property tax is levied each July 1 of the fiscal year and is payable without penalty either on or before August 31 in full, or one-half on or before August 15, with the balance then being payable on or before the following January 15. Property taxes attach as a lien on the property as of July 1 of the year of levy. Property owners may appeal their assessments to the local Board of Review and ultimately to the Michigan Tax Tribunal.

   In the government-wide financial statements, property tax revenue is recorded in the period in which the tax is levied. In the governmental fund financial statements, the City records property tax revenue when available. Available is defined as due and receivable within the current fiscal year and collected within the current fiscal year or expected to be collected within 60 days thereafter.

9. **Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2004 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by

(Continued)

non-residents and for corporations, the annual rate for 2004 is 1.0%. These rates are being lowered over a 10-year period starting July 1, 1999. The resident rate will decrease by 1/10 of a percentage point, the non-resident rate by 1/20 of a percentage point, and the corporate rate by 2/10 of a percentage point over the same period. After the 10-year period, the calendar 2009 resident rate will be 2%, the non-resident rate will be 1%, and the corporate rate will be zero. However, due to current economic conditions there was a temporary rate freeze of the tax rates for the calendar year 2004. The rates were as follows: Residents 2.5%, Non-Residents 1.25% and Corporations 1%. The City has re-applied for, and received, approval for the rate freeze to remain in effect for calendar year 2005. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City records municipal income tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.

10. **Fund Balances**: 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 specific purposes. Designations of fund balances represent tentative City plans that are subject to change.

11. **Net Assets:** The government-wide and business-type financial statements utilize a net asset presentation. Net assets are categorized as follows:

    a. **Invested in Capital Assets (Net of Related Debt)** – consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.

    b. **Restricted Assets** – consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, or laws. When both restricted and unrestricted resources are available, generally it is the City's policy to use restricted resources first, and then unrestricted resources, when they are needed.

    c. **Unrestricted Assets** – Consist of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, net of related debt".

12. **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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. **New Accounting Pronouncements:** In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risk disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ended June 30, 2005.

    In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This Statement establishes accounting and financial reporting standards for impairment of capital assets. The City will implement Statement No. 42 beginning with the year ended June 30, 2006. The City is currently evaluating the impact of adopting Statement No. 42.

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In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City is also required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employers contributions to a plan., including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

## NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance-related legal and contractual provisions.

### B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the year ended June 30, 2004, expenditures exceeded appropriations in the General Fund for the Arts Department by $569 and Historical Department by $73,863.

### C. DEFICIT FUND EQUITY

The Detroit Building Authority (DBA) (a Non-Major Governmental Fund ) had deficit fund equity of $367,767.

General Fund had an unreserved deficit of $95,032,523. The Construction Code Fund (a Non-Major Governmental Fund) had an unreserved deficit of $112,106. Transportation Fund and Automobile Parking Fund, (both enterprise funds), had unrestricted deficits of $13,954,723 and $6,439,078 respectively at June 30, 2004. Each fund has a deficit reduction plan, which includes, among other things, changes in the level of services provided, and additional subsidies from the General Fund.

## NOTE III. DETAILED NOTES ON ALL FUNDS

### A. ASSETS

1. **Deposits and Investments:** Cash deposits are in financial institutions insured as members of the FDIC or NCUA. Cash held by fiscal agents or by trustees is secured in accordance with the covenants of the agency or trust agreement. Cash deposits related to federally funded programs are accounted for in accordance with applicable federal regulations. At June 30, 2004, the City's carrying amount of deposits was $180,393,006 for governmental and business-type activities, and the bank balance was $106,251,296. Of the bank balance, $6,639,753 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the fiduciary fund's carrying amount of deposits was $10,370,995 and the bank balance was $7,525,402. Of the bank balance, $431,768 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the component units' carrying amount of deposits was $81,028,158 and the bank balance was $37,141,992. Of the bank balance, $1,279,206 was covered by federal depository insurance. The remaining balances are not insured.

| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total | Component Units |
|---|---|---|---|---|---|
| Deposits | $ 118,727,877 | $ 61,665,129 | $ 10,370,995 | $ 190,764,001 | $ 81,028,158 |
| Investments | 343,099,330 | 999,144,577 | 5,689,909,137 | 7,032,153,044 | 961,516,885 |
| Total | $ 461,827,207 | $ 1,060,809,706 | $ 5,700,280,132 | $ 7,222,917,045 | $ 1,042,545,043 |

(Continued)

The City is authorized to invest in U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment qualify, bankers' acceptances, repurchase agreements, and mutual funds of certain investment qualify. In accordance with GASB Statement No. 3, the City's investments have been categorized to indicate the level of credit risk assumed by the City as follows: (1) insured or registered for which the securities are held by the City (or component unit as applicable) or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's (or component unit's) name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. Pooled investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditor ship.

The following are the City's investment balances at fair market value at June 30, 2004:

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total | Category |
| Repurchase Agreements | $ 1,000,000 | $ 88,254,160 | $ — | $ 89,254,160 | 1 |
| Certificate of Deposit | 19,567,227 | 2,000,000 | — | 21,567,227 | 1 |
| Commercial Paper | — | — | 4,964,125 | 4,964,125 | 1 |
| U.S. Government Securities | 34,329,049 | 184,948,145 | 75,727 | 219,352,921 | 1 |
| Bonds, Notes, and Stocks | 98,560,000 | — | 4,133,187,361 | 4,231,747,361 | 1 |
| Pooled Investments | 189,643,054 | 548,990,407 | 505,321,620 | 1,243,955,081 | N/A |
| Treasury Coupon Securities | — | 174,951,865 | — | 174,951,865 | 1 |
| Short-term Investments | — | — | 153,642,872 | 153,642,872 | 1 |
| Mortgage-backed Securities | — | — | 395,680,856 | 395,680,856 | 2 |
| Equity Intrest in Real Estate | — | — | 166,362,111 | 166,362,111 | N/A |
| Real Estate Investment Trusts | — | — | 28,522,443 | 28,522,443 | 2 |
| Private Placements | — | — | 302,152,022 | 302,152,022 | 2 |
| Total | $ 343,099,330 | $ 999,144,577 | $ 5,689,909,137 | $ 7,032,153,044 | |

| | Component Units | Category |
|---|---|---|
| Repurchase Agreements | $ 7,892,370 | 1 |
| Certificates of Deposit | 284,219 | 1 |
| Commercial Paper | 10,974,377 | 2 |
| U.S. Government Securities | 129,057,328 | 1 |
| U.S. Government Securities | 30,533,370 | 2 |
| Bonds, Notes, and Stocks | 37,720 | 1 |
| Pooled Investments | 10,373,751 | N/A |
| Short-term Investments | 772,363,750 | 1 |
| Total | $ 961,516,885 | |

(Continued)

2. **Other Receivables:** Other receivables in the statement of net assets for governmental activities are shown in the aggregate. The following details the other receivable balance at June 30, 2004

| | General | Other Governmental | Total |
|---|---|---|---|
| Estimated Withheld Income Tax Receivable | $ 26,684,072 | $ — | $ 26,684,072 |
| Trade Receivables | 27,026,133 | 860,766 | 27,886,899 |
| Land Contracts Receivable | 6,224,469 | — | 6,224,469 |
| Property Taxes | 15,803,134 | 5,730,160 | 21,533,294 |
| Income Taxes | 40,250,167 | — | 40,250,167 |
| Special Assessments | 1,370,579 | 335,844 | 1,706,423 |
| Interest and Penalties | 5,530,000 | 2,000,000 | 7,530,000 |
| Utility Users Tax | 1,267,347 | — | 1,267,347 |
| Due from Fudiciary Funds | 4,495,129 | — | 4,495,129 |
| Allowance for Doubtful Accounts | (75,446,071) | (452,744) | (75,898,815) |
| Total Other Receivables, Net | $ 53,204,959 | $ 8,474,026 | $ 61,678,985 |

3. **Due from/to Other Governmental Agencies:** Due from/to other governmental agencies consists primarily of sales and charges for services to/from the County, the State of Michigan, and the Federal Government.

4. **Interfund Receivables and Payables:** During the course of operations, numerous transactions occur between the City funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as "due from other funds" (due from fiduciary funds) and "due to other funds" (due to fiduciary funds) on the balance sheet and statement of net assets and are expected to be collected within one year. Interfund receivables and payables at June 30, 2004 are as follows:

| | Due From | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | General Fund | Non-major Governmental Funds | Sewage Disposal Fund | Transportation Fund | Water Fund | Auto Parking Fund | Non-major Proprietary Funds | Fiduciary Funds | Total |
| Due to: | | | | | | | | | |
| General Fund | $ — | $ 14,830,630 | $ 4,520,079 | $ 14,447,670 | $ 8,933,277 | $ 1,006,415 | $ 210,403 | $ 4,495,129 | $ 48,443,603 |
| Non-major Governmental Funds | 4,089,404 | 3,539,586 | — | 639,772 | 524,520 | 25,961 | 280,195 | — | 9,099,438 |
| Water Fund | 16,747,072 | — | 32,324,923 | — | — | — | — | — | 49,071,995 |
| Transportation Fund | 172,405 | 64,000 | — | — | — | — | — | — | 236,405 |
| Sewage Disposal Fund | 15,018,930 | 315,381 | — | 262,813 | 45,505,580 | — | — | — | 61,102,704 |
| Automobile Parking Fund | 756,257 | 23,209 | — | — | — | — | 132 | — | 779,598 |
| Non-major Proprietary Funds | 1,037,750 | — | — | — | — | — | — | — | 1,037,750 |
| Fiduciary Funds | 76,510,398 | — | 3,037,250 | 4,367,232 | 1,580,632 | 467,162 | 19,518 | — | 85,982,192 |
| Total | $ 114,332,216 | $ 18,772,806 | $ 39,882,252 | $ 19,717,487 | $ 56,544,009 | $ 1,499,538 | $ 510,248 | $ 4,495,129 | $ 255,753,685 |

(Continued)

5. **Advances:** Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2004 are as follows:

| Receivable Fund | | Payable Fund | Amount |
|---|---|---|---|
| General | $ 3,557,000 | Detroit Workforce Development Department (Non-Major Governmental Fund) | $ 147,000 |
| | | Capital Projects Fund (Non Major Governmental Fund) | 850,000 |
| | | Automobile Parking Funds | 2,560,000 |
| | | | $ 3,557,000 |

6. **Transfers:** During the course of operations transactions occur between the City funds for operating subsidies. Related interfund receipts and disbursements are classified as "transfers in" and "transfers out" on the statement of revenues, expenditures/expenses, and changes in fund balance/net assets. The transfers are routine and consistent with the activities of the funds. Transfers between funds at June 30, 2004 are as follows:

| | Tranfers In | | | | |
|---|---|---|---|---|---|
| | General Fund | Non-major Governmental Funds | Transportation Fund | Non-major Proprietary Funds | Total |
| **Transfers Out** | | | | | |
| General Fund | $ — | $ 61,275,398 | $ 74,318,857 | $ 2,789,179 | $ 138,383,434 |
| Non-Major Governmental Funds | 31,638,974 | 69,769,170 | — | — | 101,408,144 |
| Total | $ 31,638,974 | $ 131,044,568 | $ 74,318,857 | $ 2,789,179 | $ 239,791,578 |

The General Fund transferred $138,383,434 to other funds. The largest transfer was made to the Transportation Fund for $74.3 million to maintain bus operations. The General Fund also transferred $51.3 million to the Debt Service Fund for principal and interest payments.

The Non-Major Governmental Funds transferred $101,408,144 to other funds. The Capital Projects Fund transferred $36.9 million to the Debt Service Fund to be reserved for the Cobo Hall debt service payments. The Major and Local Street Fund transferred 31.3 million to the General Fund to reimburse General Fund for street construction costs.

(Continued)

## 7. Capital Asset Activity for the Year Ended June 30, 2004:

| | Primary Government | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| **Governmental Activities:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land | $ 314,539,283 | $ 40,972,291 | $ - | $ 355,511,574 |
| Works of Arts | 29,845,410 | - | (57,277) | 29,788,133 |
| Construction in Progress | 250,633,701 | 54,424,883 | (151,951,627) | 153,106,957 |
| Total Non-Depreciable Assets | 595,018,394 | 95,397,174 | (152,008,904) | 538,406,664 |
| Depreciable Assets: | | | | |
| Buildings and Improvements | 559,034,156 | 139,126,810 | - | 698,160,966 |
| Machinery and Equipment | 361,521,380 | 29,483,501 | (13,155,962) | 377,848,919 |
| Infrastructure | 725,857,460 | 41,479,457 | - | 767,336,917 |
| Total Depreciable Assets | 1,646,412,996 | 210,089,768 | (13,155,962) | 1,843,346,802 |
| Less Accumulated Depreciation for : | | | | |
| Buildings and Improvements | 232,144,970 | 31,180,429 | - | 263,325,399 |
| Machinery and Equipment | 287,457,105 | 22,748,545 | (12,761,489) | 297,444,161 |
| Infrastructure | 605,313,699 | 21,620,402 | - | 626,934,101 |
| Total Accumulated Depreciation | 1,124,915,774 | 75,549,376 | (12,761,489) | 1,187,703,661 |
| Governmental Activities Capital Assets, Net | $ 1,116,515,616 | $ 229,937,566 | $ (152,403,377) | $ 1,194,049,805 |

**Depreciation Expense was charged to the Governmental functions as follows:**

| | |
|---|---|
| Public Protection | $ 14,380,171 |
| Health | 300,252 |
| Education | 75,945 |
| Recreation and Culture | 8,379,106 |
| Economic Development | 6,408,025 |
| Housing Supply and Condition | 40,131 |
| Physical Environment | 34,964,239 |
| Development and Management | 11,001,507 |
| Total: | $ 75,549,376 |

(Continued)

**Business-type Activities:**

| Major Funds: | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| **Sewage Disposal Fund:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 13,825,671 | $ 51,080 | $ - | $ 13,876,751 |
| Construction in Progress | 887,576,854 | 399,832,718 | (83,671,494) | 1,203,738,078 |
| Total Non-Depreciable Assets | 901,402,525 | 399,883,798 | (83,671,494) | 1,217,614,829 |
| Depreciable Assets: | | | | |
| Buildings and Structures | 805,223,844 | 291,326,004 | (205,060,993) | 891,488,855 |
| Sewer Lines | 536,209,238 | 207,094,417 | (210,847,905) | 532,455,750 |
| Machinery, Equipment and Fixtures | 573,013,498 | 174,279,862 | (175,197,989) | 572,095,371 |
| Total Depreciable Assets | 1,914,446,580 | 672,700,283 | (591,106,887) | 1,996,039,976 |
| Total Capital Assets | 2,815,849,105 | 1,072,584,081 | (674,778,381) | 3,213,654,805 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Structures | 204,774,326 | 25,581,388 | (2,476,901) | 227,878,813 |
| Sewer Lines | 90,595,281 | 6,471,400 | (788,490) | 96,278,191 |
| Machinery, Equipment and Fixtures | 294,062,135 | 29,736,930 | (10,385,034) | 313,414,031 |
| Total Accumulated Depreciation | 589,431,742 | 61,789,718 | (13,650,425) | 637,571,035 |
| Net Capital Assets | $ 2,226,417,363 | $ 1,010,794,363 | $ (661,127,956) | $ 2,576,083,770 |
| **Transportation Fund:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 4,114,574 | $ - | $ - | $ 4,114,574 |
| Construction in Progress | 15,075,092 | 3,540,006 | (13,915,222) | 4,699,876 |
| Total Non-Depreciable Assets | 19,189,666 | 3,540,006 | (13,915,222) | 8,814,450 |
| Depreciable Assets: | | | | |
| Buildings and Structures | 65,487,188 | 11,275 | - | 65,498,463 |
| Machinery, Equipment and Fixtures | 32,603,653 | 15,885,987 | - | 48,489,640 |
| Vehicle and Buses | 126,064,318 | 23,911,071 | (1,004,840) | 148,970,549 |
| Total Depreciable Assets | 224,155,159 | 39,808,333 | (1,004,840) | 262,958,652 |
| Total Capital Assets | 243,344,825 | 43,348,339 | (14,920,062) | 271,773,102 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Structures | 44,727,463 | 1,036,711 | - | 45,764,174 |
| Machinery, Equipment and Fixtures | 26,192,166 | 2,648,694 | - | 28,840,860 |
| Vehicle and Buses | 56,974,971 | 10,711,896 | (1,004,840) | 66,682,027 |
| Total Accumulated Depreciation | 127,894,600 | 14,397,301 | (1,004,840) | 141,287,061 |
| Net Capital Assets | $ 115,450,225 | $ 28,951,038 | $ (13,915,222) | $ 130,486,041 |

(Continued)

**Business-type Activities (continued)**

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| **Water Fund:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 6,358,342 | $ 169,096 | $ - | $ 6,527,438 |
| Construction in Progress | 608,364,217 | 157,981,415 | (86,600,245) | 679,745,387 |
| Total Non-Depreciable Assets | 614,722,559 | 158,150,511 | (86,600,245) | 686,272,825 |
| Depreciable Assets: | | | | |
| Land Improvements | 91,118,140 | 5,993,232 | (277,215) | 96,834,157 |
| Buildings and Structures | 431,915,880 | 178,585,147 | (157,094,875) | 453,406,152 |
| Water lines | 672,467,862 | 96,046,142 | (79,456,457) | 689,057,547 |
| Machinery, Equipment and Fixtures | 432,868,661 | 159,833,248 | (99,919,419) | 492,782,490 |
| Total Depreciable Assets | 1,628,370,543 | 440,457,769 | (336,747,966) | 1,732,080,346 |
| Total Capital Assets | 2,243,093,102 | 598,608,280 | (423,348,211) | 2,418,353,171 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 53,634,642 | 1,946,527 | (6,901) | 55,574,268 |
| Buildings and Structures | 164,802,582 | 8,207,491 | (681,968) | 172,328,105 |
| Water Lines | 236,142,033 | 10,435,804 | (473,704) | 246,104,133 |
| Machinery, Equipment and Fixtures | 155,388,494 | 23,331,360 | (5,073,615) | 173,646,239 |
| Total Accumulated Depreciation | 609,967,751 | 43,921,182 | (6,236,188) | 647,652,745 |
| Net Capital Assets | $ 1,633,125,351 | $ 554,687,098 | $ (417,112,023) | $ 1,770,700,426 |
| **Automobile Parking Fund:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 7,014,114 | $ - | $ - | $ 7,014,114 |
| Construction in Progress | 52,191,196 | 868,734 | (47,201,874) | 5,858,056 |
| Total Non-Depreciable Assets | 59,205,310 | 868,734 | (47,201,874) | 12,872,170 |
| Depreciable Assets: | | | | |
| Land Improvements | 214,908 | - | - | 214,908 |
| Buildings and Structures | 152,122,469 | 46,966,383 | - | 199,088,852 |
| Machinery, Equipment and Fixtures | 2,251,164 | 88,791 | - | 2,339,955 |
| Total Depreciable Assets | 154,588,541 | 47,055,174 | - | 201,643,715 |
| Total Capital Assets | 213,793,851 | 47,923,908 | (47,201,874) | 214,515,885 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 155,623 | 10,745 | - | 166,368 |
| Buildings and Structures | 100,531,940 | 5,446,696 | - | 105,978,636 |
| Machinery, Equipment and Fixtures | 1,626,554 | 129,087 | - | 1,755,641 |
| Total Accumulated Depreciation | 102,314,117 | 5,586,528 | - | 107,900,645 |
| Net Capital Assets | $ 111,479,734 | $ 42,337,380 | $ (47,201,874) | $ 106,615,240 |

(Continued)

| Business-type Activities (continued) | Beginning Balance, As Restated | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| **Non-major Funds:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 5,169,374 | $ - | $ - | $ 5,169,374 |
| Total Non-Depreciable Assets | 5,169,374 | - | - | 5,169,374 |
| Depreciable Assets: | | | | |
| Land Improvements | 8,020,719 | - | - | 8,020,719 |
| Buildings and Structures | 5,272,287 | - | - | 5,272,287 |
| Machinery, Equipment and Fixtures | 1,703,438 | 25,878 | - | 1,729,316 |
| Vehicle and Buses | 1,047,009 | 435,106 | - | 1,482,115 |
| Total Depreciable Assets | 16,043,453 | 460,984 | - | 16,504,437 |
| Total Capital Assets | 21,212,827 | 460,984 | - | 21,673,811 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 5,557,376 | 401,035 | - | 5,958,411 |
| Buildings and Structures | 4,026,473 | 51,668 | - | 4,078,141 |
| Machinery, Equipment and Fixtures | 1,348,032 | 89,624 | - | 1,437,656 |
| Vehicle and Buses | 551,180 | 79,374 | - | 630,554 |
| Total Accumulated Depreciation | 11,483,061 | 621,701 | - | 12,104,762 |
| Net Capital Assets | $ 9,729,766 | $ (160,717) | $ - | $ 9,569,049 |

(Continued)

Component Units

| School District of the City of Detroit: | Beginning Balance, As Restated | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 16,029,722 | $ 39,408,081 | $ (10,200) | $ 55,427,603 |
| Construction in Progress | 621,331,015 | 267,391,543 | (456,222,486) | 432,500,072 |
| Total Non-Depreciable Assets | 637,360,737 | 306,799,624 | (456,232,686) | 487,927,675 |
| Depreciable: | | | | |
| Buildings and Structures | 735,829,867 | 275,012,269 | (1,079,831) | 1,009,762,305 |
| Land Improvements | 25,932,533 | 37,587,411 | (113,265) | 63,406,679 |
| Buses and Other Vehicles | 41,885,339 | 1,428,099 | — | 43,313,438 |
| Machinery, Equipment, and Fixtures | 53,633,799 | 112,491,220 | (61,387) | 166,063,632 |
| Total Depreciable Assets | 857,281,538 | 426,518,999 | (1,254,483) | 1,282,546,054 |
| Total Capital Assets | 1,494,642,275 | 733,318,623 | (457,487,169) | 1,770,473,729 |
| Less Accumulated Depreciation: | | | | |
| Building and Structures | 325,284,364 | 15,133,199 | (1,039,569) | 339,377,994 |
| Land Improvements | 9,050,585 | 1,877,300 | (8,993) | 10,918,892 |
| Buses and Other Vehicles | 24,108,917 | 3,063,182 | — | 27,172,099 |
| Machinery, Equipment, and Fixtures | 22,912,305 | 15,024,835 | 25,886 | 37,963,026 |
| Total Accumulated Depreciation | 381,356,171 | 35,098,516 | (1,022,676) | 415,432,011 |
| Net Capital Assets | $ 1,113,286,104 | $ 698,220,107 | $ (456,464,493) | $ 1,355,041,718 |
| Other Component Units: | | | | |
| Non-Depreciable Assets: | | | | |
| Land and Land Rights | $ 7,789,061 | $ 30,242,952 | $ — | $ 38,032,013 |
| Works of Art | 3,216,175 | — | — | 3,216,175 |
| Construction in Progress | 7,159,936 | 23,942,191 | (1,594,751) | 29,507,376 |
| Total Non-Depreciable Assets | 18,165,172 | 54,185,143 | (1,594,751) | 70,755,564 |
| Depreciable: | | | | |
| Land and Leasehold Improvements | 188,444 | — | — | 188,444 |
| Buildings and Structures | 77,881,501 | 159,405,404 | (941,614) | 236,345,291 |
| Facility and Steamline | 513,008,682 | 614,615 | — | 513,623,297 |
| Works of Art | 18,745,260 | 10,276,083 | — | 29,021,343 |
| Machinery, Equipment and Fixtures | 118,157,367 | 152,958,668 | — | 271,116,035 |
| Vehicles and Buses | 383,024 | — | — | 383,024 |
| Total Depreciable Assets | 728,364,278 | 323,254,770 | (941,614) | 1,050,677,434 |
| Total Capital Assets | 746,529,450 | 377,439,913 | (2,536,365) | 1,121,432,998 |
| Less Accumulated Depreciation | 368,550,253 | 146,285,747 | — | 514,836,000 |
| Net Capital Assets | $ 377,979,197 | $ 231,154,166 | $ (2,536,365) | $ 606,596,998 |

(Continued)

8. **Deferred Revenue:** Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria are met.

9. **Due from/to Component Units:** Due from/to component units consists of sales, charges for services, and property tax revenue to the District, DPL, EDC, and DTC.

## B. LIABILITIES

### 1. Commitments and Contingencies

a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are settled for amounts less than the stated demand. While it is not possible to determine the final outcome of these lawsuits and claims exactly, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates $121.9 million for governmental activities.

b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2004 have not been conducted and/or completed. Accordingly, the funds' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined as of June 30, 2004. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

c. **Detroit Housing Commission Grant Audits:** Effective July 1, 2003, the City of Detroit changed its presentation of the Detroit Housing Commission (DHC) to a discretely presented component unit of the City. The DHC received a qualified opinion on their June 30, 2004 financial statements. Their opinion was qualified based on several issues including the following:

1) The DHC has contingent liabilities to the Department of Urban Development (HUD), which are not recorded on the DHC's financial statements. In April of 2003, HUD issued a Management Review of the Detroit Housing Commission. This report outlined questioned costs and unsupported expenses amounting to $14,236,946. These amounts are summarized below:

| Grant Name | Amount |
|---|---|
| Low Income Housing Grant | $ 5,722,600 |
| PHDEP | 5,359,891 |
| Capital Projects Grant | 4,577,932 |
| Total | 15,660,423 |
| Less: Amount not drawn down from HUD | (1,423,477) |
| | $ 14,236,946 |

(Continued)

2) On May 16, 2001, the HUD Office of the Inspector General issued an Audit report concerning the HOPE VI Program. The report outlined $18,291,476 in questioned costs due to HUD. Due to on-going negotiations, the balance of this liability is $6,480,057 at June 30, 2004. This amount is included as a non-current liability in the DHC's financial statements at June 30, 2004. These liabilities were incurred while the DHC was reported as a department of the City; therefore, both of the contested amounts of $14,236,946 and $6,480,057 have been recorded in the City's government-wide financial statements.

d. **Rate Matters:** The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.

e. **Block Grant Funds:** Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government.

As of June 30, 2004, future Block Grant Funds of $22,523,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended. In addition, the City was previously authorized to use Block Grant Funds totaling $66,962,000 for the Central Industrial Park Project. At June 30, 2004, $2,807,435 is outstanding against this advance.

f. **Greater Detroit Resource Recovery Authority (Authority):** In 1991, the Authority sold its waste-to-energy facility to private investors in a sale-leaseback transaction for $634.9 million. The purchase price was paid with $127 million in cash, mortgage notes of $342.7 million, and future assumption of revenue bonds payable in the amount of $165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the Authority, which results in the Authority assuming most of the lease obligations. Upon expiration of the initial lease term, the Authority has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the Authority sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the Authority's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the Authority distributed $54 million of the cash proceeds to the City, which was reflected as a reduction of the Authority's equity.

Future minimum lease payments for each of the next five years for the initial lease term are as follows: 2005 – $59,297,765; 2006 – $51,419,062; 2007 – $52,521,466; 2008 – $ 34,719,333 and 2009 – $34,719,333.

g. **Other Contingencies:** The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport, Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.

h. **Construction Commitment:** The City has commitments for future construction contracts. Construction in progress and remaining commitments at June 30, 2004 are as follows:

(Continued)

| | Spent to June 30, 2004 | Remaining |
|---|---|---|
| Public protection | $ 43,352,986 | $ 226,635 |
| Municipal facilities | 29,355,400 | 7,264,435 |
| Cultural and recreational | 77,354,682 | 30,866,727 |
| Human services | 1,288,329 | 884,201 |
| Municipal services | 1,755,560 | 9,319,977 |
| | $ 153,106,957 | $ 48,561,975 |

i. **Risk Management:** The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued $100 million of Self-insurance Bonds, and a portion of proceeds were used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments ($41.0 million). The bonds require that remaining funds be used for self-insurance activities. Self-insured among other covered losses are liabilities for workers' compensation, legal, and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds and DDOT in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Amounts remaining related to self-insurance have been reserved. Because DDOT is included in the General Fund's risk management activities, it does not record a liability in its financial statements.

Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. The Library, a discretely presented component unit, reimburses the City for all costs incurred related to workers compensation. The Library records the liability in its financial statements.

At June 30, 2004, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at $187.3 million for the primary government. The City has recognized a liability that approximated $8.8 million in the General Fund as of June 30, 2004 for public liability and workers compensation claims that were due as of year- end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements. This liability is the City's best estimate based on available information. Changes in the reported liability for the years ended June 30, 2004 and 2003 were as follows:

| | (In Millions) June 30, 2004 | June 30, 2003 |
|---|---|---|
| Balance at Beginning of Year | $ 178.8 | $ 203.9 |
| Current Year Claims and Changes in Estimates | 117.7 | 61.0 |
| Claims Payments | (109.2) | (86.1) |
| Balance at End of Year | $ 187.3 | $ 178.8 |

Claims, expenditures, and liabilities are reported in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by GASB No. 17), when it is probable that an asset has been impaired or a liability has been incurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

As a result of the issuance of the Self-insurance Bonds and the operations of the Self-insurance Reserve Fund, at June 30, 2004 the General Fund has reserved $35.9 million for the purpose of funding the City's future claims liabilities.

(Continued)

2. **Other Commitments:** The City has entered into various noncancelable operating leases for various equipment. The commitments under such lease agreements provide for minimum annual rental payments as follows:

| Fiscal Year Ending: | | |
|---|---|---|
| 2005 | $ | 14,080,982 |
| 2006 | | 12,820,755 |
| 2007 | | 7,940,355 |
| 2008 | | 2,548,570 |
| 2009 | | 5,620,877 |
| 2010 | | 4,513,420 |
| Total Minimum Payments | $ | 47,524,959 |

Rental expense for all operating leases approximated $30.5 million for the year ended June 30, 2004.

3. **Long-term Obligations:** Long-term obligations are reported by the City as general long-term obligations if the obligation is to be repaid from Governmental Fund resources, or as long-term obligations – Enterprise Funds if the obligation is to be repaid from funds other than Governmental Fund resources. Interest rates range from 2.42% to 7.97% for governmental activities, 2% to 7.75% for business-type activities and 2.90% to 9.375% for component units.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, Act 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City, or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage.

4. **Debt Issuances and Refunding Bonds**

**Governmental Activities:**

In September 2003, the City issued $35,603,138 of Convention Facility Special Tax Revenue and Revenue Refunding Bonds for improvements to Cobo Hall and $55,280,000 to refund series 1993 Bonds. The bonds mature beginning on September 30, 2004, with an average yield of 3.8%.

In September 2003, the City issued $70,025,000 of Self-Insurance Bonds Limited Tax to fund the payment of claims and $28,870,000 to refund outstanding self-insurance bonds. The bonds mature beginning June 30, 2006, with an average yield of 4.59%.

In October 2003, the City issued $44,020,000 of G.O. Unlimited Tax Bonds for capital improvements to various General City Agencies. Additionally $10,770,000 of refunding bonds were issued to refund Series 1993 Distributable State Aid Bonds. The bonds mature beginning April 1, 2006, with an average yield of 4.36%.

(Continued)

In March 2004, the City issued $29,825,000 of Capital Improvement Bonds (Limited Tax General Obligation) to acquire vehicles and equipments. Additionally $11,935,000 of refunding bonds were issued to refund outstanding bonds. The bonds mature, beginning April 1, 2005, with an average yield or 2.3%.

In June 2004, the City issued $61,070,000 of General Obligation Fiscal Stabilization Bonds (Limited Tax General Obligation) to fund a portion of the City's accumulated operating deficit. The bonds mature, beginning April 1, 2005, with an average yield of 3.37%. State legislature authorizes municipalities to establish budget stabilization funds for the purpose of providing a method of stabilizing financial operations.

In prior years, the City defeased certain bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the prior debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2004 approximated $67.8 million.

**Business-type Activities:**

**Sewage Disposal Fund:**

**Swap Termination Payment:** During the year ended June 30, 2004, the Sewage Disposal Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of $14,056,137 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

The outstanding indebtedness of the Fund was $2,375,152,599 at June 30, 2004. The interest rates on the outstanding bonds range from 4.2% to 6.5%. Net revenues of the Fund are pledged to repayment of bonds. In fiscal 2004, the Fund issued $101,435,000 of City of Detroit, Michigan Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2004-A. The net proceeds of the 2004-A Bonds will be used to refund certain of the City's outstanding Senior Lien Bonds and to pay cost of issuance associated with the 2004-A Bonds.

A portion of the Senior Lien Revenue Refunding Bonds, Series 2004-A was used to advance-refund $38,135,000 of the outstanding Sewage Disposal System Revenue Bonds, Series 1995-A, and $65,710,000 of Sewage Disposal System Revenue Bonds, Series 1997-A. The net proceeds of $112,856,821 (after receiving a premium of $12,830,333 and payment of $1,408,512 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995-A Series and 1997-A Series bonds. As a result, the 1995-A Series and 1997-A Series bonds are considered to be partially defeased, and a portion of the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,938,589. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,398,743.

The Fund 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 the Fund's financial statements. Similarly, the interest expense related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of revenues, expenses, and changes in fund net assets. As of June 30, 2004 $490,565,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 included $1,556,769,307 of bonds callable at various dates after July 1, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

(Continued)

Subsequent to year-end, the Fund received loans from the Michigan Municipal Bond Authority Michigan State Revolving Loan Fund Program in the amount of $28,458,285 for the construction of facilities. The outstanding indebtedness of the Fund for revenue bonds was $1,713,435,000 at June 30, 2004. The interest rates on the outstanding fixed-rate revenue bonds range from 4.30% to 6.38%. Net revenues of the Fund are pledged to repayment of bonds.

**Water Fund:**

**Swap Termination Payment:** During the year ended June 30, 2004, the Water Supply System Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of $16,943,863 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

In fiscal 2004, the Fund issued $240,600,000 of City of Detroit, Michigan Water Supply System Revenue Senior Lien Bonds consisting of; $77,010,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Second Lien Bonds (Variable Rate Demand) Series 2004-A; and $163,590,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Senior Lien Bonds (Variable Rate Demand) Series 2004-B. The net proceeds were used to refund a portion of the City's outstanding Water Supply System Revenue Bonds and Revenue Refunding Bonds and to pay cost of issuance associated with the 2004 Bonds.

The proceeds of the Revenue Refunding Second Lien Bonds, Series 2004-A were used to advance-refund $70,830,000 of outstanding Water Supply System Revenue Second Lien Bonds, Series 1995-A, maturing in the years 2015 and 2025 with an average interest rate of 5.5%. The net proceeds of $76,165,192 (after payment of $844,808 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2004-B were used to advance-refund $12,610,000 of outstanding Water Supply System Revenue and Refunding Bonds, Series 1993, maturing serially in the years 2005 through 2009; $30,000,000 of Series 1993 Term Bonds, maturing in the year 2013; $58,030,000 of Series 1993 Term Bonds, maturing in the year 2019; and $54,940,000 of Series 1993 Term Bonds, maturing in the year 2023. The net proceeds of $161,794,783 (after payment of $1,795,217 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities.

Those refunded securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series Bonds and provided for partial future debt service payments on the 2001-A Series Bonds. As a result, the 1993 Series Bonds and a portion of the 2001-A Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $18,639,245. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 21 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $12,105,118.

The Fund 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 the Fund's financial statements. Similarly, the interest expenses related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of revenues, expenses, and changes in fund net assets. As of June 30, 2004, approximately $546,360,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 include $1,390,050,000 of bonds callable at various dates after June 30, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

(Continued)

**Automobile Parking Fund:**

**Swap Termination Payment:** During the year ended June 30, 2004, the Automobile Parking Fund and its counterparty terminated a swap agreement related to the issuance of debt in fiscal year 2000. The Fund received a termination payment in the amount of $4,077,469. The proceeds will be recognized over the remaining life of the debt for which the swap was issued using the straight-line method.

**Component Units:**

As of June 30, 2004 of this year, the School District had $1.502 billion in bonds outstanding, plus $45.7 million in unamortized bond premium, for a total of $1.547 billion.

Subsequent to year end, the School District repaid the $195,535,000 and $70,000,000 notes due August 2004 and borrowed $210,000,000 at 1.55 percent annual interest on a new State Aid Anticipation Note. The note, plus interest, is due in August 2005. At June 30, 2004, Detroit Public Schools has accrued interest of $1,879,388 on these notes.

During the year, the school district issued $17,330,000 in general obligation bonds with an average interest rate of 4.00 percent. The proceeds of the bonds were used to advance refund $7,800,000 of Series XXI bonds with an average interest rate of 7.00 percent and $9,150,000 of the Series XXII bonds with an average interest rate of 9.35 percent. The net proceeds of approximately $17.1 million were placed in an irrevocable trust.

In prior years, the District 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 accounts assets and liabilities for the defeased bonds are not included in the financial statements. The amount of defeased debt outstanding at June 30, 2004 approximated $66.1 million.

(Continued)

a. The following is the schedule of the Bonds Payable at June 30, 2004

| | Bond Date | Amount Issued | Retired Year Ended June 30, 2004 Interest Rate | Retired Year Ended June 30, 2004 Amount | Outstanding June 30, 2004 Range of Interest Rates | Outstanding June 30, 2004 Maturity Date | Outstanding June 30, 2004 Amount | |
|---|---|---|---|---|---|---|---|---|
| **Governmental Activities: ( Note A )** | | | | | | | | |
| General Obligation Bonds - Unlimited Tax | | | | | | | | |
| Series 1995-B | 8-1-95 | $ 183,450,000 | 7% | $ 17,050,000 | 6.25 to 6.38% | 4/1/05-11 | $ 99,470,000 | c |
| Series 1996-A | 11-1-96 | 22,195,000 | - | - | 5.20 to 5.50 | 4/1/08-16 | 20,470,000 | c |
| Series 1996-B | 11-1-96 | 1,350,000 | 4.80 | 165,000 | 4.90 to 5.00 | 4/1/05-06 | 350,000 | |
| Series 1996-B | 11-1-96 | 21,975,000 | - | - | 5.10 to 5.50 | 4/1/07-15 | 21,975,000 | c |
| Series 1997-A | 12-15-97 | 29,605,000 | - | - | 5.00 to 5.50 | 4/1/08-18 | 29,120,000 | c |
| Series 1997-B | 12-15-97 | 12,860,000 | 4.40 | 235,000 | 4.40 to 5.50 | 4/1/05-07 | 8,865,000 | |
| Series 1997-B | 12-15-97 | 22,945,000 | - | - | 5.00 to 5.38 | 4/1/08-14 | 22,945,000 | c |
| Series 1999-A | 4-1-99 | 13,975,000 | - | 300,000 | 5.00 | 4/1/08 | 1,705,000 | |
| Series 1999-A | 4-1-99 | 30,125,000 | - | - | 5.00 to 5.25 | 4/1/09-19 | 30,125,000 | c |
| Series 1999-B | 11-15-99 | 14,725,000 | - | - | 5.00 | 4/1/08-09 | 3,825,000 | |
| Series 1999-B | 11-15-99 | 30,275,000 | - | - | 5.125 to 6.00 | 4/1/10-19 | 30,275,000 | c |
| Series 2000-AMT | 2-15-00 | 9,270,000 | 5.00 | 975,000 | 5.00 to 5.75 | 4/1/05-09 | 5,680,000 | |
| Series 2000-AMT | 2-15-00 | 1,335,000 | - | - | 5.75 | 4/1/10 | 1,335,000 | c |
| Series 2001 A (1) | 7-15-01 | 16,800,000 | - | - | 3.625 to 5.50 | 4/1/06-11 | 16,800,000 | |
| Series 2001 A (1) | 7-15-01 | 83,200,000 | - | - | 5.0 to 5.315 | 4/1/12-21 | 83,200,000 | c |
| Series 2001-A(2) | 7-15-01 | 5,000,000 | - | - | Variable | 4/1/2022 | 5,000,000 | c |
| Series 2001-B | 7-15-01 | 23,560,000 | 3.25 | 1,250,000 | 3.50 to 5.50 | 4/1/05-11 | 22,310,000 | |
| Series 2001-B | 7-15-01 | 23,235,000 | - | - | 5.375 | 4/1/12-14 | 23,235,000 | |
| Series 2002 | 8-2-02 | 13,840,000 | 3.00 | 1,560,000 | 3.00 to 4.00 | 4/1/05-10 | 10,420,000 | |
| Series 2002 | 8-2-02 | 31,160,000 | - | - | 4.00 to 5.50 | 4/1/11-22 | 31,160,000 | c |
| Series 2003A | 10-9-03 | 7,065,000 | - | - | 3.70 to 5.00 | 4/1/10-12 | 7,065,000 | |
| Series 2003A | 10-9-03 | 36,955,000 | - | - | 4.00 to 5.25 | 4/1/13-23 | 36,955,000 | c |
| Series 2003B | 10-9-03 | 10,770,000 | - | 10,770,000 | 3.0 to 5.00 | 4/1/2006 | 0 | |
| Distributable State Aid Bonds: | | | | | | | | |
| Series 1993 | 12-1-93 | 136,675,000 | 4.90 | 10,050,000 | 5.00 to 5.25 | 5/1/05-09 | 58,365,000 | |
| Total General Bonds - Unlimited Tax | | | | | | | 570,650,000 | |

1 - interest rate equal to the Dutch Auction Rate.
2 - interest rate equal to 1 1/4% in excess of the cost of funds. The cost of funds shall be the rate quoted by the registered holder of the bonds.
c -indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

(Continued)

| | Bond Date | Amount Issued | Retired Year Ended June 30, 2004 Interest Rate | Retired Year Ended June 30, 2004 Amount | Outstanding June 30, 2004 Range of Interest Rates | Outstanding June 30, 2004 Maturity Date | Outstanding June 30, 2004 Amount |
|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | |
| General Obligation Bonds - Limited Tax: | | | | | | | |
| Self-Insurance Bonds: | | | | | | | |
| Series 1995-B | 6-1-95 | $ 40,000,000 | 6.83% | $ 28,870,000 | 0% | - | $ - |
| Series 2003 | 9/1/2003 | 98,895,000 | - | - | 2.42 to 4.97 | 5/1/2006 | 98,895,000 |
| General Obligation: | | | | | | | |
| Series 1997 | 5-1-97 | 3,300,000 | 4.95 | 535,000 | 5.05 to 5.20 | 7/15/04-06 | 1,770,000 |
| Series 1997 | 5-1-97 | 13,665,000 | - | - | 5.25 to 6.25 | 7/15/07-20 | 13,665,000 |
| Series 2002A | 6-27-02 | 52,725,000 | 4.50 | 12,010,000 | 4.5 to 5.0 | 4/1/05-21 | 39,560,000 |
| Series 2004A | 3-12-04 | 41,760,000 | - | - | 1.05 to 5.0 | 4/1/05-09 | 41,760,000 |
| Series 2004Fiscal Stabilization | 6-17-04 | 61,070,000 | - | - | 3.0 to 5.0 | 4/1/05-09 | 61,070,000 |
| Total General Bonds- Limited Tax | | | | | | | 256,720,000 |
| Total General Bonds | | | | | | | 827,370,000 |
| Detroit Building Authority Bonds: | | | | | | | |
| District Court Madison Center | | | | | | | |
| Project, Series 1996 A | 9-1-96 | 2,770,000 | 6.15 | 780,000 | 6.15 | 2/1/05-06 | 1,990,000 |
| | 9-1-96 | 7,230,000 | - | - | 6.15 | 2/1/07-11 | 7,230,000 |
| | 9-1-96 | 1,000,000 | - | - | Variable | 2/1/11 | 1,000,000 |
| Series 1996 B | 9-1-96 | 6,910,000 | 7.97 | 586,478 | 7.97 | 7/1/04-06 | 1,193,826 |
| Total Detroit Building Authority Bonds | | | | | | | 11,413,826 |
| Total General Obligation Bonds | | | | | | | 838,783,826 |
| Revenue Bonds: | | | | | | | |
| Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion: | | | | | | | |
| Series 1993 | 9-1-93 | 167,050,000 | 5.75 | 78,515,000 | 5.10 to 5.75 | 9/1/04-07 | 44,485,000 |
| Series 2003 | 9-18-03 | 90,883,138 | - | - | 2.0-5.0 | 09/30/4-15 | 90,883,138 |
| TotalConventional Facility Limited Tax Revenue Bonds-Cobo Hall Expansion | | | | | | | 135,368,138 |
| Total Bonds | | | | | | | $ 974,151,964 |

c -- indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

(Continued)

| | Bond Date | Amount Issued | Retired Year Ended June 30, 2004 Interest Rate | Amount | Outstanding June 30, 2004 Range of Interest Rates | Maturity Date | Amount | |
|---|---|---|---|---|---|---|---|---|
| **Business type Activities:** | | | | | | | | |
| Sewage Disposal Fund | | | | | | | | |
| Sewage Disposal System Revenue Bonds (note B): | | | | | | | | |
| Series 1992-A-SRF (5044-01) | 6-25-92 | $ 4,360,000 | 2.00% | $ 220,000 | 2.00% | 4/1/05-13 | $ 2,175,000 | |
| Series 1992-B-SRF (5070-01) | 9-10-92 | 1,915,000 | 2.00 | 95,000 | 2.00 | 10/1/04-13 | 1,050,000 | c |
| Series 1993-A | 3-9-93 | 45,850,000 | Various | 11,785,000 | - | - | - | |
| Series 1993-B-SRF (5091 & 5092) | 9-30-93 | 6,603,996 | 2.00 | 315,000 | 2.00 | 10/1/04-14 | 3,910,000 | c |
| Series 1995-A | 11-1-95 | 14,630,000 | 4.70 | 2,600,000 | 5.00 to 6.00 | 7/1/2004 | 2,715,000 | |
| Series 1995-A | 11-1-95 | 117,800,000 | Various | 38,135,000 | 5.00 to 5.25 | 7/1/05-16 | 9,655,000 | c |
| Series 1995-B | 11-1-95 | 45,040,000 | 4.70 | 1,865,000 | 4.80 | 7/1/2004 | 1,960,000 | |
| Series 1995-B | 11-1-95 | 80,255,000 | - | - | 4.90 to 6.25 | 7/1/05-21 | 80,255,000 | c |
| Series 1997-A | 6-15-97 | 55,625,000 | 4.50 | 4,300,000 | 4.60 to 6.00 | 7/1/04-06 | 35,865,000 | |
| Series 1997-A | 6-15-97 | 206,869,128 | - | 65,710,000 | 5.00 to 6.00 | 7/1/07-27 | 106,799,128 | c |
| Series 1997-B-SRF (5125-01) | 9-30-97 | 5,430,174 | 2.25 | 235,000 | 2.25 | 10/1/04-18 | 4,245,000 | |
| Series 1998-A | 12-10-98 | 69,000,000 | - | - | 4.512 | 7/1/04-23 | 68,400,000 | |
| Series 1998-B | 12-10-98 | 68,955,000 | - | - | 4.512 | 7/1/04-23 | 68,200,000 | |
| Series 1999-SRF-1 (5126-01) | 6-24-99 | 21,475,000 | 2.50 | 905,000 | 2.50 | 4/1/05-20 | 17,985,000 | |
| Series 1999-SRF-2 (5143-01) | 9-30-99 | 46,000,000 | 2.50 | 1,795,000 | 2.50 | 10/1/04-20 | 44,205,000 | |
| Series 1999-SRF-3 (5144-01) | 9-30-99 | 29,255,633 | 2.50 | 1,275,000 | 2.50 | 10/1/04-20 | 25,530,633 | |
| Series 1999-SRF-4 (5175-01) | 9-30-99 | 40,655,000 | 2.50 | 1,670,000 | 2.50 | 10/1/04-20 | 35,775,000 | |
| Series 1999-A | 12-1-99 | 7,225,000 | 4.50 | 2,190,000 | 4.625 to 5.00 | 7/1/04-09 | 1,515,000 | |
| Series 1999-A | 12-1-99 | 295,770,178 | - | - | 5.125 to 6.00 | 7/1/10-29 | 37,620,179 | c |
| Series 2000-SRF-1 (5143-02) | 9-28-00 | 46,593,256 | 2.50 | 2,085,000 | 2.50 | 10/1/04-22 | 44,508,256 | |
| Series 2000-SRF-2 (5175-02) | 9-28-00 | 57,839,727 | 2.50 | 2,535,000 | 2.50 | 10/1/04-22 | 55,304,727 | |
| Series 2001-SRF-1 (5175-03) | 6-28-01 | 82,200,000 | - | - | 2.50 | 10/1/04-24 | 82,200,000 | |
| Series 2001-SRF-2 (5175-04) | 6-28-01 | 57,195,868 | - | - | 2.50 | 10/1/04-24 | 57,195,868 | |
| Series 2001-A | 9-15-01 | 76,375,000 | - | - | 5.00 to 5.13 | 7/1/22-31 | 76,375,000 | |
| Series 2001-B | 9-15-01 | 110,550,000 | - | - | 5.50 | 7/1/23-29 | 110,550,000 | |
| Series 2001-C(1) | 9-23-01 | 159,970,000 | 4.43 | 345,000 | 4.43 | 7/1/04-27 | 156,860,000 | |
| Series 2001-C(2) | 9-23-01 | 127,165,000 | 4.47 | 225,000 | 4.47 | 7/1/04-24 | 124,735,000 | |
| Series 2001-D | 9-23-01 | 92,450,000 | - | - | 5.50 | 7/1/2032 | 92,450,000 | |
| Series 2001-E | 9-23-01 | 139,080,000 | - | - | 4.38 | 7/1/24-31 | 139,080,000 | |
| Series 2002 SRF-1 (5204-01) | 10-27-01 | 17,491,081 | - | 745,000 | 2.50 | 4/1/05-23 | 16,746,081 | |
| Series 2002-SRF-2(5204-02) | 10-27-01 | 1,191,123 | - | 75,000 | 2.50 | 4/1/05-33 | 1,116,148 | |
| Series 2003-A | 5-22-03 | 158,000,000 | 3.00 | 3,485,000 | 5.00 | 7/1/04-13 | 154,515,000 | |
| Series 2003-A | 5-22-03 | 441,380,000 | - | - | 5.00 | 7/1/14-32 | 441,380,000 | c |
| Series 2003-B | 5-22-03 | 150,000,000 | - | - | Variable | 7/1/32-33 | 150,000,000 | |
| Series 2003-SRF-1(5204-04) | 6-28-03 | 15,339,190 | - | - | 2.50 | 10/1/06-25 | 15,339,190 | |
| Series 2003-SRF-2(5204-03) | 9-25-03 | 7,502,389 | - | - | 2.50 | 4/1/06-25 | 7,502,389 | |
| Series 2004-A | 1-9-04 | 101,435,000 | - | - | 2.00 to 5.25 | 7/1/04-25 | 101,435,000 | |
| Total Sewage Disposal System Revenue Bonds | | | | | | | $ 2,375,152,599 | |

c - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

(Continued)

| | Bond Date | Amount Issued | Retired Year Ended June 30, 2004 Interest Rate | Retired Year Ended June 30, 2004 Amount | Outstanding June 30, 2004 Range of Interest Rates | Outstanding June 30, 2004 Maturity Date | Outstanding June 30, 2004 Amount | |
|---|---|---|---|---|---|---|---|---|
| **Business type Activities:** | | | | | | | | |
| Water Fund | | | | | | | | |
| Water Supply System Revenue Bonds (notes C and D) | | | | | | | | |
| Series 1993 | 10-15-93 | $ 38,225,000 | 4.65% | $ 157,490,000 | 4.70 to 6.5% | 7/1/04-15 | $ 14,270,000 | |
| Series 1993 | 10-15-93 | 128,035,000 | - | - | 4.70 to 6.50 | 7/1/04-23 | 12,910,000 | c |
| Series 1995A | 10-15-95 | 102,100,000 | 4.70 | 73,495,000 | 4.70 to 5.55 | 7/1/04-12 | 70,130,000 | |
| Series 1995A | 10-15-95 | 70,830,000 | - | - | 5.50 | 7/1/13-25 | 12,150,000 | c |
| Series 1997A | 9-1-97 | 29,080,000 | 4.40 | 3,845,000 | 4.30 to 5.25 | 7/1/04-06 | 12,655,000 | |
| Series 1997A | 9-1-97 | 186,220,000 | - | - | 4.80 to 6.00 | 7/1/07-27 | 186,220,000 | c |
| Series 1997B | 9-1-97 | 30,555,000 | 6.00 | 6,655,000 | 5.0 to 5.25 | 7/1/04-06 | 22,040,000 | |
| Series 1999A | 11-1-99 | 18,000,000 | 4.50 | 2,000,000 | 4.50 to 5.25 | 7/1/04-09 | 12,000,000 | |
| Series 1999A | 11-1-99 | 238,340,000 | - | - | 5.125 to 5.75 | 7/1/10-18 | 58,700,000 | c |
| Series 2001A | 5-1-01 | 302,485,000 | - | - | 4.50 to 5.75 | 7/1/11-33 | 167,675,000 | c |
| Series 2001B | 5-1-01 | 108,985,000 | - | - | 4.50 to 5.50 | 7/1/12-33 | 108,985,000 | c |
| Series 2001C | 6-7-01 | 192,290,000 | - | - | Variable | 7/1/04-29 | 192,290,000 | |
| Series 2003A | 1-28-03 | 234,805,000 | - | - | 4.75 to 5.25 | 7/1/04-34 | 234,805,000 | c |
| Series 2003B | 1-28-03 | 172,945,000 | - | - | 2.0 to 5.25 | 7/1/04-34 | 172,945,000 | c |
| Series 2003C | 1-28-03 | 46,355,000 | 2.00 | 2,665,000 | 2.0 to 5.25 | 7/1/04-22 | 43,690,000 | c |
| Series 2003D | 1-28-03 | 151,370,000 | - | - | Variable | 7/1/04-34 | 151,370,000 | c |
| Series 2004A | 5-04-04 | 77,010,000 | - | - | 3.94 | 7/1/04-23 | 77,010,000 | |
| Series 2004B | 5-04-04 | 163,590,000 | - | - | 3.94 | 7/1/04-23 | 163,590,000 | |
| Total Water Supply System Revenue Bonds | | | | | | | $ 1,713,435,000 | |
| Automobile Parking Fund | | | | | | | | |
| Detroit Building Authority Bonds - Revenue Refunding Bonds: | | | | | | | | |
| Parking & Arena System-Series 1997A | 2-15-97 | $ 3,050,000 | 0.05% | $ 340,000 | 4.60 to 4.80% | 7/1/04-06 | $ 1,110,000 | |
| Parking & Arena System-Series 1997B | 2-15-97 | 37,695,000 | 6.60 | 4,250,000 | 6.68 to 6.79 | 7/1/04-06 | 14,535,000 | |
| Parking & Arena System-Series 1998A | 7-1-98 | 8,385,000 | 4.50 | 925,000 | 4.50 | 7/1/04-03 | 4,140,000 | |
| Parking & Arena System-Series 1998A | 7-1-98 | 18,615,000 | - | - | 4.70 to 5.25 | 7/1/08-19 | 18,615,000 | c |
| Parking & Arena System-Series 1999A | 10-22-99 | 29,900,000 | 7.75 | 400,000 | 7.75 | 7/18/04-29 | 28,700,000 | |
| Total Detroit Building Authority Revenue Refunding Bonds | | | | | | | 67,100,000 | |
| Total Business-type Bonds | | | | | | | $ 4,155,687,599 | |

Note A - As of June 30,2004, the City had $59,120,000 in outstanding General Obligation Bonds which have been defeased or advanced refunded.
Note B - As of June 30,2004, the City had $490,565,000 in outstanding Sewage Disposal System Revenue Bonds which have been defeased or advanced refunded.

Note C - Stated Principal amount of State Revolving Fund Bonds issued as part of the State of Michigan's Revolving Loan Program. As the System draws additional amounts from time to time hereafter, the outstanding principal amounts of such Bonds will correspondingly increase.
Note D - As of June 30,2004, the City had $546,360,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

(Continued)

b. The following is the schedule of Notes Payable at June 30, 2004:

| Governmental Activities Notes Payable | Issue Date | Range of Interest Rates | Maturity Date | Amount Outstanding June 30, 2004 |
|---|---|---|---|---|
| Urban Renewal Fund: | | | | |
| Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue) | 8/1/2002 | 1.75 to 4.16% | 8/1/2008 | $ 5,208,000 |
| Ferry Street Project (Secured by Future Block Grant Revenue) | 4/28/1999 | 1.75 to 4.17 | 8/1/04-19 | 2,900,000 |
| Garfield Project (Secured by Future Block Grant Revenue) | 6/5/1996 | 1.75 to 4.18 | 8/1/03-15 | 1,945,000 |
| Michigan Repacking Project (Secured by Future Block Grant Revenue) | 10/28/1997 | 1.75 to 4.19 | 8/1/03-04 | 1,290,000 |
| Riverbend Project (Secured by Future Block Grant Revenue) | 6/5/1996 | 1.75 to 4.20 | 8/1/03-15 | 745,000 |
| Riverbend Project (Secured by Future Block Grant Revenue) | 10/28/1997 | 1.75 to 4.21 | 8/1/03-16 | 405,000 |
| Stuberstone Project (Secured by Future Block Grant Revenue) | 10/28/1997 | 1.75 to 4.22 | 8/1/03-16 | 330,000 |
| New Amsterdam Project (Secured by Future Block Grant Revenue) | 8/1/2002 | 1.75 to 4.23 | 8/1/08-23 | 9,700,000 |
| Total Notes Payable | | | | $ 22,523,000 |

c. The following is the schedule of Loans Payable at June 30, 2004:

| Governmental Activities Loans Payable | Issue Date | Range of Interest Rates | Maturity Date | Amount Outstanding June 30, 2004 |
|---|---|---|---|---|
| Downtown Development Authority | 1991-1997 | - % | - | $ 33,600,000 |
| Loans Payable GE Capital Schedule - 009 | 10/30/2003 | 3.50 | 7/1/04-2/1/09 | 2,327,537 |
| Loans Payable GE Capital Schedule - 010 | 10/30/2003 | 3.80 | 7/1/04-11-1-08 | 176,130 |
| Loans Payable GE Capital Schedule - 011 | 11/15/2003 | 3.65 | 7/1/04-4/15/0/ | 14,320,318 |
| Loans Payable GE Capital Schedule - 012 | 4/2/2004 | 3.61 | 8/1/04-4/1/09 | 491,400 |
| Loans Payable GE Capital Schedule - 013 | 4/9/2004 | 4.07 | 7/1/04-6/1/14 | 1,285,029 |
| Loans Payable GE Capital Schedule - 014 | 5/14/2004 | 4.07 | 7/1/04-6/1/09 | 529,661 |
| Total Loans Payable | | | | $ 52,730,075 |

d. The following is the schedule of Bonds Authorized and Unissued at June 30, 2004:

| | Authorized (Note A) | | | |
|---|---|---|---|---|
| | Authority | Date | Amount | Unissued Amount |
| General Obligation Bonds (Tax Supported): | | | | |
| Sewer Construction | Electorate | 8/2/1960 | $ 50,000,000 | $ 24,000,000 |
| Public Safety | Electorate | 11/7/2000 | 12,000,000 | 9,070,000 |
| Municipal Facilities | Electorate | 11/7/2000 | 18,000,000 | 6,120,000 |
| Public Lighting | Electorate | 11/7/2000 | 30,000,000 | 17,935,000 |
| Institute of Arts | Electorate | 11/7/2000 | 25,000,000 | 9,850,000 |
| Recreation and Zoo | Electorate | 11/7/2000 | 56,000,000 | 30,975,000 |
| Neighborhood and Economic Development | Electorate | 11/7/2000 | 30,000,000 | 9,105,000 |
| Histroical Museum | Electorate | 11/6/2001 | 20,000,000 | 17,670,000 |
| Museum of African American History | Electorate | 4/29/2003 | 6,000,000 | 2,705,000 |
| Total Bonds Authorized - Unissued | | | | $ 127,430,000 |

Note A – The electorate approved an amendment to the State Constitution (the Headlee Amendment) November 7, 1978 that requires voter approval for the issuance of general obligation bonds effective December 22, 1978. The authority to issue bonds approved by the electors continues until revoked by the electors.

(Continued)

**e.** Summary of Annual Principal and Interest Requirements for Bonds, Notes, and Other Debt Payable

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Principal | | | | |
| | | Business-type Activities | | | |
| Year Ending | Governmental Activities | Automobile Parking Fund | Water Fund | Sewage Disposal Fund | Total |
| 2005 | $ 72,033,883 | $ 6,255,000 | $ 22,440,000 | $ 44,825,000 | $ 73,520,000 |
| 2006 | 120,570,429 | 6,615,000 | 23,305,000 | 46,945,000 | 76,865,000 |
| 2007 | 102,237,191 | 7,105,000 | 25,470,000 | 49,850,000 | 82,425,000 |
| 2008 | 99,869,811 | 1,610,000 | 27,905,000 | 50,364,128 | 79,879,128 |
| 2009 | 123,738,235 | 1,670,000 | 29,235,000 | 53,725,000 | 84,630,000 |
| 2010-2014 | 307,426,305 | 9,980,000 | 171,020,000 | 292,483,965 | 473,483,965 |
| 2015-2019 | 153,684,185 | 13,360,000 | 221,985,000 | 322,654,361 | 557,999,361 |
| 2020-2024 | 69,845,000 | 8,605,000 | 280,810,000 | 368,745,145 | 658,160,145 |
| 2025-2029 | - | 9,500,000 | 355,040,000 | 504,345,000 | 868,885,000 |
| 2030-2034 | - | 2,400,000 | 452,085,000 | 641,215,000 | 1,095,700,000 |
| 2035 | - | - | 104,140,000 | - | 104,140,000 |
| Total | $ 1,049,405,039 | $ 67,100,000 | $ 1,713,435,000 | $ 2,375,152,599 | $ 4,155,687,599 |

| | Primary Government | | | | | |
|---|---|---|---|---|---|---|
| | Interest | | | | | |
| | | Business-type Activities | | | | |
| Year Ending | Governmental Activities | Automobile Parking Fund | Water Fund | Sewage Disposal Fund | Interest Rate Swaps, Net | Total |
| 2005 | $ 49,778,575 | $ 2,366,670 | $ 63,031,402 | $ 82,994,190 | $ 35,984,187 | $ 184,376,449 |
| 2006 | 46,428,285 | 1,952,507 | 62,984,325 | 82,111,082 | 38,222,410 | 185,270,324 |
| 2007 | 42,931,980 | 1,573,985 | 61,964,260 | 80,141,782 | 38,931,751 | 182,611,778 |
| 2008 | 37,884,914 | 1,290,420 | 60,839,628 | 79,798,363 | 38,578,712 | 180,507,123 |
| 2009 | 32,724,895 | 1,226,448 | 59,613,418 | 75,653,698 | 38,389,414 | 174,882,978 |
| 2010-2014 | 99,660,834 | 5,163,563 | 276,727,182 | 349,000,086 | 181,142,795 | 812,033,626 |
| 2015-2019 | 54,631,934 | 2,950,026 | 235,587,665 | 306,498,097 | 159,515,037 | 704,550,825 |
| 2020-2024 | 7,091,833 | 974,652 | 198,833,363 | 235,215,796 | 127,258,406 | 562,282,217 |
| 2025-2029 | - | 417,809 | 151,051,823 | 137,450,600 | 73,503,346 | 362,423,578 |
| 2030-2034 | - | 2,083 | 72,437,771 | 39,101,591 | 30,308,232 | 141,849,677 |
| 2035 | - | - | 2,603,500 | - | - | 2,603,500 |
| Total | $ 371,133,251 | $ 17,918,163 | $ 1,245,674,337 | $ 1,467,965,285 | $ 761,834,290 | $ 3,493,392,075 |

The City entered into a loan payable with the Downtown Development Authority, a component unit, for $33.6 million. The loan was used to cover cost related to the Cobo Hall Expansion Project and operations of the Downtown People Mover System. The loan is unsecured and bears no interest and will be repaid by the City as general operating funds become available. As such, the loan payable has not been included in either of the governmental activities annual principle or interest requirements.

| | Component Units | |
|---|---|---|
| Year Ending | Principal | Interest |
| 2005 | 107,090,400 | $ 109,081,049 |
| 2006 | 167,742,259 | 107,769,782 |
| 2007 | 123,973,424 | 101,843,985 |
| 2008 | 122,680,631 | 94,972,564 |
| 2009 | 133,784,165 | 90,434,341 |
| 2010-2014 | 456,900,792 | 353,751,301 |
| 2015-2019 | 251,257,120 | 315,174,019 |
| 2020-2024 | 227,565,426 | 252,735,432 |
| 2025-2029 | 484,438,879 | 180,362,422 |
| 2030-2034 | 227,200,000 | 24,980,500 |
| 2035 | - | - |
| | $ 2,302,633,096 | $ 1,631,105,395 |

(Continued)

f. Long-term Liabilities Activity for the Year Ended June 30, 2004

| | Balance June 30, 2003 | Increase | Decrease | Balance June 30, 2004 | Amount Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Long-term debt: | | | | | |
| Convention Facility – Cobo Center Expansion Revenue Bonds | $ 123,000,000 | $ 90,883,138 | $ 78,515,000 | $ 135,368,138 | $ 10,355,000 |
| Detroit Building Authority Bonds – Madison Center Project | 12,780,304 | - | 1,366,478 | 11,413,826 | 1,491,872 |
| Distribution State Aid Bonds | 68,415,000 | - | 10,050,000 | 58,365,000 | 10,540,000 |
| Self-insurance Limited Tax Bonds | 28,870,000 | 98,895,000 | 28,870,000 | 98,895,000 | - |
| General Obligation – General Bonds | 489,800,000 | 54,790,000 | 32,305,000 | 512,285,000 | 22,600,000 |
| General Obligation Limited Tax Bonds | 67,540,000 | 102,830,000 | 12,545,000 | 157,825,000 | 16,990,000 |
| Total General Fund Bonds | 790,405,304 | 347,398,138 | 163,651,478 | 974,151,964 | 61,976,872 |
| Federal note – Caraco Pharmaceutical Project | 6,105,000 | - | 897,000 | 5,208,000 | 942,000 |
| Federal note – Ferry Project | 2,900,000 | - | - | 2,900,000 | 85,000 |
| Federal note – Garfield Project | 2,050,000 | - | 105,000 | 1,945,000 | 105,000 |
| Federal note – Michigan Repacking Project | 1,335,000 | - | 45,000 | 1,290,000 | 1,290,000 |
| Federal note – Riverbond Project | 1,230,000 | - | 80,000 | 1,150,000 | 80,000 |
| Federal note – Stuberstone Project | 345,000 | - | 15,000 | 330,000 | 15,000 |
| Federal note - New Amsterdam Project | 9,700,000 | - | - | 9,700,000 | - |
| Loan payable to Downtown Development Authority | 33,600,000 | - | - | 33,600,000 | - |
| Loan payable – GE Capital – Airport | 118,202 | - | 118,202 | - | - |
| Loan payable – GE Capital – Cobo Hall Energy System | 9,729,106 | - | 9,729,106 | - | - |
| Loan payable – GE Capital – Election System | 1,336,649 | - | 1,336,649 | - | - |
| Loan payable – GE Capital – Fire | 1,345,708 | - | 1,345,708 | - | - |
| Loan payable – GE Capital ITS - Unisys | 7,360,070 | - | 7,360,070 | - | - |
| Loan payable – GE Capital – Income Tax | 378,929 | - | 378,929 | - | - |
| Loan payable – IBM Credit Corporation | 11,702,252 | - | 11,702,252 | - | - |
| Loan payable – GE Capital Schedule-009 | - | 2,500,250 | 172,713 | 2,327,537 | 475,336 |
| Loan payable – GE Capital Schedule-010 | - | 200,728 | 24,598 | 176,130 | 37,996 |
| Loan payable – GE Capital Schedule-011 | - | 19,525,824 | 5,205,506 | 14,320,318 | 6,722,475 |
| Loan payable – GE Capital Schedule-012 | - | 491,400 | - | 491,400 | 106,899 |
| Loan payable – GE Capital Schedule-013 | - | 1,286,250 | 1,221 | 1,285,029 | 99,504 |
| Loan payable – GE Capital Schedule-014 | - | 536,698 | 7,037 | 529,661 | 97,801 |
| Total Governmental Notes and Loans | 89,235,916 | 24,541,150 | 38,523,991 | 75,253,075 | 10,057,011 |
| Total Long-Term Bonds, Notes, and Loans | 879,641,220 | 371,939,288 | 202,175,469 | 1,049,405,039 | 72,033,883 |
| Other Long-Term Obligations: | | | | | |
| Accrued Compensated Absences | 135,809,088 | 28,094,015 | 23,432,088 | 140,471,015 | 4,236,630 |
| Claims and Judgments | 111,151,465 | 82,474,865 | 71,753,756 | 121,872,574 | 6,148,836 |
| Workers' Compensation | 67,653,774 | 35,244,717 | 37,481,113 | 65,417,378 | 16,556,000 |
| Total Other Long-Term Obligations | 314,614,327 | 145,813,597 | 132,666,957 | 327,760,967 | 26,941,466 |
| Total Governmental Long-Term Obligations | $ 1,194,255,547 | $ 517,752,885 | $ 334,842,426 | $ 1,377,166,006 | $ 98,975,349 |

Note: The City has recognized a liability in the general fund of $706,105 for compensated absences, $6,148,836 for claims and judgments, and $2,656,180 for workers compensation as of June 30, 2004 for amounts that were due as of year end. The remaining compensated absences, claims and judgments, and workers compensation claims liability and all other long-term obligations are considered to be general long-term liabilities and are recognized only in the government-wide financial statements.

(Continued)

| | Balance June 30, 2003 | Increase | Decrease | Balance June 30, 2004 | Amount Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| **Major Funds:** | | | | | |
| Long-term Debt and Obligations: | | | | | |
| Automobile Parking Fund: | | | | | |
| Bonds Payable | $ 73,315,000 | $ - | $ (6,215,000) | $ 67,100,000 | $ 6,255,000 |
| Accrued Compensated Absences | 280,830 | 166,263 | - | 447,093 | 199,469 |
| Sewage Disposal Fund: | | | | | |
| Bonds Payable | 2,311,620,907 | 206,121,692 | (142,590,000) | 2,375,152,599 | 44,825,000 |
| Accrued Compensated Absences | 9,965,977 | 2,345,824 | (153,538) | 12,158,263 | 6,051,544 |
| Accrued Public Liability and Workers' Compensation | 4,844,529 | 1,543,501 | (1,181,346) | 5,206,684 | 1,181,346 |
| Water Fund: | | | | | |
| Bonds Payable | 1,718,985,000 | 240,600,000 | (246,150,000) | 1,713,435,000 | 22,440,000 |
| Accrued Compensated Absences | 13,925,849 | 1,810,212 | (146,540) | 15,589,521 | 9,984,576 |
| Accrued Public Liability and Workers' compensation | 13,778,575 | 6,756,198 | (4,756,519) | 15,778,254 | 4,756,519 |
| Transportation Fund: | | | | | |
| Accrued Compensated Absences | 3,847,975 | - | (117,814) | 3,730,161 | 2,984,129 |
| Accrued Public Liability and Workers' Compensation | 2,236,047 | 1,312,053 | - | 3,548,100 | 709,620 |
| **Non-major Funds:** | | | | | |
| Accrued Compensated Absences | 2,052,115 | - | (1,584,837) | 467,278 | 171,351 |
| Accrued Public Liability and Workers' Compensation | 5,000,107 | - | (4,877,458) | 122,649 | 10,933 |
| Total Bonds Payable | 4,103,920,907 | 446,721,692 | (394,955,000) | 4,155,687,599 | 73,520,000 |
| Total Accrued Compensated Absences | 30,072,746 | 4,322,299 | (2,002,729) | 32,392,316 | 19,391,069 |
| Total Public Liability and Workers' Compensation | 25,859,258 | 9,611,752 | (10,815,323) | 24,655,687 | 6,658,418 |
| Total Long-term Debt and Obligations | $ 4,159,852,911 | $ 460,655,743 | $ (407,773,052) | $ 4,212,735,602 | $ 99,569,487 |
| **Component Units** | | | | | |
| School District of the City of Detroit: | | | | | |
| Bonds, Notes and Leases Payable | $ 1,549,347,195 | $ 51,789,928 | $ (57,586,140) | $ 1,543,550,983 | $ 43,208,483 |
| Accrued Compensated Absences | 153,729,484 | - | (6,036,800) | 147,692,684 | 2,325,877 |
| Accrued Public Liability and Workers' Compensation | 56,268,822 | 159,773,219 | (159,640,342) | 56,401,699 | - |
| | 1,759,345,501 | 211,563,147 | (223,263,282) | 1,747,645,366 | 45,534,360 |
| Other Component Units: | | | | | |
| Bonds, Notes and Leases Payable | 804,477,841 | 23,360,101 | (68,685,526) | 759,152,416 | 63,881,917 |
| Total Accrued Compensated Absences | 2,845,211 | 3,031,790 | (691,897) | 5,185,104 | 477,328 |
| Accrued Public Liability and Workers' Compensation | 290,515 | 297,297 | - | 587,812 | 324,506 |
| | $ 807,613,567 | $ 26,689,188 | $ (69,377,423) | $ 764,925,332 | $ 64,683,751 |

(Continued)

## 5. Derivatives not reported at fair value

The City is party to derivative financial instruments consisting of interest rate swaps that are intended to effectively convert variable-rate debt to fixed-rate debt. These are not reported at fair value on the statement of net assets at June 30, 2004.

*Objective of the swaps.* In order to better manage its interest rate exposure and to reduce the overall costs of its borrowing, the City has entered into 25 separate fixed payor interest rate swaps.

*Terms, fair values, and credit risk.* Certain key terms, fair market values, and counter-party credit ratings relating to the outstanding swaps as of June 30, 2004, are presented below. The notional amounts of the swaps, except those with effective dates of 4/1/05, 9/1/06, and 3/1/07 match the principal amounts of the outstanding debt. The swaps with effective dates of 4/1/05, 9/1/06, and 3/1/07, were entered into to hedge future interest rate risk and will be associated with bonds expected to be issued prior to the effective dates. Except as discussed under rollover risk, the City's swap agreements contain scheduled reductions to outstanding notional amounts that match scheduled or anticipated amortization of associated bonds.

(Continued)

| Associated Bond Issue | Notional Amounts (1) | Effective Date | Fixed Rate Paid | Variable Rate Received | Fair Values | Swap Termination Date | Final Maturity of Bonds | Counterparty Credit Rating |
|---|---|---|---|---|---|---|---|---|
| Building Authority Series 1999-A | $28,300,000 | 10/22/1999 | 7.48% | LIBOR BBA IMT+.28% | -11,170,783 | 7/1/2029 | 7/1/2029 | Aa1/AA-/AA+ |
| Sewage 1998-A | 68,000,000 | 12/10/1998 | 4.51% | BMA (2) | -5,985,380 | 7/1/2023 | 7/1/2023 | Aa2/AA-/NR |
| Sewage 1998-B | 67,900,000 | 12/10/1998 | 4.51% | BMA | -5,970,646 | 7/1/2023 | 7/1/2023 | Aa2/AA-/NR |
| Water 2001-C (3) | 47,723,000 | 6/7/2001 | 4.07% | BMA | -1,813,209 | 1/1/2006 | 7/1/2029 | Aaa/AA+/NR |
| Water 2001-C (3) | 30,032,000 | 6/7/2001 | 4.70% | BMA | -2,456,809 | 7/1/2011 | 7/1/2029 | Aaa/AA+/NR |
| Water 2001-C (3) | 47,628,000 | 1/1/2006 | 5.42% | BMA | -3,142,701 | 7/1/2011 | 7/1/2029 | Aaa/AA+/NR |
| Water 2001-C | 114,150,000 | 6/7/2001 | 4.90% | BMA | -14,671,784 | 7/1/2026 | 7/1/2026 | Aa3/A+/AA- |
| Sewage 2001 C-1 | 156,500,000 | 10/23/2001 | 4.43% | BMA | -15,608,636 | 7/1/2027 | 7/1/2027 | Aa2/AA+/AAA |
| Sewage 2001 C-2 | 124,500,000 | 10/23/2001 | 4.47% | BMA | -7,917,564 | 7/1/2029 | 7/1/2029 | Aa2/AA+/AAA |
| Water 2003-B | 1,980,000 | 1/30/2003 | 3.02% | CPI + 1.01% | 35,471 | 7/1/2009 | 7/1/2009 | Aa3/A+/AA- |
| Water 2003-B | 2,290,000 | 1/30/2003 | 3.31% | CPI+ 1.12% | 34,077 | 7/1/2010 | 7/1/2010 | Aa3/A+/AA- |
| Water 2003-B | 2,500,000 | 1/30/2003 | 3.55% | CPI + 1.25% | 35,834 | 7/1/2011 | 7/1/2011 | Aa3/A+/AA- |
| Water 2003-B | 2,175,000 | 1/30/2003 | 3.74% | CPI+ 1.33% | 27,647 | 7/1/2012 | 7/1/2012 | Aa3/A+/AA- |
| Water 2003-B | 2,800,000 | 1/30/2003 | 3.87% | CPI +1.34% | 25,667 | 7/1/2013 | 7/1/2013 | Aa3/A+/AA- |
| Water 2003-B | 2,505,000 | 1/30/2003 | 4.00% | CPI + 1.36% | 11,590 | 7/1/2014 | 7/1/2014 | Aa3/A+/AA- |
| Water 2003-C | 2,005,000 | 1/30/2003 | 3.87% | CPI + 1.34% | 18,214 | 7/1/2013 | 7/1/2013 | Aa3/A+/AA- |
| Water 2003-C | 2,330,000 | 1/30/2003 | 4.00% | CPI + 1.36% | 10,747 | 7/1/2014 | 7/1/2014 | Aa3/A+/AA- |
| Water 2003-D | 150,965,000 | 2/6/2003 | 4.06% | BMA | -5,616,502 | 7/1/2013 | 7/1/1933 | Aa2/AA-/NR |
| Sewage 2003-B | 150,000,000 | 5/22/2003 | 4.14% | BMA | -6,647,282 | 7/1/2013 | 7/1/1933 | Aa2/AA+/AAA |
| Water 2004-A | 77,010,000 | 5/13/2004 | 3.94% | BMA | -2,156,755 | 7/1/2025 | 7/1/2025 | Aa2/AA-/NR |
| Water 2004-B | 163,590,000 | 5/13/2004 | 3.85% | BMA | -3,771,652 | 7/1/2023 | 7/1/2023 | Aa2/AA-/NR |
| Water Forward Starting Swap | 195,000,000 | 4/1/2005 | 4.71% | BMA | -3,044,079 | 7/1/2036 | N/A | Aa3/A+/AA- |
| Water Forward Starting Swap | 120,000,000 | 3/1/2007 | 5.00% | BMA | -1,684,838 | 7/1/2035 | N/A | Aa3/A+/AA- |
| Sewage Hedge Swap | 137,500,000 | 4/1/2005 | 4.80% | BMA | -2,981,432 | 7/1/2035 | N/A | Aa2/AA+/AAA |
| Sewage Hedge Swap | 125,000,000 | 9/1/2006 | 4.96% | BMA | -1,479,489 | 7/1/2036 | N/A | Aa2/AA+/AAA |

1. Notional amount balance as of July 1, 2004
2. The Bond Market Association Municipal Swap Index ™.
3. Denotes that the swap termination date does not match the final maturity of the bonds.

**Fair Value:** Because interest rates have generally declined since the time the swaps were negotiated, most of the City's swaps have a negative fair value as of June 30, 2004. The negative fair values may be countered by lower total interest payments required under the variable-rate bonds, creating lower synthetic interest rates.

**Credit Risk:** As of June 30, 2004, the City was not exposed to net credit risk because the swaps had net negative fair values. However, should interest rates change and fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below certain rating levels by Fitch Ratings, Standard & Poor's, and/or Moody's Investors Service. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

**Basis Risk:** The City is not exposed to significant basis risk on its swaps because most of the variable payments received are based on the BMA index. The CPI indexed swaps are associated with CPI indexed bonds and thus create no basis risk. The LIBOR based swap has basis risk on $28.3 million of swaps.

(Continued)

**Termination Risk:** The City or counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In such cases, the City may owe or be due a termination payment depending on the value of the swap at that time. In addition, the City is exposed to termination risk, but not termination payments, on certain of the City's swaps related to Water Series 2001C, Water Series 2003D, Water Series 2004-A, Water Series 2004-B, Sewer Series 1998A, Sewer Series 1998B, Sewer Series 2001-C-1, Sewer Series 2001C-2 and Sewer Series 2003B. These swaps provide the counterparty with the option to terminate the swap agreement beginning on 01/01/2010, 07/02/2011, 07/01/2005, 07/01/2005, 07/01/2008, 07/01/2008, 01/01/2010, 01/01/2010, and 07/01/2013, respectively, upon the passing of certain BMA thresholds. If any of these swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates, but there would be no termination payment.

**Rollover Risk:** The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option, the City will not realize the synthetic rate offered by the swaps on the underlying debt issues.

## 6. Other Information

### Automobile Parking Fund

The City has covenanted in bond authorizing documents to charge for the use of and services provided by the City of Detroit Building Authority Parking Arena System (the System) for each fiscal year of the City such that the gross revenues collected and remitted to the trustee (1) will be at least sufficient to at all times pay when due the principal, interest, and sinking fund installments on the revenue bonds without recourse to the Debt Reserve Account, to pay or provide for all operating expenses, to maintain the System in good repair without recourse to the Operating and Contingency Reserve Fund, and to replenish the Debt Reserve Account (so as to satisfy the corresponding reserve requirement) and the Operating and Maintenance Reimbursement Fund, and (2) will, after replenishment of any deficit in the Debt Reserve Account, Operating and Contingency Reserve Fund, and the Operating and Maintenance Reimbursement Fund, be equal to or greater than 175% of the amount payable in such fiscal year as the principal of sinking fund installments for the interest on all revenue bonds, net of amounts capitalized for interest payable during the construction period.

The City has covenanted further that if the fees and charges collected in any fiscal year are not sufficient to produce such revenues, the City will employ a consulting expert to submit recommendations as to revision of the schedule of fees then in effect and the City will thereafter charge and collect fees in accordance with such recommendation. The schedule of charges for the System may not be revised for a period of two years unless (1) such revision is for purpose of complying with the aforesaid rate covenant or, simultaneous with such revision, there is filed with the trustee a certificate of the consulting expert stating the opinion that if such revision had been in effect during the whole of the fiscal year immediately prior thereto, the revenues collected during such fiscal year would not have been diminished, and (2) at the time of any reduction in charges, the amounts in the Debt Reserve Account and Operating and Contingency Reserve Fund equal or exceed the reserve requirements.

The revenue bond documents specify that additional bonds may be issued by the Fund for the purpose of financing additions, replacements, and improvements to the City of Detroit Building Authority Parking Arena System, provided that the trustee shall have received all legally required authorized opinions and certificates and that the estimated gross revenues (as defined in the bond authorizing documents) for the five years following completion of the facilities will be at least (1) 175% of annual debt service on all parity outstanding bonds, or (2) the sum of annual debt service on all parity outstanding bonds (including the Additional Bonds) plus the amount necessary to make all required payments to the various funds maintained by the trustee, whichever is greater. Other than as described above, the Fund may not issue any obligations secured by gross revenues from the System unless any resulting lien on the System's gross revenues is expressly subordinate to liens for the bondholders' or bank's benefit as described above.

(Continued)

**Sewage Disposal and Water Funds Construction Programs**

The Sewage Disposal Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately $2.1 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2004 were approximately $647 million.

The Water Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately $1.6 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2004 were approximately $238 million.

**Pension Plans:**

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system is a single-employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The Systems issued publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained at 2 Woodward Avenue, Coleman A. Young Municipal Center, Room 908.

These plans are administered in accordance with the City of Detroit Charter and union contracts, which assign the authority to establish and amend contributions and benefit provisions to each plan's Board of Trustees. The Systems' investment policies are governed in accordance with the State of Michigan Public Act 314 of 1965, as amended.

The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is up to 27.34% of active annual payroll for the General Retirement System (depending on the bargaining unit) and 27.68% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds and the Library, including accounts receivable for the year ended June 30, 2004, amounted to $95,876,076 and $69,475,202 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

(Continued)

Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5%, or 7% of the first $87,900 of annual compensation and 5% or 7 % of any excess over $87,900. Contributions are voluntary for all union and non-union employees.

- Policemen and Firemen Retirement System — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 2004 amounted to $24,290,278 and $10,318,299 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

The contribution requirements of plan members and the City of Detroit are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions.

General Retirement System members may retire with full benefits after attaining 30 years of service; age 55 with 30 years of service if hired after January 1, 1996; age 60 with 10 years of service; or age 65 with 8 years of service. Employees may retire after 25 years of service and collect an actuarially reduced retirement benefit.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after twenty-five (25) years of service with full benefits and a yearly cost-of-living adjustment of 2.25%.

Members of the General Retirement System who separated prior to July 1, 1981, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1981 are not required to leave their accumulated annuity contributions in the System.

Members of the Policemen and Firemen Retirement System who separated prior to July 1, 1982, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1982 and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension. For those members of the Policemen and Firemen Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance if they have accumulated 25 years of service. The following details the schedule of employer contributions (in millions):

(Continued)

| General Retirement System | | | | Policemen and Firemen Retirement System | | | |
|---|---|---|---|---|---|---|---|
| Year Ended June 30 | Annual Pension Costs | Percentage Contributed | Net Pension Obligation | Year Ended June 30 | Annual Pension Costs | Percentage Contributed | Net Pension Obligation |
| 1999 | 55.7 | 100 | — | 1999 | 15.7 | 100 | — |
| 2000 | 66.7 | 100 | — | 2000 | 20.0 | 100 | — |
| 2001 | 68.1 | 100 | — | 2001 | 14.4 | 100 | — |
| 2002 | 67.8 | 100 | — | 2002 | 8.4 | 100 | — |
| 2003 | 72.9 | 100 | — | 2003 | 66.8 | 100 | — |
| 2004 | 95.9 | 92 | — | 2004 | 69.5 | — | — |

**Classes of Employees:** The GRS covers all eligible employees other than police officers and firefighters, who are covered by the PFRS.

The plans' membership consisted of the following at June 30, 2004, the date of the latest actuarial valuation:

| | Defined Benefit | | Defined Annuity Contributions | |
|---|---|---|---|---|
| | GRS | PFRS | GRS | PFRS |
| Retirees and beneficiaries receiving benefits | 11,332 | 8,695 | 1,562 | 1,419 |
| Terminated plan members entitled to but not yet receiving benefits | 1,547 | 33 | 165 | 5 |
| Active plan members | 12,312 | 5,177 | 11,025 | 4,760 |

**Cash and Investments:** Cash balances for the two systems are held in financial institutions insured as members of FDIC in the Systems' name. As of June 30, 2004, the carrying amounts of $8,051,609 for the General Retirement System and $1,259,681 for the Policemen and Firemen Retirement System were equal to bank balances. Of the bank balance, $113,000 for the GRS and $94,000 for the PFRS is covered by federal depository insurance. The remaining balance is uninsured.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2004.

**Category 1:** Includes investments insured or registered, and held by an agent in the City's name.

**Category 2:** Includes investments, which are uninsured, unregistered, and held by an agent in the City's name.

**N/A:** Those investments identified by N/A are not categorized because they represent pooled funds.

The Retirement Systems have adopted an official investment policy that is in accordance with state statute. Authorized investments include U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, mutual funds of certain investment quality, secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not excluded by state statute, limited as to portfolio share.

(Continued)

The Systems invest in mortgage-backed securities. These securities are reported at fair value in the balance sheet and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investments would be higher than anticipated. The Systems invest in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

Below is a description of the investments by type and category at June 30, 2004.

| Investment | | Category |
|---|---|---|
| General Retirement System: | | |
| Short-term Investments | $ 82,198,405 | 2 |
| Stocks | 1,553,816,583 | 1 |
| Bonds | 300,707,194 | 1 |
| Mortgage-backed Securities | 59,636,979 | 1 |
| Mortgage and Construction Loans | 133,005,232 | 1 |
| Equity Interest in Real Estate | 77,971,839 | 1 |
| Pooled Investments | 93,010,892 | N/A |
| Private Placements | 253,656,948 | 2 |
| Total | $ 2,554,004,072 | |
| Policemen and Firemen Retirement System: | | |
| Short-term Investments | $ 71,444,467 | 2 |
| Stocks | 1,670,466,391 | 1 |
| Bonds | 608,197,193 | 1 |
| Mortgage-backed Securities | 65,910,437 | 1 |
| Mortgage and Construction loans | 110,140,189 | 1 |
| Equity Interest in Real Estate | 88,390,272 | 1 |
| Real Estate Investment Trusts | 28,522,443 | 2 |
| Pooled Investments | 363,858,019 | N/A |
| Private Placements | 48,495,074 | 2 |
| Total | $ 3,055,424,485 | |

**Securities Lending:** Under the provisions of Securities Lending Authorization Agreements, the Retirement Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial banks manage the securities lending program and receive cash, securities, and irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to but not less than 100% of the market value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial banks made on its behalf, and the custodial banks indemnified the Systems by agreeing to purchase replacement securities or return cash collateral in the event a borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodial banks. The Systems and the

(Continued)

borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested in two separate collective investment pools. The average duration of each investment pool as of June 30, 2004 was 55 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2004, the Systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of June 30, 2004 was $238,757,976 and $232,701,006 for the GRS and $651,046,471 and $634,957,695 for the PFRS respectively.

For accounting purposes, the statements of net assets and changes in net assets in the fiduciary funds reflect the increase in assets, liabilities, interest income, and expense associated with securities lent.

Investment loss presented in the statement of changes in fiduciary net assets for the Retirement System consist of interest income, dividend income, net depreciation, and investment expenses. GRS and PFRS were unable to break down each component by reserve fund as required in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans;* however, the Systems were able to present components in total:

| | GRS | PFRS |
|---|---|---|
| Investment Gain, Net: | | |
| Dividend Income | $ 24,046,920 | $ 26,979,547 |
| Interest Income | 86,137,211 | 83,333,335 |
| Net Apppreciation | 237,895,378 | 317,767,620 |
| Investment Expense | (11,496,468) | (12,379,319) |
| Total | $ 336,583,041 | $ 415,701,183 |

**Other Post-employment Benefits:** In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care, and life insurance. The number of City retirees at June 30, 2004 is 20,027. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post-retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2004, are as follows:

| Benefit | City Cost | Retiree Cost | Total Cost |
|---|---|---|---|
| Hospitalization | $ 136,840,848 | $ 14,273,870 | $ 151,114,718 |
| Dental | 6,720,554 | — | 6,720,554 |
| Eye Care | 2,218,589 | — | 2,218,589 |
| Life Insurance | 143,235 | 26,690 | 169,925 |
| Total | $ 145,923,226 | $ 14,300,560 | $ 160,223,786 |

(Continued)

Significant actuarial assumptions used in preparing the accompanying Systems' financial statements for the year ended June 30, 2003 follow:

| | General Retirement System | Policemen and Firemen Retirement System |
|---|---|---|
| Valuation Date | June 30, 2003 | June 30, 2003 |
| Actuarial Cost Method | Entry Age | Entry Age |
| Amortization Method | Level Percent | Level Percent |
| Remaining Amortization Period | 15 years | 14 years |
| Asset Valuation Method | 3-year Smoothed Market | 3-year Smoothed Market |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.9% | 7.8% |
| Projected Salary Increases | 4.0% - 9.5% | 5.8% - 10.8% |
| Includes Inflation at | 4.0% | 4.8% |
| Cost-of-Living Adjustments | 2.25% | 2.25% |

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the plans, or the actuarial methods and assumptions used.

**Component Units**

The GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs. Supplemental tipping fees are provided from certain taxes collected by the State of Michigan which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation whether or not the facility is operating.

For the year ended June 30, 2004, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

| | |
|---|---|
| Tipping Fees | $ 54,909,343 |
| Supplemental Tipping Fees | 16,237,538 |
| Total | $ 71,146,881 |

(Continued)

**Special Item:**

On July 31, 2002 the City revised its Development Agreements with the Casinos operating within the city. As a result, the casinos agreed to pay the City an additional $132 million in exchange for the right to defer the construction of 400 hotel rooms each for five years. All of this revenue was recognized in the entity-wide Statement of Activities, and $93,750,000 was recognized in the fund financial statements in fiscal year ending 2003. The remaining $38,250,000 is recognized as revenue in the fund financial statements in fiscal year ending 2004.

## NOTE IV. SUBSEQUENT EVENTS

On August 27, 2004 the City of Detroit issued $111,680,000 Unlimited Tax General Obligation Bonds and General Obligation Refunding Bonds. The bonds also refunded $69.1 million of previously issued debt, resulting in present value savings of $423,241 or 0.62% of the refunded par amount. The bonds begin to mature April 1, 2009 and will be fully matured in the year 2024.

On August 27, 2004 the City of Detroit issued $62,285,000 General Obligation Self-Insurance Bonds (Limited Tax) (Federally Taxable). The bonds begin to mature April 1, 2009 and will be fully matured in the year 2014.

On January 5, 2005 the City of Detroit issued $81,050,000 General Obligation Refunding Bonds. The bonds refunded a portion of previously issued debt resulting in present value savings of $2,954,135 or 3.65% of the refunded par amount. The Bonds begin to mature April 1, 2006 and will fully mature in the year 2011.

In March 2005, Standard and Poor's revised to the City of Detroit bond ratings, from A- to BBB+ on both the City's Limited and Unlimited Tax General Obligation Bonds, while affirming the City's outlook as stable.

Bridgeview Town Homes

Delray Senior Houing

Grace Memorial Baptist Church Senior Apartments

**Senior Housing Growth –** Detroit has homes especially designed and built for retirees and other seniors. These developments provide two- and three-bedroom, low-income homes. Bridgeview Town Homes, developed by Church of the Messiah Housing Corp., is on Field and Grand Boulevard on the east side. Delray Senior Housing, developed by Delray Action Council on Grand Boulevard in southwest Detroit, features one- and two-bedroom apartments and provides affordable housing for seniors on fixed incomes. Grace Memorial Baptist Church Senior Apartments also provide homes for senior residents. They are under construction near Palmer Park at Woodward and Carmel.

# HOUSING

# REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

## REQUIRED SUPPLEMENTAL INFORMATION
### HISTORIC PENSION DATA - UNAUDITED

**Schedule of Employer Contributions (In millions):**

**General Retirement System**

| Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|---|---|---|
| 1999 | $55.7 | 100 |
| 2000 | 66.7 | 100 |
| 2001 | 68.1 | 100 |
| 2002 | 67.8 | 100 |
| 2003 | 72.9 | 100 |
| 2004 | 95.9 | 92 |

**Policemen and Firemen Retirement System**

| Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|---|---|---|
| 1999 | $15.7 | 100 |
| 2000 | 20.0 | 100 |
| 2001 | 14.4 | 100 |
| 2002 | 8.4 | 100 |
| 2003 | 66.8 | 100 |
| 2004 | 69.5 | - |

**Schedule of Funding Progress (In millions):**

**General Retirement System:**

| Actuarial Valuation Date June 30 | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1999 (a) (b) | $2,756.6 | 2,900.4 | 95.0 | 143.8 | 383.4 | 37.5 |
| 2000 (a) (b) | 2,902.4 | 3,077.0 | 94.3 | 174.6 | 417.2 | 41.8 |
| 2001 (a) (b) | 2,912.1 | 3,179.6 | 91.6 | 267.5 | 439.6 | 60.8 |
| 2002 | 2,761.2 | 3,276.6 | 84.3 | 515.4 | 440.7 | 117.0 |
| 2003 | 2,537.7 | 3,270.6 | 77.6 | 733.0 | 448.6 | 163.4 |

**Policemen and Firemen Retirement System:**

| Actuarial Valuation Date June 30 | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1999 (a) (b) | $3,668.4 | 3,274.1 | 112.0 | (394.3) | 216.0 | - |
| 2000 (a) (b) | 3,964.2 | 3,342.1 | 118.6 | (622.1) | 237.7 | - |
| 2001 (a) (b) | 3,900.0 | 3,463.2 | 112.6 | (436.8) | 253.3 | - |
| 2002 (a) | 3,635.1 | 3,523.4 | 103.2 | (111.7) | 248.7 | - |
| 2003 | 3,205.5 | 3,721.6 | 86.1 | 516.1 | 248.7 | 207.5 |

a) After changes in actuarial assumptions.
b) Plan amended.

**Football -** The addition of Ford Field to Detroit's sports arenas fueled the passions of Detroit football fans. The City of Detroit Municipal Parking Department offers tailgating in Eastern Market, for passionate fans.

Ford Field hosted the Motor City Classic in September, featuring two teams from Historically Black Colleges and Universities (HBCU).

Mayor Kwame Kilpatrick, a former football captain at Florida A & M University, donned headphones in the press box.

Future professional athletes take the field when two college teams – the Mid-America Conference (MAC) champions and a major at-large opponent compete in the Motor City Bowl game, the Midwest's only bowl game.

# FOOTBALL

**Ford Field -** Detroit's newest sports arena also hosts concerts, banquets, trade shows, business meetings and conventions. Upcoming major attractions include Super Bowl XL in February 2006 and the NCAA Men's Division I Final Four Basketball Tournament in 2009. Detroit Police Department bicycle patrol officers include Ford Field in their beat coverage.

# FORD FIELD

# COMBINING FINANCIAL INFORMATION – NON-MAJOR GOVERNMENTAL FUNDS

# SPECIAL REVENUE FUNDS

**ARE ESTABLISHED TO ACCOUNT FOR THE PROCEEDS OF SPECIFIC REVENUE SOURCES (OTHER THAN CERTAIN MAJOR CAPITAL FACILITIES) THAT ARE RESTRICTED BY LAW AND ADMINISTRATIVE ACTION TO EXPENDITURES FOR SPECIFIED PURPOSES**

| | |
|---|---|
| **Community Development Block Grant Funds** | To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974. |
| **Construction Code Fund** | In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act. |
| **Detroit Building Authority Fund** | To account for financing activities associated with acquiring, improving, operating and maintaining buildings and other structures for public purposes. |
| **Drug Law Enforcement Fund** | To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement. |
| **Empowerment Zone Fund** | To account for activities financed by Federal Government Grants under provision of Section 2007 of Title XX of the Social Security Act as amended. |
| **Federal Employment and Training Funds** | To account for employment and training program grants received from government sources. |
| **Human Services Fund** | To account for Federal and State Grant revenues that are used to finance certain social service programs. |
| **Major and Local Street Funds** | To account for Michigan State Gas and Weight Tax revenues and other related grants used for the construction and maintenance of major and local streets. |
| **Supportive Housing Programs and Homeless Initiatives Funds** | To account for financing activities of Supportive Housing Programs for the Homeless received from the Federal Government. |
| **Targeted Business Development Fund** | To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City. |

## CAPITAL PROJECTS FUNDS

**CAPITAL PROJECTS FUNDS ARE ESTABLISHED TO ACCOUNT FOR FINANCIAL RESOURCES TO BE USED FOR THE ACQUISITION OR CONSTRUCTION OF MAJOR CAPITAL FACILITIES (OTHER THAN THOSE FINANCED BY SPECIAL REVENUE FUNDS AND PROPRIETARY FUNDS)**

| | |
|---|---|
| **Capital Projects Fund** | To account for all funds used for the construction, acquisition and renovation of Capital facilities by the General Fund. |
| **Urban Renewal Fund** | To account for funding received from the City of Detroit and the Federal Government earmarked for the acquisition and site preparation of property for future development. |

## DEBT SERVICE FUND

**DEBT SERVICE FUND IS ESTABLISHED TO ACCOUNT FOR THE ACCUMULATION OF RESOURCES FOR THE PAYMENT OF DEBT AND PRINCIPAL AND INTEREST OF CERTAIN PROPRIETARY FUNDS' GENERAL OBLIGATIONS**

## PERMANENT FUNDS

**ACCOUNT FOR PRINCIPAL TRUST AMOUNTS RECEIVED AND RELATED INTEREST INCOME. THE INTEREST PORTION OF THE TRUST IS USED TO MAINTAIN THE COMMUNITY CEMETERY.**

### PERPETUAL CARE – BEQUEST FUND

**TO ACCOUNT FOR INCOME AND DISBURSEMENTS OF BEQUESTS ACCEPTED BY THE CITY.**

# City of Detroit, Michigan
## COMBINING BALANCE SHEET
## NON-MAJOR GOVERNMENTAL FUNDS
## June 30, 2004

| | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Permanent Funds Bequest Fund | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | | | | | |
| Cash | $ 28,033,340 | $ 10,057 | $ 6,011,235 | $ 47,344 | $ 34,101,976 |
| Investments | 96,572,966 | 1,845,304 | 159,088,525 | 1,077,011 | 258,583,806 |
| Accounts and Contracts Receivable: | | | | | |
| Due from Other Funds | 3,485,324 | 1,646,763 | 3,967,351 | - | 9,099,438 |
| Due from Other Governmental Agencies | 24,561,244 | - | 14,167,143 | - | 38,728,387 |
| Due from Component Units | - | - | 28,751 | - | 28,751 |
| Other Receivables | 613,590 | - | 247,176 | - | 860,766 |
| Total Accounts and Contracts Receivable | 28,660,158 | 1,646,763 | 18,410,421 | - | 48,717,342 |
| Allowance for Uncollectible Accounts | (247,397) | - | (205,347) | - | (452,744) |
| Total Accounts and Contracts Receivable - Net | 28,412,761 | 1,646,763 | 18,205,074 | - | 48,264,598 |
| General Taxes Receivable on Real and Personal Property | - | 5,730,160 | - | - | 5,730,160 |
| Advances to Component Units | 358,205 | - | - | - | 358,205 |
| Taxes, Interest and Penalties--Net | - | 2,000,000 | - | - | 2,000,000 |
| Current Special Assessments Receivable | - | - | 335,844 | - | 335,844 |
| Prepaid Expenditures | 127,636 | - | - | - | 127,636 |
| Inventory--Forfeited Property | 572,568 | - | - | - | 572,568 |
| Other Inventory | 441,093 | - | - | - | 441,093 |
| Total Current Assets | 154,518,569 | 11,232,284 | 183,640,678 | 1,124,355 | 350,515,886 |
| Restricted Assets: | | | | | |
| Cash | 856,914 | 66,564,657 | 580,497 | 108,465 | 68,110,533 |
| Total Assets | $ 155,375,483 | $ 77,796,941 | $ 184,221,175 | $ 1,232,820 | $ 418,626,419 |
| **LIABILITIES, AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts and Contracts Payable | $ 16,936,518 | $ - | $ 18,240,320 | $ - | $ 35,176,838 |
| Due to Other Funds | 15,244,383 | - | 3,528,423 | - | 18,772,806 |
| Advances from Other Funds | 147,000 | - | 850,000 | - | 997,000 |
| Due to Other Governmental Agencies | 16,925,856 | - | - | - | 16,925,856 |
| Deposits from Vendors and Customers | 2,925,607 | - | - | - | 2,925,607 |
| Accrued Salaries and Wages Payable | 2,138,438 | - | - | - | 2,138,438 |
| Accrued Employee Benefits Payable | 10,263 | - | - | - | 10,263 |
| Accrued Liabilities | 9,490,011 | - | - | - | 9,490,011 |
| Other Liabilities | 1,315,571 | - | 111,643 | - | 1,427,214 |
| Deferred Revenue | 2,429,060 | 7,330,160 | 2,354,240 | - | 12,113,460 |
| Total Liabilities | 67,562,707 | 7,330,160 | 25,084,626 | - | 99,977,493 |
| Fund Balances: | | | | | |
| Reserved for Inventory | 1,013,661 | - | - | - | 1,013,661 |
| Reserved for Encumbrances | 12,404,738 | - | - | - | 12,404,738 |
| Reserved for Endowments and Trusts | - | - | - | 1,232,820 | 1,232,820 |
| Reserved for Debt Service | - | 70,466,781 | - | - | 70,466,781 |
| Reserved for Capital Projects | - | - | 159,136,549 | - | 159,136,549 |
| Undesignated | 74,394,377 | - | - | - | 74,394,377 |
| Total Fund Balances | 87,812,776 | 70,466,781 | 159,136,549 | 1,232,820 | 318,648,926 |
| Total Liabilities and Fund Balances | $ 155,375,483 | $ 77,796,941 | $ 184,221,175 | $ 1,232,820 | $ 418,626,419 |

# City of Detroit, Michigan
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## NON-MAJOR GOVERNMENTAL FUNDS
## For the Year Ended June 30, 2004

| | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Permanent Funds<br>Bequest Fund | Total |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Taxes: | | | | | |
| Property Taxes | $ - | $ 64,607,621 | $ - | $ - | $ 64,607,621 |
| Other Taxes and Assessments | - | 2,906,653 | - | - | 2,906,653 |
| State Hotel and Liquor Tax | - | 16,217,263 | - | - | 16,217,263 |
| Licenses, Permits and Inspection Charges | 20,073,051 | - | - | - | 20,073,051 |
| Intergovernmental: | | | | | |
| Federal | 224,088,625 | - | 26,465,553 | - | 250,554,178 |
| State | 13,230,137 | - | - | - | 13,230,137 |
| Other | 12,189,505 | - | - | - | 12,189,505 |
| Gas and Weight Tax | 65,806,351 | - | - | - | 65,806,351 |
| Sales and Charges for Services | 14,894,475 | - | - | - | 14,894,475 |
| Ordinance Fines | 4,804,153 | - | - | - | 4,804,153 |
| Revenue from Use of Assets | - | 2,559,616 | - | - | 2,559,616 |
| Earnings on Investments | 539,119 | 312,645 | 2,158,130 | 22,815 | 3,032,709 |
| Other Revenue | 3,780,861 | - | 16,936,126 | - | 20,716,987 |
| Total Revenues | 359,406,277 | 86,603,798 | 45,559,809 | 22,815 | 491,592,699 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| Public Protection | 33,874,791 | - | - | - | 33,874,791 |
| Health | 83,427,373 | - | - | - | 83,427,373 |
| Economic Development | 67,587,091 | 4,546,635 | - | - | 72,133,726 |
| Educational Development | 95,579,152 | - | - | - | 95,579,152 |
| Housing and Conditions | 7,105,957 | - | - | - | 7,105,957 |
| Transportation | 49,857,971 | - | - | - | 49,857,971 |
| Debt Service: | | | | | |
| Principal | - | 81,450,470 | - | - | 81,450,470 |
| Interest | - | 53,075,658 | - | - | 53,075,658 |
| Bond Issuance Costs | - | - | 2,224,008 | - | 2,224,008 |
| Capital Outlay | - | - | 113,663,461 | - | 113,663,461 |
| Total Expenditures | 337,432,335 | 139,072,763 | 115,887,469 | - | 592,392,567 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 21,973,942 | (52,468,965) | (70,327,660) | 22,815 | (100,799,868) |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Sources: | | | | | |
| Transfers In: | | | | | |
| General Fund | 9,981,854 | 51,293,544 | - | - | 61,275,398 |
| Capital Projects Fund | - | 36,938,175 | - | - | 36,938,175 |
| General Debt Service Fund | - | - | 10,735,596 | - | 10,735,596 |
| Special Revenue Funds | 19,429,171 | 2,666,228 | - | - | 22,095,399 |
| Proceeds from Capital Related Debt Issuance | - | - | 145,673,138 | - | 145,673,138 |
| Premium on General Obligation Bonds Issued | - | - | 10,410,102 | - | 10,410,102 |
| Uses: | | | | | |
| Transfers Out: | | | | | |
| General Fund | 31,424,482 | - | 214,492 | - | 31,638,974 |
| Capital Projects Fund | - | 10,735,596 | - | - | 10,735,596 |
| Debt Service Fund | 2,666,228 | - | 36,938,175 | - | 39,604,403 |
| Special Revenue Funds | 19,429,171 | - | - | - | 19,429,171 |
| Principal Paid to Bond Agent for Refunded Bonds | - | - | 79,845,000 | - | 79,845,000 |
| Interest Paid to Bond Agent for Refunded Bonds | - | - | 2,323,938 | - | 2,323,938 |
| Total Other Financing Sources (Uses) | (24,108,856) | 80,162,351 | 47,497,231 | - | 103,550,726 |
| Net Change in Fund Balances | (2,134,914) | 27,693,386 | (22,830,429) | 22,815 | 2,750,858 |
| Fund Balances at Beginning of Year | 90,140,490 | 42,773,395 | 181,966,978 | 1,210,005 | 316,090,868 |
| Increase/(Decrease) in Inventories | (192,800) | - | - | - | (192,800) |
| Fund Balances at End of Year | $ 87,812,776 | $ 70,466,781 | $ 159,136,549 | $ 1,232,820 | $ 318,648,926 |

**City of Detroit, Michigan**
**COMBINING BALANCE SHEET**
**NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**
**June 30, 2004**

| ASSETS | Community Development Block Grant Funds | Construction Code Fund | Detroit Building Authority Fund | Drug Law Enforcement Fund |
|---|---|---|---|---|
| Current Assets: | | | | |
| Cash | $ 5,604,890 | $ 592,560 | $ 2,711,368 | $ 251,611 |
| Investments | 16,355,466 | - | - | 15,217,500 |
| Accounts and Contracts Receivable: | | | | |
| Due from Other Funds | 814,179 | 609,177 | - | 127,452 |
| Due from Other Governmental Agencies | - | - | 45,576 | - |
| Other Receivables | 43,462 | 524,404 | - | - |
| Total Accounts and Contracts Receivable | 857,641 | 1,133,581 | 45,576 | 127,452 |
| Allowance for Uncollectible Accounts | (32,768) | (168,905) | - | - |
| Total Accounts and Contracts Receivable - Net | 824,873 | 964,676 | 45,576 | 127,452 |
| Advances to Component Units | 358,205 | - | - | - |
| Prepaid Expenditures | - | - | - | - |
| Inventory--Forfeited Property | - | - | - | 572,568 |
| Other Inventory | - | 29,159 | - | - |
| Total Current Assets | 23,143,434 | 1,586,395 | 2,756,944 | 16,169,131 |
| Restricted Assets: | | | | |
| Cash | 833,643 | 4,587 | - | - |
| Total Assets | 23,977,077 | 1,590,982 | 2,756,944 | 16,169,131 |
| **LIABILITIES, AND FUND BALANCES** | | | | |
| Liabilities: | | | | |
| Accounts and Contracts Payable | 1,617,518 | 15,025 | 353,778 | 3,047 |
| Due to Other Funds | 6,129,448 | 744,484 | 2,575,538 | 25,564 |
| Advances from Other Funds | - | - | - | - |
| Due to Other Governmental Agencies | 13,201,172 | - | - | 107,980 |
| Deposits from Vendors and Customers | - | 4,487 | - | 2,921,120 |
| Accrued Salaries and Wages Payable | 702,484 | 577,462 | - | 22,692 |
| Accrued Employee Benefits Payable | - | 10,263 | - | - |
| Accrued Liabilities | 1,042,646 | 239,261 | 195,395 | 162,607 |
| Other Liabilities | 1,283,809 | - | - | 31,762 |
| Deferred Revenue | - | - | - | - |
| Total Liabilities | 23,977,077 | 1,590,982 | 3,124,711 | 3,274,772 |
| Fund Balances (Deficits): | | | | |
| Reserved for Inventory | - | 29,159 | - | 572,568 |
| Reserved for Encumbrances | - | 82,947 | - | 12,321,791 |
| Undesignated | - | (112,106) | (367,767) | - |
| Total Fund Balances (Deficits) | - | - | (367,767) | 12,894,359 |
| Total Liabilities and Fund Balances | $ 23,977,077 | $ 1,590,982 | $ 2,756,944 | $ 16,169,131 |

| Empowerment Zone Fund | Detroit Workforce Development Department | Human Services Fund | Street Funds | Supportive Housing Programs and Homeless Initiatives Funds | Targeted Business Development Fund | Total |
|---|---|---|---|---|---|---|
| $ 1,911,314 | $ 10,977,964 | $ 2,131,721 | $ 3,851,912 | $ - | $ - | $ 28,033,340 |
| - | - | - | 35,000,000 | - | 30,000,000 | 96,572,966 |
| 12,938 | 1,733,685 | 58,512 | 129,381 | - | - | 3,485,324 |
| 5,176,449 | 2,526,139 | 3,889,737 | 11,961,688 | 961,655 | - | 24,561,244 |
| - | - | | 45,724 | - | - | 613,590 |
| 5,189,387 | 4,259,824 | 3,948,249 | 12,136,793 | 961,655 | - | 28,660,158 |
| - | - | - | (45,724) | - | - | (247,397) |
| 5,189,387 | 4,259,824 | 3,948,249 | 12,091,069 | 961,655 | - | 28,412,761 |
| - | - | - | - | - | - | 358,205 |
| - | 127,636 | - | - | - | - | 127,636 |
| - | - | - | - | - | - | 572,568 |
| - | - | - | 411,934 | - | - | 441,093 |
| 7,100,701 | 15,365,424 | 6,079,970 | 51,354,915 | 961,655 | 30,000,000 | 154,518,569 |
| - | - | - | - | 18,684 | - | 856,914 |
| 7,100,701 | 15,365,424 | 6,079,970 | 51,354,915 | 980,339 | 30,000,000 | 155,375,483 |
| 699,566 | 10,144,386 | 1,460,729 | 2,543,835 | 98,634 | - | 16,936,518 |
| 973,934 | 2,117,164 | 805,141 | 1,873,110 | - | - | 15,244,383 |
| - | 147,000 | - | - | - | - | 147,000 |
| - | 2,374,021 | - | 1,242,683 | - | - | 16,925,856 |
| - | - | - | - | - | - | 2,925,607 |
| 30,928 | 582,853 | 222,019 | - | - | - | 2,138,438 |
| - | - | - | - | - | - | 10,263 |
| 5,396,273 | - | 1,163,021 | 409,103 | 881,705 | - | 9,490,011 |
| - | - | - | - | - | - | 1,315,571 |
| - | - | 2,429,060 | - | - | - | 2,429,060 |
| 7,100,701 | 15,365,424 | 6,079,970 | 6,068,731 | 980,339 | - | 67,562,707 |
| - | - | - | 411,934 | - | - | 1,013,661 |
| - | - | - | - | - | - | 12,404,738 |
| - | - | - | 44,874,250 | - | 30,000,000 | 74,394,377 |
| - | - | - | 45,286,184 | - | 30,000,000 | 87,812,776 |
| $ 7,100,701 | $ 15,365,424 | $ 6,079,970 | $ 51,354,915 | $ 980,339 | $ 30,000,000 | $ 155,375,483 |

**City of Detroit, Michigan**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**
**For the Year Ended June 30, 2004**

| | Community Development Block Grant Fund | Construction Code Fund | Detroit Building Authority | Drug Law Enforcement Fund |
|---|---|---|---|---|
| REVENUES: | | | | |
| Licenses, Permits and Inspection Charges | $ - | $ 20,073,051 | $ - | $ - |
| Intergovernmental: | | | | |
| Federal | 45,736,153 | - | - | - |
| State | - | - | - | - |
| Other | - | - | - | - |
| Gas and Weight Tax | - | - | - | - |
| Sales and Charges for Services | 14,781,811 | 112,664 | - | - |
| Ordinance Fines and Forfeitures | - | - | - | 4,804,153 |
| Earnings on Investments | - | - | - | 137,921 |
| Other Revenue | - | 140,550 | 1,221,176 | 69,145 |
| Total Revenues | 60,517,964 | 20,326,265 | 1,221,176 | 5,011,219 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Protection | - | 31,132,643 | - | 2,742,148 |
| Health | - | - | - | - |
| Economic Development | 51,118,111 | - | 1,495,594 | - |
| Educational Development | - | - | - | - |
| Housing and Conditions | - | - | - | - |
| Transportation Facilitation | - | - | - | - |
| Total Expenditures | 51,118,111 | 31,132,643 | 1,495,594 | 2,742,148 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,399,853 | (10,806,378) | (274,418) | 2,269,071 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in: | | | | |
| General Fund | - | 4,003,146 | 300,000 | - |
| Community Development Block Grant Fund | - | 6,623,466 | - | - |
| Major Street Fund | - | - | - | - |
| Total Other Financing Sources | - | 10,626,612 | 300,000 | - |
| Transfers out: | | | | |
| Construction Code Fund | 6,623,466 | - | - | - |
| General Fund | 110,159 | - | - | - |
| General Debt Service Funds | 2,666,228 | - | - | - |
| Local Street Fund | - | - | - | - |
| Total Transfers Out | 9,399,853 | - | - | - |
| Total Other Financing Sources (Uses) | (9,399,853) | 10,626,612 | 300,000 | - |
| Net Change in Fund Balances | - | (179,766) | 25,582 | 2,269,071 |
| Fund Balances (Deficits) at Beginning of Year | - | 197,546 | (393,349) | 10,805,126 |
| Increase (Decrease) in Inventory | - | (17,780) | - | (179,838) |
| Fund Balances (Deficits) at End of Year | $ - | $ - | $ (367,767) | $ 12,894,359 |

| Empowerment Zone Fund | Detroit Workforce Development Department | Human Services Fund | Street Funds | Supportive Housing Programs and Homeless Initiatives Funds | Targeted Business Development Fund | Total |
|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ 20,073,051 |
| 14,973,386 | 95,579,152 | 60,693,977 | - | 7,105,957 | - | 224,088,625 |
| - | - | 4,865,183 | 8,364,954 | - | - | 13,230,137 |
| - | - | 12,189,505 | - | - | - | 12,189,505 |
| - | - | - | 65,806,351 | - | - | 65,806,351 |
| - | - | - | - | - | - | 14,894,475 |
| - | - | - | - | - | - | 4,804,153 |
| - | - | - | 401,198 | - | - | 539,119 |
| - | - | - | 2,349,990 | - | - | 3,780,861 |
| 14,973,386 | 95,579,152 | 77,748,665 | 76,922,493 | 7,105,957 | - | 359,406,277 |
| - | - | - | - | - | - | 33,874,791 |
| - | - | 83,427,373 | - | - | - | 83,427,373 |
| 14,973,386 | - | - | - | - | - | 67,587,091 |
| - | 95,579,152 | - | - | - | - | 95,579,152 |
| - | - | - | - | 7,105,957 | - | 7,105,957 |
| - | - | - | 49,857,971 | - | - | 49,857,971 |
| 14,973,386 | 95,579,152 | 83,427,373 | 49,857,971 | 7,105,957 | - | 337,432,335 |
| - | - | (5,678,708) | 27,064,522 | - | - | 21,973,942 |
| - | - | 5,678,708 | - | - | - | 9,981,854 |
| - | - | - | - | - | - | 6,623,466 |
| - | - | - | 12,805,705 | - | - | 12,805,705 |
| - | - | 5,678,708 | 12,805,705 | - | - | 29,411,025 |
| - | - | - | - | - | - | 6,623,466 |
| - | - | - | 31,314,323 | - | - | 31,424,482 |
| - | - | - | - | - | - | 2,666,228 |
| - | - | - | 12,805,705 | - | - | 12,805,705 |
| - | - | - | 44,120,028 | - | - | 53,519,881 |
| - | - | 5,678,708 | (31,314,323) | - | - | (24,108,856) |
| - | - | - | (4,249,801) | - | - | (2,134,914) |
| - | - | - | 49,531,167 | - | 30,000,000 | 90,140,490 |
| - | - | - | 4,818 | - | - | (192,800) |
| $ - | $ - | $ - | $ 45,286,184 | $ - | $ 30,000,000 | $ 87,812,776 |

# City of Detroit, Michigan
## COMBINING BALANCE SHEET
## NON-MAJOR CAPITAL PROJECTS FUNDS
## June 30, 2004

| | Capital Projects | Urban Renewal | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 5,768,786 | $ 242,449 | $ 6,011,235 |
| Investments | 138,881,130 | 20,207,395 | 159,088,525 |
| Accounts and Contracts Receivable: | | | |
| Due from Other Funds | 3,963,700 | 3,651 | 3,967,351 |
| Due from Component Units | 28,751 | - | 28,751 |
| Due from Other Governmental Agencies | 14,167,143 | - | 14,167,143 |
| Current Special Assessments Recievable | 335,844 | - | 335,844 |
| Other Receivables - Trade | 247,176 | - | 247,176 |
| Total Accounts and Contracts Receivable - | 18,742,614 | 3,651 | 18,746,265 |
| Allowance for Uncollectible Accounts | (205,347) | - | (205,347) |
| Total Accounts and Contracts Receivable - Net | 18,537,267 | 3,651 | 18,540,918 |
| Restricted Cash and Cash Equivalents | 580,497 | - | 580,497 |
| Total Assets | $ 163,767,680 | $ 20,453,495 | $ 184,221,175 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts and Contracts Payable | $ 18,188,066 | $ 52,254 | $ 18,240,320 |
| Due to Other Funds | 1,660,819 | 1,867,604 | 3,528,423 |
| Advance from General Fund | 850,000 | - | 850,000 |
| Other Liabilities | 21,906 | 89,737 | 111,643 |
| Deferred Revenue | 2,342,525 | 11,715 | 2,354,240 |
| Total Liabilities | 23,063,316 | 2,021,310 | 25,084,626 |
| Fund Balances: | | | |
| Undesignated Fund Balance | 140,704,364 | 18,432,185 | 159,136,549 |
| Total Fund Balances | 140,704,364 | 18,432,185 | 159,136,549 |
| Total Liabilities and Fund Balances | $ 163,767,680 | $ 20,453,495 | $ 184,221,175 |

# City of Detroit, Michigan
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR CAPITAL PROJECTS FUNDS
## For the Year Ended June 30, 2004

| | Capital Projects | Urban Renewal | Total |
|---|---|---|---|
| Revenues: | | | |
| Grants | $ 6,364,993 | $ 20,100,560 | $ 26,465,553 |
| Earnings on Investments | 2,158,130 | - | 2,158,130 |
| Other Revenues | 7,635,831 | 9,300,295 | 16,936,126 |
| Total Revenues | 16,158,954 | 29,400,855 | 45,559,809 |
| Expenditures: | | | |
| Bond Issuance Cost | 2,224,008 | - | 2,224,008 |
| Capital Outlay | 89,294,735 | 24,368,726 | 113,663,461 |
| Total Expenditures | 91,518,743 | 24,368,726 | 115,887,469 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (75,359,789) | 5,032,129 | (70,327,660) |
| Other Financing Sources (Uses): | | | |
| Other Financing Sources: | | | |
| Transfers in: | | | |
| General Debt Service Fund | 10,735,596 | - | 10,735,596 |
| Proceeds from Bonds | 145,673,138 | - | 145,673,138 |
| Premium on Bonds Issued | 10,410,102 | - | 10,410,102 |
| Total Other Financing Sources | 166,818,836 | - | 166,818,836 |
| Other Financing Uses: | | | |
| Transfers out: | | | |
| General Debt Service Fund | 36,938,175 | - | 36,938,175 |
| General Fund | 214,492 | - | 214,492 |
| Principal Paid to Bond Agent for Refunded Bonds | 79,845,000 | - | 79,845,000 |
| Interest Paid to Bond Agent for Refunded Bonds | 2,323,938 | - | 2,323,938 |
| Total Other Financing Uses | 119,321,605 | - | 119,321,605 |
| Total Other Financing Sources (Uses) | 47,497,231 | - | 47,497,231 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (27,862,558) | 5,032,129 | (22,830,429) |
| Fund Balances at Beginning of Year | 168,566,922 | 13,400,056 | 181,966,978 |
| Fund Balances at End of Year | $ 140,704,364 | $ 18,432,185 | $ 159,136,549 |

# City of Detroit, Michigan
## COMBINING BALANCE SHEET
## NON-MAJOR PERMANENT FUNDS
## BEQUEST FUND
## June 30, 2004

| | Permanent Funds | | |
|---|---|---|---|
| | Bequest Fund | | |
| | Other Trust | Cemetery Trust | Total |
| **ASSETS** | | | |
| Cash | $ - | $ 47,344 | $ 47,344 |
| Restricted Cash | - | 108,465 | 108,465 |
| Investments | 42,144 | 1,034,867 | 1,077,011 |
| Total Assets | $ 42,144 | $ 1,190,676 | $ 1,232,820 |
| **LIABILITIES, AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Total Liabilities | $ - | $ - | $ - |
| Fund Balances: | | | |
| Reserved for Restricted Assets | 42,144 | 1,190,676 | 1,232,820 |
| Total Fund Balances | 42,144 | 1,190,676 | 1,232,820 |
| Total Liabilities and Fund Balances | $ 42,144 | $ 1,190,676 | $ 1,232,820 |

# City of Detroit, Michigan
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NON-MAJOR PERMANENT FUNDS
## BEQUEST FUND
## For the Year Ended June 30, 2004

| | Permanent Funds | | |
|---|---|---|---|
| | Bequest Fund | | |
| | Other Trust | Cemetery Trust | Total |
| **Revenues:** | | | |
| Investment Income | $ 358 | $ 22,457 | $ 22,815 |
| Total Revenues | 358 | 22,457 | 22,815 |
| **Expenditures:** | | | |
| Total Expenditures | - | - | - |
| Excess of Revenues Over Expenditures | 358 | 22,457 | 22,815 |
| Fund Balance, Beginning | 41,786 | 1,168,219 | 1,210,005 |
| Fund Balance, Ending | $ 42,144 | $ 1,190,676 | $ 1,232,820 |

# City of Detroit
# COMBINING STATEMENT OF NET ASSETS AND LIABILITIES
# AGENCY FUNDS
# For the Year Ended June 30, 2004

| | Condemnation Awards Fund | Fire Insurance Escrow Fund | Other Agency Funds | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 1,464,630 | $ 203,889 | $ 730,208 | $ 2,398,727 |
| Investments | - | 7,108,506 | - | 7,108,506 |
| Due from Other Funds | - | 185,281 | - | 185,281 |
| Total Assets | $ 1,464,630 | $ 7,497,676 | $ 730,208 | $ 9,692,514 |
| LIABILITIES | | | | |
| Accounts Payable | $ - | $ 294,185 | $ - | $ 294,185 |
| Awards Payable | 1,464,630 | - | - | 1,464,630 |
| Advances from Outside Sources | - | 7,086,276 | - | 7,086,276 |
| Escrow Payable | - | - | 730,208 | 730,208 |
| Due to General Fund | - | 117,215 | - | 117,215 |
| Total Liabilities | $ 1,464,630 | $ 7,497,676 | $ 730,208 | $ 9,692,514 |

**City of Detroit**
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**AGENCY FUNDS**
For the Year Ended June 30, 2004

| | Balance June 30, 2003 | Additions | Deductions | Balance June 30, 2004 |
|---|---|---|---|---|
| **Condemnation Award Fund** | | | | |
| Assets | | | | |
| Cash | $ 3,299,447 | $ - | $ 1,834,817 | $ 1,464,630 |
| Total Assets | $ 3,299,447 | $ - | $ 1,834,817 | $ 1,464,630 |
| Liabilities | | | | |
| Accounts and Contracts Payable | $ 3,299,447 | $ - | $ 1,834,817 | $ 1,464,630 |
| Total Liabilities | $ 3,299,447 | $ - | $ 1,834,817 | $ 1,464,630 |
| **Fire Insurance Escrow Fund** | | | | |
| Assets | | | | |
| Cash | $ 173,174 | $ 30,716 | $ - | $ 203,890 |
| Investments | 6,362,319 | 2,316,186 | 1,570,000 | 7,108,505 |
| Due from Other Funds | 185,281 | - | - | 185,281 |
| Total Assets | $ 6,720,774 | $ 2,346,902 | $ 1,570,000 | $ 7,497,676 |
| Liabilities | | | | |
| Accounts and Contracts Payable | $ 36,554 | $ 274,402 | $ 16,771 | $ 294,185 |
| Due to Other Funds | 271,056 | - | 153,841 | 117,215 |
| Other Liabilities | 6,413,164 | 673,112 | - | 7,086,276 |
| Total Liabilities | $ 6,720,774 | $ 947,514 | $ 170,612 | $ 7,497,676 |
| **Other Agency Funds** | | | | |
| Assets | | | | |
| Cash | $ 730,208 | $ - | $ - | $ 730,208 |
| Total Assets | $ 730,208 | $ - | $ - | $ 730,208 |
| Liabilities | | | | |
| Other Liabilities | $ 730,208 | $ - | $ - | $ 730,208 |
| Total Liabilities | $ 730,208 | $ - | $ - | $ 730,208 |
| **Total Agency Funds** | | | | |
| Assets | | | | |
| Cash | $ 4,202,829 | $ 30,716 | $ 1,834,817 | $ 2,398,728 |
| Investments | 6,362,319 | 2,316,186 | 1,570,000 | 7,108,505 |
| Due from Other Funds | 185,281 | - | - | 185,281 |
| Total Assets | $ 10,750,429 | $ 2,346,902 | $ 3,404,817 | $ 9,692,514 |
| Liabilities | | | | |
| Accounts and Contracts Payable | $ 3,336,001 | $ 274,402 | $ 1,851,588 | $ 1,758,815 |
| Due to Other Funds | 271,056 | - | 153,841 | 117,215 |
| Other Liabilities | 7,143,372 | 673,112 | - | 7,816,484 |
| Total Liabilities | $ 10,750,429 | $ 947,514 | $ 2,005,429 | $ 9,692,514 |

**Piwok Playground Improvements –** New playground equipment and playing fields were part of the improvements at Piwok. The improvements helped fulfill Mayor Kwame Kilpatrick's promise to update and modernize 10 parks and playlots.

# PIWOK PARK

# COMBINING FINANCIAL INFORMATION – NON-MAJOR PROPRIETARY FUNDS

# City of Detroit, Michigan
# COMBINING STATEMENT OF NET ASSETS
# NON-MAJOR PROPRIETARY FUNDS
# June 30, 2004

| | Enterprise Funds | | |
|---|---|---|---|
| | Airport Fund | Housing Fund | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 772,417 | $ - | $ 772,417 |
| Accounts and Contracts Receivable: | | | |
| Due from Other Funds | 1,037,750 | - | 1,037,750 |
| Due from Other Governmental Agencies | 9,424 | - | 9,424 |
| Other Receivables - Trade | 831,061 | - | 831,061 |
| Total Accounts and Contracts Receivable | 1,878,235 | - | 1,878,235 |
| Allowance for Uncollectible Accounts | (385,482) | - | (385,482) |
| Total Accounts and Contracts Receivable - Net | 1,492,753 | - | 1,492,753 |
| Prepaid Expenses | 88,693 | - | 88,693 |
| Total Current Assets | 2,353,863 | - | 2,353,863 |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land | 5,169,374 | - | 5,169,374 |
| Land Improvements | 8,020,718 | - | 8,020,718 |
| Structures and Improvements | 5,272,287 | - | 5,272,287 |
| Equipment | 1,729,317 | - | 1,729,317 |
| Vehicles and Buses | 1,482,115 | - | 1,482,115 |
| Total Capital Assets | 21,673,811 | - | 21,673,811 |
| Less: Accumulated Depreciation | (12,104,762) | - | (12,104,762) |
| Net Capital Assets | 9,569,049 | - | 9,569,049 |
| Total Noncurrent Assets | 9,569,049 | - | 9,569,049 |
| Total Assets | 11,922,912 | - | 11,922,912 |

(Continued)

| LIABILITIES AND NET ASSETS | Enterprise Funds | | |
|---|---|---|---|
| | Airport Fund | Housing Fund | Total |
| **Liabilities:** | | | |
| **Current Liabilities:** | | | |
| Accounts and Contracts Payable | 176,652 | - | 176,652 |
| Due to Other Funds | 490,730 | - | 490,730 |
| Due to Fiduciary Funds | 19,518 | - | 19,518 |
| Refundable Deposits | 93,067 | - | 93,067 |
| Accrued Salaries and Wages | 25,882 | - | 25,882 |
| Accrued Compensated Absences | 171,351 | - | 171,351 |
| Accrued Public Liability and Workers Compensation | 10,933 | - | 10,933 |
| Other Liabilities | 213,553 | - | 213,553 |
| Restricted Accounts and Contracts Payable | 80,000 | - | 80,000 |
| Deferred Revenue | 4,701 | - | 4,701 |
| Total Current Liabilities | 1,286,387 | - | 1,286,387 |
| **Noncurrent Liabilities:** | | | |
| Accured Compensated Absences | 295,927 | - | 295,927 |
| Accrued Public Liability and Workers' Compensation | 111,716 | - | 111,716 |
| Total Noncurrent Liabilities | 407,643 | - | 407,643 |
| Total Liabilities | 1,694,030 | - | 1,694,030 |
| **Net Assets:** | | | |
| Invested in Capital Assets, Net of Related Debt | 9,569,049 | - | 9,569,049 |
| Unrestricted | 659,833 | - | 659,833 |
| Total Net Assets | $ 10,228,882 | $ - | $ 10,228,882 |

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

| | Enterprise Funds | | |
|---|---|---|---|
| | Airport Fund | Housing Fund | Total |
| Operating Revenues: | | | |
| Sales and Charges for Services | $ 71,677 | $ - | $ 71,677 |
| Rentals, Fees and Surcharges | 894,513 | - | 894,513 |
| Miscellaneous | 6,469 | - | 6,469 |
| Total Operating Revenues | 972,659 | - | 972,659 |
| Operating Expenses: | | | |
| Salaries, Wages and Benefits | 1,697,545 | - | 1,697,545 |
| Operating | 693,491 | - | 693,491 |
| Repairs and Maintenance | 160,486 | - | 160,486 |
| Materials, Supplies and Other Expenses | 857,384 | - | 857,384 |
| Depreciation and Amortization | 621,701 | - | 621,701 |
| Total Operating Expenses | 4,030,607 | - | 4,030,607 |
| Operating Loss | (3,057,948) | - | (3,057,948) |
| Non-Operating Revenues: | | | |
| Grants-Federal | 299,161 | - | 299,161 |
| Total Non-Operating Revenues | 299,161 | - | 299,161 |
| Net Loss Before Transfers: | (2,758,787) | - | (2,758,787) |
| Transfers In | 2,789,179 | - | 2,789,179 |
| Change in Net Assets | 30,392 | - | 30,392 |
| Net Assets Beginning of Year, as Restated | 10,198,490 | - | 10,198,490 |
| Net Assets - End of Year | $ 10,228,882 | $ - | $ 10,228,882 |

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

| | Enterprise Funds | | |
|---|---|---|---|
| | Airport Fund | Housing Fund | Total |
| Cash Flows From Operations: | | | |
| Receipts from Customers | $ 886,368 | $ - | $ 886,368 |
| Repayments to Other Funds | (59,045) | - | (59,045) |
| Deposits Refunded to Customers | 2,811 | - | 2,811 |
| Payments to Suppliers | (1,344,144) | - | (1,344,144) |
| Payments to Employees | (1,534,665) | - | (1,534,665) |
| Net Cash Used in Operating Activities | (2,048,675) | - | (2,048,675) |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Contributions from Other Governments | 289,737 | - | 289,737 |
| Transfers from Other Funds | 2,789,179 | - | 2,789,179 |
| Net Cash Provided by Non-Capital Financing Activities | 3,078,916 | - | 3,078,916 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | (460,984) | - | (460,984) |
| Net Cash Provided by Capital and Related Financing Activities | (460,984) | - | (460,984) |
| Net Increase (Decrease) in Cash | 569,257 | - | 569,257 |
| Cash and Cash Equivalents at Beginning of Year, as Restated | 203,160 | - | 203,160 |
| Cash and Cash Equivalents at End of Year | $ 772,417 | $ - | $ 772,417 |

(Continued)

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

| | Enterprise Funds | | |
|---|---|---|---|
| | Airport Fund | Housing Fund | Total |
| Reconciliation of Operating Loss to Net Cash used in Operating Activities: | | | |
| Operating Loss | $ (3,057,948) | $ - | $ (3,057,948) |
| Adjustments to Operating Loss | | | |
| Depreciation | 621,701 | - | 621,701 |
| Allowance for Uncollectible Accounts | (8,578) | - | (8,578) |
| Changes in Assets and Liabilities: | | | |
| Other Receivables -Trade | (86,291) | - | (86,291) |
| Prepaid items and other Assets | 7,379 | - | 7,379 |
| Due From Other Funds | (370,001) | - | (370,001) |
| Accounts and Contracts Payable | 238,985 | - | 238,985 |
| Due to Other Funds | 310,956 | - | 310,956 |
| Due to Other Governmental Agencies | (15,714) | - | (15,714) |
| Other Liabilities | 145,073 | - | 145,073 |
| Accrued Compensated Absences | 159,352 | - | 159,352 |
| Public Liability and Accrued Workers Compensation | 17,684 | - | 17,684 |
| Refundable Deposits | 2,811 | - | 2,811 |
| Prepaid Revenue | 72 | - | 72 |
| Accrued Salaries and Wages | (14,156) | - | (14,156) |
| Net Cash Used in Operating Activities | $ (2,048,675) | $ - | $ (2,048,675) |

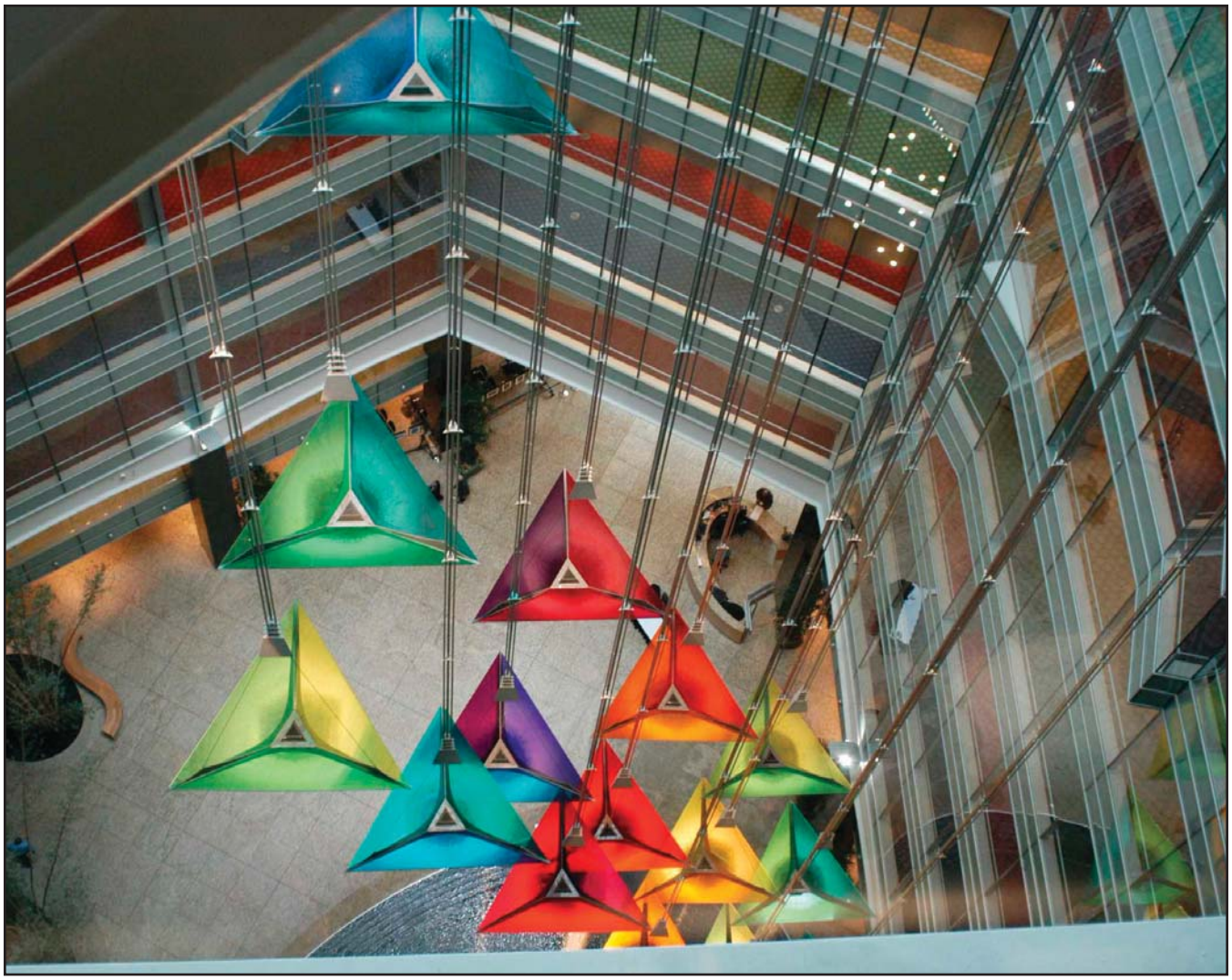
# STATISTICAL

**The Statistical Section contains for the last ten fiscal years:**

**General Governmental Revenues by Source**
**General Governmental Expenditures by Function**
**Property Tax Levies and Collections**
**Adjusted Tax Levies and Tax Collections by Levies**
**Assessed and Estimated Actual Value of Taxable Property**
**Property Tax Rates and Levies — All Overlapping Governments**
**Special Assessment Additions and Deductions**
**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita**
**Legal Debt Margin**
**Computation of Direct and Overlapping Debt**
**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures**
**Revenue Bond Coverage**
**Real Property Value, Construction Permits and Bank Deposits**

**— and —**

**Principal Taxpayers**
**Largest Private Employers**
**Miscellaneous Statistics**



**Compuware Building**

**TasteFest 2004 -** Comerica TasteFest, the annual New Center Council fundraising event, featured family-friendly entertainment in Detroit's New Center Area. The outdoor event included music, food and beverages. Occurring around the Fourth of July holiday, the festival takes place along West Grand Blvd. between Woodward and the Lodge Freeway. Several stage and entertainment venues are located around the Fisher Building and Cadillac Place, the former GM Building.

# TASTEFEST 2004

Table 1

## City of Detroit, Michigan
## GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
### Last Ten Fiscal Years
### (Amounts Expressed in Thousands)
### Unaudited

| Revenue Classification (2) | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| Taxes, Assessments, Interest and Penalties | $ 817,511 | $ 728,223 | $ 748,723 | $ 716,014 |
| Licenses, Permits, and Inspection Charges | 29,464 | 24,881 | 24,857 | 28,824 |
| Shared Taxes and Grants | 642,535 | 737,126 | 759,365 | 747,085 |
| Sales and Charges for Services | 190,928 | 174,533 | 203,322 | 185,732 |
| Ordinance Fines | 28,238 | 24,147 | 28,374 | 22,151 |
| Revenues from Use of Assets | 33,196 | 37,574 | 39,918 | 60,541 |
| Other Revenues | 124,788 | 102,386 | 142,977 | 79,140 |
| Total Revenues | $ 1,866,660 | $ 1,828,870 | $ 1,947,536 | $ 1,839,487 |

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.

(2) Library revenues have been removed for all years. Proir to 2002 the Detroit Public Library was included in the Special Revenue Funds of the City. It is now being reported as a Component Unit.

Table 2

## City of Detroit, Michigan
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
### Last Ten Fiscal Years
(Amounts Expressed in Thousands)
### Unaudited

| Expenditure Classification (2) | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| Public Protection | $ 738,331 | $ 609,580 | $ 601,014 | $ 598,723 |
| Health | 172,301 | 194,570 | 177,826 | 170,703 |
| Recreation and Culture | 73,770 | 78,478 | 79,787 | 67,393 |
| Economic Development | 96,272 | 96,998 | 80,957 | 40,949 |
| Educational Development | 95,579 | 85,854 | 85,516 | 96,271 |
| Housing Supply and Conditions | 21,150 | 18,535 | 16,747 | 96,393 |
| Physical Environment | 232,269 | 252,006 | 292,579 | 275,369 |
| Transportation | 49,858 | 44,218 | 21,087 | 15,787 |
| Development and Management | 387,713 | 399,418 | 354,175 | 250,912 |
| Debt Service | 140,118 | 132,184 | 124,583 | 126,981 |
| Capital Outlay | 162,594 | 69,605 | 117,575 | 145,426 |
| Total Expenditures | $ 2,169,955 | $ 1,981,446 | $ 1,951,846 | $ 1,884,907 |

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.

(2) Library expenses have been removed for all years. Prior to 2002 the Detroit Public Library was included in the Special Revenue Funds of the City. It is now being reported as a Component Unit.

Table 1

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| $ 720,077 | $ 636,191 | $ 622,937 | $ 592,515 | $ 580,149 | $ 548,944 |
| 29,829 | 24,426 | 23,727 | 20,722 | 17,960 | 18,508 |
| 747,033 | 687,086 | 640,242 | 617,385 | 615,803 | 566,482 |
| 176,948 | 150,482 | 148,217 | 141,088 | 131,684 | 131,854 |
| 23,573 | 20,032 | 19,885 | 17,314 | 18,356 | 17,286 |
| 45,220 | 39,487 | 48,476 | 43,186 | 42,647 | 24,260 |
| 60,261 | 74,701 | 90,673 | 97,715 | 73,345 | 32,732 |
| $ 1,802,941 | $ 1,632,405 | $ 1,594,157 | $ 1,529,925 | $ 1,479,944 | $ 1,340,066 |

Table 2

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| $ 531,140 | $ 502,980 | $ 516,516 | $ 510,304 | $ 498,620 | $ 484,225 |
| 164,662 | 140,777 | 146,389 | 146,563 | 131,142 | 128,098 |
| 68,699 | 65,077 | 70,908 | 68,494 | 67,437 | 60,374 |
| 45,687 | 31,344 | 23,960 | 20,188 | 17,734 | 17,569 |
| 87,190 | 52,563 | 43,505 | 53,179 | 40,927 | 39,979 |
| 85,720 | 74,866 | 74,809 | 63,262 | 77,210 | 48,335 |
| 282,840 | 242,809 | 274,824 | 259,858 | 225,414 | 197,796 |
| 9,808 | 38,892 | 21,735 | 12,398 | 10,540 | 8,168 |
| 328,475 | 322,395 | 246,876 | 193,005 | 204,305 | 137,194 |
| 126,169 | 116,679 | 116,249 | 123,472 | 92,047 | 133,418 |
| 65,852 | 91,740 | 75,326 | 83,452 | 63,332 | 45,860 |
| $ 1,796,242 | $ 1,680,122 | $ 1,611,097 | $ 1,534,175 | $ 1,428,708 | $ 1,301,016 |

Table 3

City of Detroit, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections |
|---|---|---|---|---|
| 1995 (1) | $ 197,314 | $ 173,646 | 88.00 % | $ 11,674 |
| 1996 (1) | 201,028 | 180,615 | 89.85 | 11,949 |
| 1997 (1) | 208,546 | 189,097 | 90.67 | 15,028 |
| 1998 (1) | 218,533 | 193,536 | 88.56 | 15,968 |
| 1999 (1) | 224,248 | 199,594 | 89.01 | 14,302 |
| 2000 (1) | 231,310 | 210,805 | 91.14 | 17,606 |
| 2001 (1) | 254,397 | 218,915 | 86.05 | 15,854 |
| 2002 (3) | 243,710 | 212,435 | 87.17 | 23,433 |
| 2003 (3) | 246,284 | 207,628 | 84.30 | 16,663 |
| 2004 (3) | 242,235 | 231,696 | 95.65 | 17,677 |

(1) includes General, Library and Debt Service Funds
(2) includes additions, deductions, cancellations and adjustments
(3) Fiscal Years 2002-2004 do not include Library amounts.

Table 4

City of Detroit, Michigan
Adjusted Tax Levies and Tax Collections by Levies
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

| Fiscal Year | Total Tax Levy | Net Additions Deductions to (from) Tax Levy | Less Cancellations and Adjustments |
|---|---|---|---|
| 1995 (1) | $ 197,314 | $ - | $ (9,110) |
| 1996 (1) | 201,028 | - | (5,922) |
| 1997 (1) | 208,546 | - | (4,995) |
| 1998 (1) | 218,533 | - | (6,416) |
| 1999 (1) | 224,248 | - | (5,227) |
| 2000 (1) | 231,310 | - | 4,508 |
| 2001 (1) | 254,397 | - | (4,480) |
| 2002 (2) | 243,710 | - | (5,193) |
| 2003 (2) | 246,284 | - | (5,101) |
| 2004 (2) | 242,235 | - | (411) |

(1) includes General, Library and Debt Service Funds
(2) Fiscal Years 2002-2004 do not include Library amounts.

Table 3

| Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Current and Prior Years' Adjustments (2) | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|
| $ 185,320 | 93.92 % | $ (10,401) | 82,695 | 41.91 % |
| 192,564 | 95.79 | (13,380) | 77,780 | 38.69 |
| 204,125 | 97.88 | (3,559) | 78,642 | 37.71 |
| 209,504 | 95.87 | (6,108) | 79,267 | 36.27 |
| 213,896 | 95.38 | (8,761) | 80,858 | 36.06 |
| 228,411 | 98.75 | (6,939) | 76,896 | 33.24 |
| 234,769 | 92.28 | (1,349) | 95,285 | 37.46 |
| 235,868 | 96.78 | (15,928) | 79,136 | 32.47 |
| 224,291 | 91.07 | (10,925) | 90,204 | 36.63 |
| 249,373 | 102.95 | (2,945) | 80,121 | 33.08 |

Table 4

| Net Taxes Receivable | Collections to June 30, 2004 | |
|---|---|---|
| | Amount | Ratio to Adjusted Tax Levy |
| $ 188,204 | $ 186,758 | 99.23 % |
| 195,106 | 193,450 | 99.15 |
| 203,551 | 201,330 | 98.91 |
| 212,117 | 209,368 | 98.70 |
| 219,021 | 215,165 | 98.24 |
| 235,818 | 229,885 | 97.48 |
| 249,917 | 237,892 | 95.19 |
| 238,517 | 225,277 | 94.45 |
| 241,183 | 218,474 | 90.58 |
| 241,824 | 231,696 | 95.81 |

Table 5

## City of Detroit, Michigan
## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
## Last Ten Fiscal Years
## (Amounts Expressed in Thousands)
## Unaudited

| | Real Property (Notes A and B) | | | Personal Property (Notes A, B and C) | | | Total (Notes A, B and C) | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | State Equalized Value (Notes D and E) | Taxable Value | Estimated Actual Value | State Equalized Value (Notes D and E) | Taxable Value | Estimated Actual Value | State Equalized Value (Notes D and E) | Taxable Value | Estimated Actual Value |
| 1996..... | $ 4,631,122 | $ 4,606,258 | $ 9,262,244 | $ 1,281,065 | $ 1,281,065 | $ 2,562,130 | $ 5,912,187 | $ 5,887,323 | $ 11,824,374 |
| 1997..... | 4,943,227 | 4,703,635 | 9,886,454 | 1,443,983 | 1,443,983 | 2,887,966 | 6,387,210 | 6,147,618 | 12,774,420 |
| 1998..... | 5,351,875 | 4,847,236 | 10,703,750 | 1,603,341 | 1,603,341 | 3,206,682 | 6,955,216 | 6,450,577 | 13,910,432 |
| 1999..... | 5,940,201 | 5,005,031 | 11,880,402 | 1,626,585 | 1,626,585 | 3,253,170 | 7,566,786 | 6,631,616 | 15,133,572 |
| 2000..... | 6,990,962 | 5,219,200 | 13,981,924 | 1,637,482 | 1,637,482 | 3,274,964 | 8,628,444 | 6,856,682 | 17,256,888 |
| 2001..... | 8,106,178 | 5,486,262 | 16,212,356 | 1,718,119 | 1,718,119 | 3,436,238 | 9,824,297 | 7,204,381 | 19,648,594 |
| 2002..... | 9,319,364 | 5,983,367 | 18,638,728 | 1,656,438 | 1,656,438 | 3,312,876 | 10,975,802 | 7,639,805 | 21,951,604 |
| 2003..... | 10,298,344 | 6,226,065 | 20,596,688 | 1,749,983 | 1,749,983 | 3,499,966 | 12,048,327 | 7,976,048 | 24,096,654 |
| 2004..... | 10,668,533 | 6,470,987 | 21,337,066 | 1,373,222 | 1,373,222 | 2,746,444 | 12,041,755 | 7,844,209 | 24,083,510 |
| 2005..... | 11,177,226 | 6,828,591 | 22,354,452 | 1,507,199 | 1,507,199 | 3,014,398 | 12,684,425 | 8,335,790 | 25,368,850 |

**Note A — Excludes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities tax under the State Plant Rehabilitation and Industrial Development Districts Act of 1974.**

**Note B — Beginning with fiscal year 1995/1996 taxable values cannot exceed the statewide rate of inflation of the prior year on a per parcel basis, except where increases are due to physical changes in the parcel (P.A.415 of 1994). This represents the taxable amount of the state equalized value.**

**Note C — Excludes inventories which are exempted from the assessed values by the State Single Business Tax Act of 1974.**

**Note D — State Equalized Value (50% of true cash value).**

**Note E — Assessment Date -December 31 preceding year of levy.**

Table 6

# City of Detroit, Michigan
## PROPERTY TAX RATES AND LEVIES — ALL OVERLAPPING GOVERNMENTS
### Last Ten Fiscal Years
### (Amounts Expressed in Thousands)
### Unaudited

| Fiscal Year | Tax Rates — Mills | | | | | |
|---|---|---|---|---|---|---|
| | City (Note A) | Library | School | County (Note B) | State | Total |
| 1996..... | 31.5060 | 2.6400 | 25.0400 | 11.2000 | 6.0000 | 76.3860 |
| 1997..... | 31.2830 | 2.6400 | 25.5000 | 11.3800 | 6.0000 | 76.8030 |
| 1998..... | 31.2380 | 2.6400 | 25.5900 | 11.3700 | 6.0000 | 76.8380 |
| 1999..... | 31.1750 | 2.6400 | 24.4500 | 11.3200 | 6.0000 | 75.5850 |
| 2000..... | 31.0950 | 2.6400 | 23.9000 | 11.1390 | 6.0000 | 74.7740 |
| 2001..... | 31.6783 | 3.6331 | 25.0000 | 11.0565 | 6.0000 | 77.3679 |
| 2002..... | 31.9000 | 3.6331 | 28.5000 | 12.5395 | 6.0000 | 82.5726 |
| 2003..... | 30.8780 | 3.6331 | 31.1900 | 13.9895 | 6.0000 | 85.6906 |
| 2004..... | 30.8808 | 3.6331 | 31.8000 | 13.9886 | 5.0000 | 85.3025 |
| 2005..... | 30.4359 | 3.6331 | 31.0000 | 13.9861 | 6.0000 | 85.0551 |

| Fiscal Year | Tax Levies | | | | | |
|---|---|---|---|---|---|---|
| | City (Note A) | Library | School | County (Note B) | State | Total |
| 1996..... | $ 185,486 | $ 15,542 | $ 108,177 | $ 65,938 | $ 35,324 | $ 410,467 |
| 1997..... | 192,316 | 16,230 | 116,328 | 69,960 | 36,885 | 431,719 |
| 1998..... | 201,503 | 17,030 | 123,999 | 73,343 | 38,703 | 454,578 |
| 1999..... | 206,741 | 17,507 | 119,113 | 75,070 | 39,790 | 458,221 |
| 2000..... | 213,208 | 18,102 | 119,281 | 76,375 | 41,140 | 468,106 |
| 2001..... | 228,223 | 26,174 | 132,788 | 79,655 | 43,226 | 510,066 |
| 2002..... | 243,710 | 27,756 | 166,268 | 95,799 | 45,839 | 579,372 |
| 2003..... | 246,284 | 28,977 | 193,401 | 111,581 | 47,856 | 628,099 |
| 2004..... | 242,235 | 28,498 | 192,090 | 109,730 | 39,221 | 611,774 |
| 2005..... | 254,533 | 30,284 | 258,409 | 116,585 | 50,015 | 709,826 |

Note A — Includes millage to pay cash rentals to the City of Detroit Building Authority to cover principal and interest on authority bonds issued to finance construction of a new Detroit General Hospital and to pay Wayne County for debt service on County Drainage District Bonds issued for Detroit N0. 1 thru 1994.

Note B — The County tax rates and tax levies shown are against properties situated within the City of Detroit. The total assessed valuation used in determining the County tax rate recognizes adjustments in assessed valuation made after the City tax rate is determined.

Table 7

## City of Detroit, Michigan
## SPECIAL ASSESSMENTS ADDITIONS AND DEDUCTIONS
## Last Ten Fiscal Years
## Unaudited

| Fiscal Year | Beginning Balance | Additions | Deductions: Collections | Deductions: Cancellations and Adjustments | Ending Balance |
|---|---|---|---|---|---|
| 1995 | $ 2,528,126 | $ - | $ 83,920 | $ 378,555 | $ 2,065,651 |
| 1996 | 2,065,651 | - | 149,976 | 58,180 | 1,857,495 |
| 1997 | 1,857,495 | - | 213,336 | 105,500 | 1,538,659 |
| 1998 | 1,538,659 | 231,733 | 84,970 | 22,655 | 1,662,767 |
| 1999 | 1,662,767 | 4,897,716 | 250,378 | 473,697 | 5,836,408 |
| 2000 | 5,836,408 | 39,622 | 19,811 | 152,117 | 5,704,102 |
| 2001 | 5,704,102 | - | 80,553 | 362,034 | 5,261,515 |
| 2002 | 5,261,515 | 19,427 | 118,793 | 184,202 | 4,997,947 |
| 2003 | 4,977,947 | 23,865,681 | 360,457 | 75,529 | 28,407,642 |
| 2004* | 28,407,642 | 529,869 | 340,692 | 800,396 | 27,796,423 |

Table 8

**City of Detroit, Michigan**
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**
**Last Ten Fiscal Years**
**(Dollars Expressed in Thousands)**
**Unaudited**

| Fiscal Year | Net Debt | Taxable Assessed Value (Note A) | Ratio of Net Debt to Taxable Assessed Value | Population (Note B) | Net Debt Per Capita |
|---|---|---|---|---|---|
| 1995 ..... | $1,171,664 | $ 5,895,776 | 19.87 | 1,001,655 | $ 1,169.73 |
| 1996 (C)..... | 1,120,872 | 5,887,324 | 19.04 | 1,000,272 | 1,120.57 |
| 1997 (C)..... | 1,101,020 | 6,147,618 | 17.91 | 1,000,272 | 1,100.72 |
| 1998 (C)..... | 1,068,048 | 6,450,576 | 16.56 | 1,000,272 | 1,067.76 |
| 1999 (C)..... | 1,042,641 | 6,631,616 | 15.72 | 1,000,272 | 1,042.36 |
| 2000 (C)..... | 1,021,005 | 6,856,682 | 14.89 | 951,270 | 1,073.31 |
| 2001 (C)..... | 938,080 | 7,639,805 | 12.28 | 933,827 | 1,004.55 |
| 2002 (C)..... | 962,133 | 7,976,048 | 12.06 | 921,759 | 1,043.80 |
| 2003 (C)..... | 909,624 | 7,844,209 | 11.60 | 911,402 | 998.05 |
| 2004 (C)..... | 1,104,034 | 8,335,790 | 13.24 | 911,402 | 1,211.37 |

Note A - Assessed Values are the State equalized valuations.

Note B - Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports. The population count for the City released by the U.S. Bureau of census figure for 2000 was 951,270. Subsequent years are from the U.S. Census Bureau March census estimates. The 2004 population count not available.

Note C - Beginning with Fiscal Year 1995-96, taxable values cannot exceed the statewide rate of inflation of the prior year on a parcel basis, except where increases are due to physical changes in the parcel (P.A. 415 of 1994).

Table 9

## City of Detroit, Michigan
## LEGAL DEBT MARGIN
## June 30, 2004
## Unaudited

| | | Net Debt | Legal Limitation: Percent of Assessed Value | Legal Limitation: Amount | Legal Debt Margin |
|---|---|---|---|---|---|
| Assessed Value Fiscal Year 2004-05 (State Equalized) | $ 12,041,756,256 | | | | |
| Add: Allowance under Act 198, Mich. 1974 | 372,262,943 | | | | |
| Allowance under Act 228, Mich. 1975 | 718,498,590 | | | | |
| Allowance under Act 147, Mich. 1992 | 23,225,634 | | | | |
| Allowance under Act 147, Mich. 1996 | 53,955,228 | | | | |
| Total Assessed Value Fiscal Year 2004-05 | $ 13,209,698,651 | | 10.00% | $ 1,320,969,865 | |
| Net Direct Debt Subject to General Debt Limitation: | | | | | |
| General Obligation Bonds (Note A) | | $ 570,650,000 | | | |
| General Bonds - Limited Tax | | 157,825,000 | | | |
| Limited Obligation Economic Development Bonds - District Court, Madison Center Project | | 10,413,592 | | | |
| Total Net Direct Debt Subject to General Debt Limitation | | $ 738,888,592 | | $ 1,320,969,865 | $ 582,081,273 |
| Net Direct Debt Not Subject to General Debt Limitation (Note B): | | | | | |
| Direct Debt: | | | | | |
| General Obligations: | | | | | |
| General Detroit Resource Recovery Bonds | | $ 188,900,392 | | | |
| Limited Obligation Economic Development Bonds- Resource Recovery Project | | 77,350,000 | | | |
| Self-Insurance Bonds - Limited Tax | | 98,895,000 | | | |
| Revenue Bonds: | | | | | |
| Convention Facility - Cobo Center Expansion | | 105,741,656 | | | |
| Detroit Building Authority - Parking and Arena System | | 61,404,005 | | | |
| Local Development Finance Authority Tax Increment Bonds- Jefferson/Conner Revitalization Project | | 81,229,127 | | | |
| Sewage Disposal System | | 2,212,575,597 | | | |
| Tax Increment Finance Authority Bonds - DDA | | 157,854,641 | | | |
| Water Supply System | | 1,583,808,590 | | | |
| Downtown Development Authority - Trapper's Alley Project | | 2,800,000 | | | |
| Federal Note - Caraco Pharmaceutical Project | | 5,208,000 | | | |
| Federal Note - Ferry Street | | 2,900,000 | | | |
| Federal Note - Garfield Project | | 1,945,000 | | | |
| Federal Note - Michigan Repacking Project | | 1,290,000 | | | |
| Federal Note - Riverbend Project | | 1,150,000 | | | |
| Federal Note - Stuberstone Project | | 330,000 | | | |
| Federal Note - New Amsterdam Project | | 9,700,000 | | | |
| Total Not Subject to General Debt Limitation | | $ 4,593,082,008 | | | |

Note A — General Obligation Bonds are subject to the general debt limitation, as established under State Law. After the effective date (December 22,1978) of an amendment to the State Constitution, the City may not issue general obligation bonds payable from taxes levied for debt service without a vote of the electorate.

Note B — Pursuant to State Law, certain exclusions to the debt limitations are permitted for the following purposes: special assessment bonds and motor vehicle highway fund bonds, even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds, contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; bonds issued to acquire housing for which certain rent subsidies will be received by the City or an agency therof; and bonds issued to refund money advanced or paid for certain special assessments.

TABLE 10

# City of Detroit, Michigan
## COMPUTATION OF DIRECT AND OVERLAPPING DEBT
## June 30, 2004
## Unaudited

| | Gross Debt | Less Redemption Funds | Net Debt | % Applicable To Detroit | Detroit Share |
|---|---|---|---|---|---|
| **Direct Debt:** | | | | | |
| General Obligation: | | | | | |
| General Bonds - Unlimited Tax | $ 570,650,000 | $ - | $ 570,650,000 | | |
| General Bonds - Limited Tax | 256,720,000 | - | 256,720,000 | | |
| Detroit Building Authority Bonds - Madison Center Project | 11,413,826 | 1,000,234 | 10,413,592 | | |
| Greater Detroit Resource Recovery Authority Bonds | 218,735,000 | 29,834,608 | 188,900,392 | | |
| Limited Obligation Economic Development Bonds - Resource Recovery Project | 77,350,000 | - | 77,350,000 | | |
| Total General Obligation | 1,134,868,826 | 30,834,842 | 1,104,033,984 | 100.00% | $ 1,104,033,984 |
| Revenue Bonds: | | | | | |
| Convention Facility - Cobo Center Expansion | 135,368,138 | 29,626,482 | 105,741,656 | | |
| Detroit Building Authority - Parking and Arena System | 67,100,000 | 5,695,995 | 61,404,005 | | |
| Local Development Finance Authority Tax Increment Bonds - Jefferson/Conner Revitalization Project | 88,400,000 | 7,170,873 | 81,229,127 | | |
| Sewage Disposal System (Note B) | 2,375,152,599 | 162,577,002 | 2,212,575,597 | | |
| Tax Increment Finance Authority Bonds - DDA | 178,086,198 | 20,231,557 | 157,854,641 | | |
| Water Supply System (Note B) | 1,713,435,000 | 129,626,410 | 1,583,808,590 | | |
| Total Revenue Bonds | 4,557,541,935 | 354,928,319 | 4,202,613,616 | 100.00% | 4,202,613,616 |
| Total Direct Debt | 5,692,410,761 | 385,763,161 | 5,306,647,600 | | |
| Overlapping Debt: | | | | | |
| School District of the City of Detroit General Obligation Bonds and Notes | 1,477,035,000 | - | 1,477,035,000 | 100.00% | 1,477,035,000 |
| Wayne County Bonds (Note A) | 122,525,993 | - | 122,525,993 | 18.10% | 22,177,205 |
| Wayne County Community College Bonds (Note A) | 76,105,000 | - | 76,105,000 | 28.87% | 21,971,515 |
| Total Overlapping Debt | 1,675,665,993 | - | 1,675,665,993 | | 1,521,183,720 |
| Debt Not Pledging the Faith and Credit of the City: | | | | | |
| Federal Note - Caraco Pharmaceutical Project (Note A) | 5,208,000 | - | 5,208,000 | | |
| Federal Note - Ferry Street (Note A) | 2,900,000 | - | 2,900,000 | | |
| Federal Note - New Amsterdam Project (Note A) | 9,700,000 | - | 9,700,000 | | |
| Federal Note - Garfield Project (Note A) | 1,945,000 | - | 1,945,000 | | |
| Federal Note - Michigan Repacking Project (Note A) | 1,290,000 | - | 1,290,000 | | |
| Federal Note - Riverbend Project (Note A) | 1,150,000 | - | 1,150,000 | | |
| Federal Note - Stuberstone Project (Note A) | 330,000 | - | 330,000 | | |
| Loans Payable to GE Capital - Schedule-009 | 2,327,537 | - | 2,327,537 | | |
| Loans Payable to GE Capital - Schedule-010 | 176,130 | - | 176,130 | | |
| Loans Payable to GE Capital - Schedule-011 | 14,320,318 | - | 14,320,318 | | |
| Loans Payable to GE Capital - Schedule-012 | 491,400 | - | 491,400 | | |
| Loans Payable to GE Capital - Schedule-013 | 1,285,029 | - | 1,285,029 | | |
| Loans Payable to GE Capital - Schedule-014 | 529,661 | - | 529,661 | | |
| Total Debt Not Pledging the Faith and Credit of the City | 41,653,075 | - | 41,653,075 | | |
| Total Debt | $ 7,409,729,829 | $ 385,763,161 | $ 7,023,966,668 | | $ 6,827,831,320 |

Note A — Note is secured by future Block Grant Revenues.
Note B — Amount shown is Cash funded redemption funds; additionally secured by surety bonds.

Table 11

City of Detroit, Michigan
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
Unaudited

| Year Ending June 30, | Principal | Interest | Other Expenditures | Total Debt Service | Total General Governmental Expenditures | Ratio of Total Debt Service to Total General Governmental Expenditures |
|---|---|---|---|---|---|---|
| 1995..... | $ 72,244 | $ 61,174 | $ - | $ 133,418 | $ 1,255,156 | 10.63% |
| 1996..... | 44,219 | 47,828 | - | 92,047 | 1,365,376 | 6.74% |
| 1997..... | 71,736 | 51,736 | - | 123,472 | 1,450,723 | 8.51% |
| 1998..... | 56,375 | 59,774 | 100 | 116,249 | 1,535,771 | 7.57% |
| 1999..... | 58,842 | 57,737 | 100 | 116,679 | 1,588,382 | 7.35% |
| 2000..... | 71,061 | 55,008 | 100 | 126,169 | 1,730,390 | 7.29% |
| 2001..... | 79,319 | 47,584 | 78 | 126,981 | 1,739,481 | 7.30% |
| 2002..... | 79,569 | 42,443 | 2,571 | 124,583 | 1,951,846 | 6.38% |
| 2003..... | 86,770 | 43,761 | 1,652 | 132,183 | 1,981,446 | 6.67% |
| 2004..... | 86,898 | 47,444 | 4,546 | 138,888 | 2,169,955 | 6.40% |

Table 12

# City of Detroit, Michigan
## REVENUE BOND COVERAGE
## Last Ten Fiscal Years
## Unaudited

| Type | Fiscal Year | Gross Revenue | Direct Operating Expenses (1) | Net Revenue Available for Debt Service | Debt Service Requirements Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| Automobile Parking..... | 1995 | $ 14,438,628 | $ 7,456,007 | $ 6,982,621 | $ 2,710,000 | $ 4,297,523 | $ 7,007,523 | 1.00 |
| | 1996 | 15,227,762 | 7,972,813 | 7,254,949 | 2,875,000 | 3,056,467 | 5,931,467 | 1.22 |
| | 1997 | 15,996,228 | 7,825,610 | 8,170,618 | 1,925,000 | 2,924,314 | 4,849,314 | 1.68 |
| | 1998 | 17,001,259 | 8,036,833 | 8,964,426 | 2,725,000 | 2,517,277 | 5,242,277 | 1.71 |
| | 1999 | 17,879,662 | 8,512,116 | 9,367,546 | 3,420,000 | 3,638,052 | 7,058,052 | 1.33 |
| | 2000 | 19,407,117 | 9,406,799 | 10,000,318 | 4,840,000 | 4,411,302 | 9,251,302 | 1.08 |
| | 2001 | 18,220,185 | 9,621,295 | 8,598,890 | 5,140,000 | 5,588,135 | 10,728,135 | 0.80 |
| | 2002 | 20,682,973 | 9,654,607 | 11,028,366 | 5,245,000 | 5,269,153 | 10,514,153 | 1.05 |
| | 2003 | 19,253,924 | 11,155,995 | 8,097,929 | 5,505,000 | 5,165,605 | 10,670,605 | 0.76 |
| | 2004 | 19,478,139 | 18,195,938 | 1,282,201 | 5,915,000 | 4,595,219 | 10,510,219 | 0.12 |
| Sewerage..... | 1995 | $ 178,075,492 | $ 122,242,099 | $ 55,833,393 | $ 8,535,000 | $ 27,518,120 | $ 36,053,120 | 1.55 |
| | 1996 | 191,437,594 | 129,940,772 | 61,496,822 | 9,495,000 | 26,160,558 | 35,655,558 | 1.72 |
| | 1997 | 203,577,524 | 148,367,972 | 55,209,552 | 19,145,000 | 30,955,529 | 50,100,529 | 1.10 |
| | 1998 | 213,156,570 | 152,103,431 | 61,053,139 | 19,960,000 | 30,888,895 | 50,848,895 | 1.20 |
| | 1999 | 216,030,409 | 156,676,750 | 59,353,659 | 19,975,000 | 28,348,056 | 48,323,056 | 1.23 |
| | 2000 | 222,923,491 | 160,848,641 | 62,074,850 | 20,035,000 | 48,018,523 | 68,053,523 | 0.91 |
| | 2001 | 252,378,530 | 172,283,255 | 80,095,275 | 21,221,008 | 47,640,877 | 68,861,885 | 1.16 |
| | 2002 | 267,993,505 | 179,184,870 | 88,808,635 | 24,880,174 | 59,013,182 | 83,893,356 | 1.06 |
| | 2003 | 288,111,143 | 167,746,804 | 120,364,339 | 33,600,000 | 75,313,586 | 108,913,586 | 1.11 |
| | 2004 | 319,809,741 | 182,983,983 | 136,825,758 | 38,745,000 | 97,681,676 | 136,426,676 | 1.00 |
| Water..... | 1995 | $ 150,774,924 | $ 112,179,917 | $ 38,595,007 | $ 7,725,000 | $ 22,573,402 | $ 30,298,402 | 1.27 |
| | 1996 | 156,540,046 | 113,227,862 | 43,312,184 | 7,675,000 | 21,973,576 | 29,648,576 | 1.46 |
| | 1997 | 162,897,412 | 123,272,350 | 39,625,062 | 10,115,000 | 27,269,396 | 37,384,396 | 1.06 |
| | 1998 | 177,159,391 | 134,202,605 | 42,956,786 | 11,135,000 | 26,904,834 | 38,039,834 | 1.13 |
| | 1999 | 185,962,699 | 125,855,197 | 60,107,502 | 11,135,000 | 27,607,083 | 38,742,083 | 1.55 |
| | 2000 | 193,345,324 | 146,559,155 | 46,786,169 | 15,775,000 | 50,669,173 | 66,444,173 | 0.70 |
| | 2001 | 194,445,009 | 146,794,104 | 47,650,905 | 17,775,000 | 44,669,855 | 62,444,855 | 0.76 |
| | 2002 | 209,227,939 | 155,246,936 | 53,981,003 | 18,140,000 | 59,848,300 | 77,988,300 | 0.69 |
| | 2003 | 244,781,888 | 159,314,200 | 85,467,688 | 19,400,000 | 68,404,598 | 87,804,598 | 0.97 |
| | 2004 | 255,417,183 | 152,561,771 | 102,855,412 | 20,145,000 | 67,214,950 | 87,359,950 | 1.18 |

**(1) Operating Expenses-Excluding Depreciation.**

Table 13

## City of Detroit, Michigan

### REAL PROPERTY VALUE, CONSTRUCTION PERMITS AND BANK DEPOSITS

Last Ten Fiscal Years

(Dollars Expressed in Millions)

Unaudited

| Fiscal Year | Real Property Value (Note 1) | | | New Construction (Note 2) | | | | Alterations/Additions (Note 2) | | | | Commercial Bank Deposits (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Residential | | Non-Residential | | Residential | | Non-Residential | | |
| | Residential | Commercial | Exempt | No. of Bldg. | Value | No. of Bldg. | Value | No. of Bldg. | Value | No. of Bldg. | Value | |
| 1995..... | $ 3,047 | $ 1,518 | N/A | 84 | $ 29.42 | 364 | $ 169.64 | 1,672 | $ 17.66 | 814 | $ 163.88 | $ 10.35 |
| 1996..... | 3,119 | 1,488 | N/A | 53 | 17.40 | 313 | 237.91 | 2,119 | 37.66 | 685 | 255.53 | 10.51 |
| 1997..... | 3,145 | 1,559 | N/A | 69 | 7.99 | 370 | 223.10 | 3,416 | 91.49 | 890 | 253.46 | 10.30 |
| 1998..... | 3,237 | 1,610 | N/A | 90 | 33.32 | 343 | 256.17 | 4,093 | 77.02 | 815 | 431.88 | 10.38 |
| 1999..... | 3,328 | 1,677 | N/A | 129 | 47.00 | 370 | 287.64 | 4,726 | 53.46 | 823 | 381.65 | 11.80 |
| 2000..... | 3,440 | 1,780 | N/A | 140 | 29.78 | 331 | 475.38 | 5,593 | 91.17 | 864 | 592.39 | 12.70 |
| 2001..... | 3,530 | 1,956 | N/A | 116 | 34.31 | 292 | 336.62 | 5,126 | 122.93 | 884 | 575.30 | N/A |
| 2002..... | 3,925 | 2,058 | N/A | 84 | 10.63 | 340 | 385.82 | 5,087 | 75.88 | 1,053 | 622.18 | N/A |
| 2003..... | 4,197 | 2,028 | N/A | 244 | 55.18 | 290 | 339.78 | 5,516 | 86.90 | 1,141 | 467.36 | N/A |
| 2004..... | 4,329 | 2,140 | N/A | 483 | 70.96 | 338 | 280.09 | 5,308 | 123.96 | 1,087 | 330.84 | N/A |

Note 1 Source: City of Detroit 2003-2004 Budget

Note 2 Source: City of Detroit Department of Buildings and Safety Engineering

Note 3 Source: The Sheshunoff Data Report for all years prior to 2001. N/A - Data not available.

Table 14

# City of Detroit, Michigan
## PRINCIPAL TAXPAYERS
## For the Year Ended June 30, 2004
## Unaudited

| Taxpayer | Type of Business | Real Estate Taxable Valuation | Real Estate % of Total | Personal Property Taxable Valuation | Personal Property % of Total | Total Taxable Valuation | Total % of Total |
|---|---|---|---|---|---|---|---|
| Daimler-Chrysler Corporation | Automotive | $ 140,792,438 | 2.18 % | $ 618,056,000 | 45.01 % | $ 758,848,438 | 9.67 % |
| Detroit Edison | Utility | 51,684,069 | 0.80 | 302,767,779 | 22.05 | 354,451,848 | 4.52 |
| General Motors Corporation | Automotive | 54,096,525 | 0.84 | 137,317,540 | 10.00 | 191,414,065 | 2.44 |
| Michigan Consolidated Gas | Utility | 1,618,262 | 0.03 | 152,898,365 | 11.13 | 154,516,627 | 1.97 |
| Riverfront Holdings Inc | Real Estate | 121,819,245 | 1.88 | | 0.00 | 121,819,245 | 1.55 |
| American Axle | Auto Supplier | 29,109,335 | 0.45 | 62,040,510 | 4.52 | 91,149,845 | 1.16 |
| One Detroit Center LP | Real Estate | 59,880,105 | 0.93 | 112,570 | 0.01 | 59,992,675 | 0.76 |
| Greektown Casino LLC | Gaming | 29,672,503 | 0.46 | 11,695,660 | 0.85 | 41,368,163 | 0.53 |
| International Transmission Co | Automotive | 162,832 | 0.00 | 38,429,570 | 2.80 | 38,592,402 | 0.49 |
| MGM Grand Detroit LLC | Gaming | 24,097,656 | 0.37 | 11,238,890 | 0.82 | 35,336,546 | 0.45 |
| Total | | $ 512,932,970 | 7.93 % | $ 1,334,556,884 | 97.18 % | $ 1,847,489,854 | 23.55 % |
| Total City Taxable Value Fiscal Year 2003-04 | | $ 6,470,987,182 | | $ 1,373,222,411 | | $ 7,844,209,593 | |

Table 15

# City of Detroit, Michigan
## LARGEST PRIVATE EMPLOYERS
## June 30, 2004
## Unaudited

| Company | Detroit Employment |
|---|---|
| Detroit Medical Center | 11,836 |
| DaimlerChrysler AG | 9,707 |
| Henry Ford Health System | 7,337 |
| General Motors Corporation | 6,865 |
| St. John Health System | 5,767 |
| American Axle & Manufacturing Holdings Inc | 4,660 |
| DTE Energy Co | 4,045 |
| Motor City Casino | 3,143 |
| Blue Cross and Blue Shield of Michigan | 3,063 |
| MGM Grand Casino | 2,748 |

SOURCE: Crain's Book of Lists, 2004 Edition, December 2003.

Carola Carlton Loft Condos

San Juan Town Homes

DFD Lofts

**Detroit Housing Continues To Boom**
These three multi-unit housing projects are part of Detroit's housing boom. Carola and Carlton Loft Condominiums located in Brush Park at Edmund and John R streets include two separate buildings. Carola, a former apartment building, is now a 19-unit residential loft condominium community. The property once known as the Carlton Hotel is under construction and will house 52 condo loft units. DFD Lofts, located at 3434 Russell, were built in 1917, originally as the Fire Department's truck repair shop with vehicle washroom, wagon repair shed, and machine shops. The Detroit Department of Public Works used the building from 1970s to early 1990s as a maintenance storage facility for parts, paint and tools. The San Juan Town Homes, located on Puritan and San Juan streets, include 11 newly constructed low-income homes with two to three bedrooms.

Table 16

# City of Detroit, Michigan
## MISCELLANEOUS STATISTICS
## June 30, 2004
## Unaudited

| | | |
|---|---|---|
| Year Founded | | 1701 |
| Year of Incorporation | | 1806 |
| Year of Adoption of Present City Charter | | 1996 |
| Form of Government: Nonpartisan - Mayor and Nine-Member Council | | |
| Area in Square Miles | | 137.9 |
| Miles of Shore Line on Detroit River (Excluding Belle Isle) | | 10.66 |
| Population (United States Census): | | |
| 1930 | | 1,568,662 |
| 1940 | | 1,623,452 |
| 1950 | | 1,849,568 |
| 1960 | | 1,670,144 |
| 1970 | | 1,511,482 |
| 1980 | | 1,203,339 |
| 1990 | | 1,027,974 |
| 2000 | | 951,270 |
| Building Permits: | | |
| Number of Building Permits Issued | | 7,216 |
| Estimated Cost of Construction | $ | 805,863,026 |
| Election of November 2004: | | |
| Number of Registered Voters | | 644,351 |
| Number of Ballots Cast | | 328,530 |
| Percentage of Registered Voters Voting | | 50.99 % |
| Fire Department: | | |
| Number of Fire Stations | | 49 |
| Number of Employees | | 1,796 |
| Number of Fire Fighting Vehicles | | 238 |
| Number of Fire Hydrants | | 38,000 |
| Responses to Fire Alarms (Including 12,454 False Alarms) | | 34,160 |
| Responses to Special Calls and Emergency Medical Service Calls | | 151,285 |
| Estimated Fire Loss of Property (FYE 6/30/2002) | $ | 1,921,197,050 |
| Health Department: | | |
| Number of Employees | | 568 |
| Birth Rate per Thousand (2002) | | 15.1 |
| Death Rate per Thousand (2002) | | 10.1 |
| Infant Mortality Rate per Thousand Live Births (2002) | | 16.7 |
| Libraries: | | |
| Number of Libraries (Including Two Bookmobiles) | | 26 |
| Estimated Number of Books | | 3,343,509 |
| Circulation | | 996,316 |
| Number of City Owned Vehicles (Excluding 548 Transportation Department Revenue Vehicles) | | |
| Fire Department Vehicles (Includes 48 EMS Vehicles) | | 276 |
| Police Department Vehicles | | 1,662 |
| Transportation Department non- revenue vehicles | | 213 |
| All Other Departments (Passenger Vehicles, Commercial Vehicles and Trucks) | | 3,765 |
| Police Department: | | |
| Number of Stations (Including 17 Mini-Stations) | | 30 |
| Number of Employees (Uniform) | | 4,673 |
| Number of Traffic Violations Issued (including 507,573 Parking Tickets) | | 714,517 |
| Number of Traffic Ordinance Violations Issued | | 47,782 |
| Number of Arrests (Traffic 16,415) + (Other 48,124) | | 64,539 |
| Public Works Department: | | |
| Number of Employees | | 1,316 |
| Miles of Streets (Paved 2,769) + (Unpaved 15) | | 2,784 |
| Miles of Alleys (Paved 578.12) + (Unpaved 685.46) | | 1,264 |
| Miles of Sidewalks | | 4,243 |

(Continued)

Table 16

| | | |
|---|---|---|
| **Public Lighting:** | | |
| **Electric Plant:** | | |
| Number of Street Lights | | 87,000 |
| Number of Revenue Customers | | 1,302 |
| Size of Generating Station in Kilowatts | | 184,000 |
| Kilowatt Hours Generated (Net) | | 253,271,700 |
| Kilowatt Hours Delivered to System | | 541,722,900 |
| Steam Heating Plants - Steam Produced in Pounds | | 75,226,300 |
| **Recreation Department:** | | |
| Number of Parks, Ornamental Areas, Playfields and Playgrounds Owned (5,108 Acres) | | 391 |
| Number of Summer Camps (199 Acres) | | 1 |
| Number of Recreation Centers, Playgrounds and School Facilities Operated | | 30 |
| Number of Skating Rinks | | 1 |
| Number of Swimming Pools Operated (Including 2 School Pools) | | 18 |
| Number of Municipal Beaches | | 1 |
| Total Playing Permits Issued at 6 Municipal Golf Courses | | 269,870 |
| **Sewage Disposal System:** | | |
| Number of Sewage Disposal Plants | | 1 |
| Number of Pumping Stations | | 12 |
| Miles of (Trunk Line 788) + (Lateral 2,125) Sewers | | 2,913 |
| **Transportation Department:** | | |
| Number of Employees | | 1,750 |
| Number of Revenue Vehicles | | 572 |
| Seating Capacity | | 23,887 |
| Number of Route Miles | | 1,324 |
| Total Number of Passengers (Estimated) | | 38,000,000 |
| Regular Fare | $ | 1.50 |
| Tickets | | 5 for $6.50 |
| Transfers | $ | 0.25 |
| **Water System:** | | |
| Number of Customer Accounts | | 262,415 |
| Average Pumpage - Millions of Gallons per Day | | 605.9 |
| Greatest Pumpage for a Single Day During Fiscal Year (6-30-04) - July 31, 2003 Gallons | | 1,082,200,000 |
| Greatest Pumpage for a Single Hour During Fiscal Year (6-30-04) - July 31, 2003 9 pm Gallons | | 48,667,000 |
| Filtration Plant Rated Capacity - Millions of Gallons per Day | | 1,680.0 |
| Number of Miles of Water Mains | | 3,846 |
| Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet | $ | 10.64 |
| **Employees on Payroll on June 30, 2004:** | | |
| Classified (Tax Supported 7,754) + (Revenue Supported 5,710) | | 13,464 |
| Elective (Tax Supported 42) + (Revenue Supported 0) | | 42 |
| Appointive (Tax Supported 311) + (Revenue Supported 32) | | 343 |
| Uniform Police (Tax Supported 4,623) + (Revenue Supported 0) | | 4,623 |
| Library (Tax Supported 457) + (Revenue Supported 0) | | 457 |
| Total Employees (Tax Supported 13,187) + (Revenue Supported 5,742) | | 18,929 |
| **Total Pensioners as of June 30, 2004** | | 20,027 |

**The miscellaneous statistics are for the most part compiled by the respective City Departments.**

# Honorable Kay Everett
# Member Detroit City Council
# 1941-2004

Detroit Council Member Kay Everett passionately loved Detroit and dedicated her life to working for the city and its residents.

A native Detroiter, Councilmember Everett graduated from Cass Technical High School and Wayne State University. She taught for ten years in the Detroit Public Schools system before winning a seat on the Detroit school board in 1986.

After her re-election to the board in 1990, she served as vice president. During her tenure on the board, she led the way to reform and gained the reputation as an independent thinker. Her activism sparked the community's desire for change, which led to the election of other reformers on the board.

Councilmember Everett was elected to the Detroit City Council as the result of a special election held on June 4, 1991. For the past 13 years, she has been a strong advocate on behalf of the interests of the residents of Detroit. She looked into matters in great depth, encouraging the council to thoroughly examine issues before making decisions.

Two issues of particular concern for Councilmember Everett were emergency services and a clean city. She was passionate in her leadership of the Keep Detroit Beautiful Task Force, which coordinated citywide programs to stop littering, promoted outdoor beautification, and educated the public about the benefits of recycling. She also headed the 911 Task Force, which was created to increase the response time for emergency services calls by educating the public on how to properly use the 911 system.

Councilmember Everett's community activism extended to an active role in numerous organizations, including Alpha Kappa Alpha Sorority Inc., Links Great Lakes, Inc., and the Association of Black School Educators. In addition, she had a lifetime membership in the NAACP, and was a member of the Detroit Economic Club, the Detroit Yacht Club, the Coleman A. Young Memorial Commission, the Detroit Symphony Orchestra Committee, and the Women in Municipal Government Advisory Council. She once served as aboard member of the University District Council and as a member of Homes for Black Children. A longtime member of the Greater Emmanuel Institutional Church of God in Christ, Councilmember Everett was the devoted mother of three children.

The City of Detroit celebrates the life of Detroit Councilmember Kay Everett. Her vivaciousness, dedication, and flair will live on in the hearts of those that knew her, respected her, and benefited from her many years of service to our community.

Our Special Thanks To:

# City of Detroit, Michigan

www.ci.detroit.mi.us

# Finance Department

## Financial Reporting and Grants Management Sections

**and Staff**
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**Robert Blaszkowski and Kenneth R. Ford - Consultants**

## General Accounting Section

**and Staff**
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**Saied S. Rouhani, Manager I**
**David Capobres Jr. Manager I**
**Cynthia Lampkin, Manager I**
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## Detroit Resource Management System

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## Communications and Creative Services Department

**Chris Kopicko, Supervising Publicist**
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**and Staff**

## BOWNE of Detroit

**for printing this report**

Kwame M. Kilpatrick, Mayor

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Sheila M. Cockrel
Barbara-Rose Collins
Kay Everett
(In Memoriam)
Sharon McPhail
Alberta Tinsley-Talabi
JoAnn Watson

**Detroit City Clerk**
Jackie L. Currie

Communications & Creative Services Department-2005 Photos by Kwabena Shabu and Cornell Stubbs