Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☒City ☐Twp ☐Village ☐Other	City of Detroit, Michigan	Wayne

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2005	May 13, 2006	July 11, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

As part of obtaining reasonable assurance about whether the City'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 an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests, with regards to the questions below, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* unless reported as a "No" response below. "No" responses, where applicable, have been disclosed in the financial statements, including the notes, the report of comments and recommendations, or the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. "Yes" responses indicate that no instances of noncompliance came to our attention.

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☐	☒	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☐	☒	The local unit is free of repeated comments from previous years.
12.	☐	☒	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☐	☒	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
KPMG LLP	313-230-3000		
Street Address	**City**	**State**	**Zip**
150 West Jefferson, Suite 1200	Detroit	MI	48226
Authorizing CPA Signature	**Printed Name**	**License Number**	
	Sean C. Keenan	1101012539	

CITY OF DETROIT

Comprehensive Annual Financial Report

FOR FISCAL YEAR ENDED JUNE 30, 2005

Roger Short, CPA
Interim Finance Director/
Chief Financial Officer

Kwame M. Kilpatrick
Mayor

kids cops clean

An Overview of the new Campus Martius Park

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

City of Detroit, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

Kwame M. Kilpatrick
Mayor

Prepared by the Finance Department

Roger Short, CPA

Interim Finance Director / Chief Financial Officer

"We hope for better things"

"It shall rise again from the ashes"

FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 951,270

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

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INTRODUCTORY

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GFOA Certificate of Achievement for Excellence in Financial Reporting

Auditor General's Letter

List of Principal Officials

City of Detroit Organizational Chart

kids cops clean

CITY OF DETROIT
FINANCE DEPARTMENT

1200 COLEMAN A. YOUNG MUNICIPAL CENTER
DETROIT, MICHIGAN 48226

May 13, 2006

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, 2005 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.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, 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 10-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 must also comply with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and non-profit organizations.*

CITY OF DETROIT GOVERNANCE STRUCTURE

The City 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 ACCOMPLISHMENTS

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

City of Detroit Call Centers

911

- The administration successfully opened a state of the art Computer Aided Dispatch Communications Center, which for the first time links 911 operators with Fire/EMS and Police Department Dispatchers. This new system replaced the City's 32 year-old 911 system.

One Call to City Hall

- The City developed and implemented an extensive overhaul of Detroit's 311 system. The new one stop shop for City services provides "ONE CALL TO CITY HALL", information about City programs, hours of operation or locations, and one place to call to request a service from any of the City's 42 Agencies.

Detroit Department of Administrative Hearings

- In January 2005, code violations that were formerly processed as criminal misdemeanors began to be prosecuted as civil cases by the newly created Detroit Department of Administrative Hearings (DAH). By taking such cases out of the backlogged 36th District Court and moving them to the DAH, more cases can be resolved by hearing officers who are licensed attorneys. Cases that come before the department include violations of property maintenance, zoning, solid waste, and illegal dumping ordinances.

Issuance of Pension Obligation Certificates

- **Midwest Regional Deal of the Year Award**
  On December 6, 2005, the Mayor accepted the Midwest Regional Deal of the Year Award from The Bond Buyer on behalf of the City of Detroit during an awards banquet in New York City. The City of Detroit received the award for its landmark pension obligation certificate transaction. The Detroit Retirement Systems Funding Trust 2005 issued $1,440,000,000 of taxable Pension Obligation Certificates of Participation ($640 million of taxable fixed rate, Series A and $800 million of taxable floating rate, Series B), which represents:
  - The first pension financing in the State of Michigan (state or local)
  - The largest municipal offering ever completed in City and State
  - The largest sale by a U.S. local-level government entity of taxable or tax-exempt floating rate notes in the asset-backed securities market
  - A highly intricate and creative legal, tax and credit framework
  - Protection of the City and pension systems through integrating the pension funding transaction with the funding and operational mechanisms of the pension systems.

City of Detroit Hurricane Katrina Relief Program

- On September 1, 2005, Detroit Mayor Kwame M. Kilpatrick made Detroit the first major city not adjacent to New Orleans to extend its resources to the victims of Hurricane Katrina. Working with hotels, businesses, and human service agencies throughout the region, Mayor Kilpatrick made several resources available to those who sought refuge in Detroit and the Detroit Metro Area. The City and Wayne County activated the Hurricane Katrina Evacuees Reception and Assistance Center. The Coleman A. Young International Airport Passenger Terminal became the designated site for Homeland Security and became the official location

for the Reception Center. On September 14, 2005, the Reception Center opened and started processing evacuees. Over 300 evacuees were served over the first four days.

Build Detroit Program

- Build Detroit is a public information campaign that the Mayor established to coordinate, manage, and communicate construction projects throughout the City. The Build Detroit campaign is a unique partnership with the business community and the media. Build Detroit helps keep metropolitan Detroit residents informed about construction delays or detours on a weekly basis. With more than 100 projects planned for the next two years, Build Detroit has proven to be a welcome addition for residents and the media.

Department of Transportation

- The Department added 121 new buses with low floors to its fleet. The low floor feature eliminates steps and wheelchair lifts and is considered a major customer service improvement.

Detroit Water and Sewerage Department

- Continuing operational efficiencies enabled the department to hold rate increases for 2005-06 to the lowest amount in 12 years.

Recreation Department

- More than 20 parks were renovated during Summer 2005 including:
    - ***Butler Playfield and Playscape*** -- Renovations to the 5.66-acre playfield include a large new barrier-free playscape, three youth soccer fields, a ball diamond with backstop and bleachers, picnic tables, benches, trees, sidewalk, and fencing.
    - ***Fargo-Fenton Playfield*** -- Renovations to the 2 ¾ - acre playfield include two new play structures with swing sets, under which a protective rubber surfacing was installed, a new ¼ - mile walking trail, landscaping along the walking trail and throughout the park, which includes flowering shrubs and trees, new benches, and bike racks.
    - ***Peterson Playfield*** -- The 17-acre playfield, the only park of its size in the area, received $1.3 Million in renovations thanks in part to a grant award of $950,000 from the Urban Park and Recreation Recovery (UPARR) Program. Renovations include a new playground area, water spray area, walking trail, two basketball courts, six tennis courts, three softball diamonds, baseball diamond, football/soccer field, comfort station, picnic shelter, picnic tables, grills, flag pole, peace pole, parking lot, and landscaping.
    - ***Skinner Playfield*** -- Renovations to the seven-acre playfield include a new play structure with a protective rubber surfacing, football/soccer field, volleyball court, and new walking trail. Other amenities include benches and picnic tables.

- The Jayne/Lasky Baseball Family Fun Center opened. This is the City's first family entertainment complex. This unique facility offers a wide variety of fun and challenging recreation and sports activities for all ages.

Economic Development

To spur Detroit's growth and build stronger neighborhoods, the Mayor has dramatically streamlined the economic development process while forming groundbreaking partnerships with the private sector and community organizations. In just three years, the results have been impressive. The City currently has more than 7,400 housing starts in the pipeline including the unprecedented Far Eastside project, which envisions a neighborhood with 3,000 homes.

- *1001 Woodward*

  This 26-story, twin office tower, adjacent to Campus Martius, is undergoing a $20 million renovation, along with the addition of a $10 million 500-space parking structure.

- *GM Global headquarters*

  General Motors completed a $100 million hotel renovation to its global headquarters including the addition of 10,000 square feet of meeting space and improvements to the main entrance of the facility. A riverside promenade is currently under construction.

- *Downtown YMCA*

  Construction was completed on a $38 million five-story YMCA recreational facility located in the City's downtown area. The new facility houses an auditorium, a swimming pool, health and fitness center, wellness center, parking garage, and childcare center.

- *Woodward Millennium*

  A $37 million mixed-use development in the medical center area was completed last summer. The development includes 180 units of loft-style condominiums and garden-style apartments, a parking garage, and retail space.

- *St. Anne's Gate*

  This new housing development is being built in southwest Detroit near the Ambassador Bridge and consists of new single and multi-family homes. The total project cost is expected to be $41 million.

- *Tri-Centennial Village*

  A $19 million housing development is being constructed on Detroit's west side. The development will include 165 single-family homes, 85 of which will be constructed by Habitat for Humanity.

- *Woodward Place at Brush Park*

  Phase 1 construction of 100 town homes is complete. Construction will continue over the next three years, ultimately adding up to 700 new housing units to Brush Park. The condominiums average 1,800 square feet. The project also involves the renovation of several historic homes for residential use. The total cost of the project is $75 million.

- *Brush Park Manor*

  A 91,000 square foot 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.

- *Greyhaven Shorepoint Village*

  Greyhaven Marina Village is being constructed in phases on a 15-acre site on the Detroit River. Phase one consisted of 190 apartments and town homes overlooking the Detroit River. Phase two consists of 144 condominium units. The total cost of the development was $21 million. A third phase under development is the $25 million Shorepoint Village consisting of 57 single-family homes.

- *Woodbridge Estates*

  The $98 million project includes 247 rental units, 101 new homes, town homes, and duplex condominiums and 297 enhanced service units on a former public site. In addition, the project will include retail space and a community center. The project is being funded with both public and private funds.

- *Federal Reserve Bank*

  The 220,000 square foot $79.5 million reserve branch located northeast of downtown is expected to employ 275 workers handling check clearing, currency processing, economic analysis, and conferences. Its state-of-the-art design and equipment will allow the Detroit Branch's operations to be among the most efficient in the Federal Reserve System.

- *American Axle*

  American Axle is completing a second building phase in its $30 million research and training center complex next to its headquarters.

- *Morningstar Commons*

  Located on the City's east side, this $30 million housing development is being constructed in phases. The first phase of the development consisted of 40 new single-family homes. The second phase consisted of a 64-unit multi-family townhouse development. Currently under construction, phase three will consist of the construction of 50 new single-family homes and the rehabilitation of 10 existing single-family dwellings.

- *The PricewaterhouseCoopers Building*

  The accounting firm, PricewaterhouseCoopers, constructed a five-story, 115,000 square foot office building adjacent to the Ford Field at a cost estimated at $26 million. PricewaterhouseCoopers will occupy the first four floors of the building with the fifth floor available for lease to a future tenant. A 1,200 stall-parking garage will be constructed immediately north of the building on an adjacent parcel of land.

- *Kennedy Square Office Building*

  This $54 million project is being built on top of an existing underground garage in the downtown area. The 10-story 240,000 square foot building will offer ground floor retail space and house up to 1,000 workers. The building will be ready for occupancy in June 2006.

- *West Town Homes*

  This west side revitalization project is the first of a two-phase project. This project will create a total of 150 single-family homes. Phase I creates 33 scattered, single-family affordable homes constructed on a 40-foot frontage lots. The total development cost for Phases II and I is approximately $26 million.

- *Core City Neighborhoods*

  The project includes Core City II, a 66-unit townhouse rental project; Core City West Village, a 60 unit single-family project; and Riverside Estates, a 67-unit rental apartment complex. The projects are all financed with tax credits. Together, these projects account for more than $37 million dollars in public/private investment in the City of Detroit.

  There is another $50 million in planned commercial investment that will be located along Grand River Avenue to service residents of these housing units and the residents of the Woodbridge Historical District. The commercial portion is called Core City Town Center and has already solicited several retails outlet stores. Phases two through five will include a development of single-family, market-rate housing, consisting of approximately 170 units; a live work loft complex and specialty retail shops.

- *Circle of Life Health Care Center*

  The former Saratoga Hospital on Detroit's east side is being refurbished into the Circle of Life Health Care Center, a private 90-bed facility that would serve mentally ill adults and children. The project represents an investment of $2 million.

- *Far East Side Project*

  The project consists of an ambitious eight to 12 year strategic plan to redevelop 1,200 acres with approximately 400 building sites stretching from Jefferson Avenue to Warren Avenue and from Conner Road to Alter Road. No viable homes will be torn down: the development will grow block by block. Some of the housing will be affordable, built with large subsidies

from the Michigan State Housing Development Authority and some will be market rate. In addition, retail, housing, churches, recreational facilities, public spaces, and schools are to be built in the area to complete the neighborhood.

Merchants Row

The $30-million residential transformation of eight 1910-era buildings is located on Woodward across from Campus Martius and the site of the former Hudson's department store. Once-vacant buildings are being demolished or renovated into 163 loft apartments together with restaurants, retail outlets and offices.

- *Forest Park III*

  A $7.8 million residential complex is currently under construction on Detroit's near west side. The project will include 100 senior citizen units.

Economic Considerations

The State Economy continues to rank at the bottom nationally in performance. The Bureau of Labor Statistics reports that the August 2005 unemployment rate for the nation was 4.9% while the State had a rate of 6.7% and the City's rate was close to 15%. The economy of the City is very dependent on automobile manufacturing which is undergoing a dramatic restructuring. The City is taking steps to aggressively pursue wireless communications, fuel cell technology, health technology and health care, and the entertainment industries to diversify the City's economy.

BUDGETARY INITIATIVES

To address fiscal year 2004-05 General Fund deficit of $155 million, the City's budgetary initiatives in fiscal year 2005-06 include:

- An appropriation of $101.7 million to offset the prior year deficit
- Departmental cuts (January layoffs) to reduce payroll costs – $23.5 million.
- Sales of excess Inventory – $10.0 million.
- Reduction of non essential purchases

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.

Since taking office in 2002, Kwame M. Kilpatrick has led tremendous growth in the City including the biggest housing and commercial construction boom in 50 years, the largest road and infrastructure improvement program in decades, and a $2-billion overhaul of Detroit's riverfront. After decades of decline, Detroit is experiencing a revival thanks to Mayor Kilpatrick's leadership that has been recognized by media including the New York Times, USA Today, the Los Angeles Times, and the Financial Times of London.

- **Certificate of Achievement for Excellence in Financial Reporting**

The City is pleased that the Government Finance Officers Association (GFOA) recognized Detroit with the prestigious award for excellence in financial reporting for our 2003-04 CAFR.

This is the third 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). A certificate is valid for a period of one year only.

We believe our current CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

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,

Roger Short, CPA
Interim 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, 2004

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

LOREN E. MONROE, CPA, JD
AUDITOR GENERAL
CITY OF DETROIT

OFFICE OF THE AUDITOR GENERAL
2 WOODWARD AVE, ROOM 208
DETROIT, MICHIGAN 48226
PHONE 313.224.3101
FAX 313.224.4091

AUDITOR GENERAL'S LETTER

May 13, 2006

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, 2005, were audited by KPMG LLP, and Alan C. Young 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 May 13, 2006.

Respectfully,

Loren E. Monroe

Loren E. Monroe
Auditor General

PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN

Executive
(Elected)

Mayor
KWAME M. KILPATRICK

Legislative
(Elected)
City Council

KENNETH V. COCKREL, JR.
President

MONICA CONYERS
President Pro Tem

SHEILA M. COCKREL

BARBARA-ROSE COLLINS

BRENDA JONES

KWAME KENYATTA

PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN

MARTHA REEVES

ALBERTA TINSLEY-TALABI

JOANN WATSON

City Clerk

JANICE WINFREY

Other Executive Officials
(Appointed)

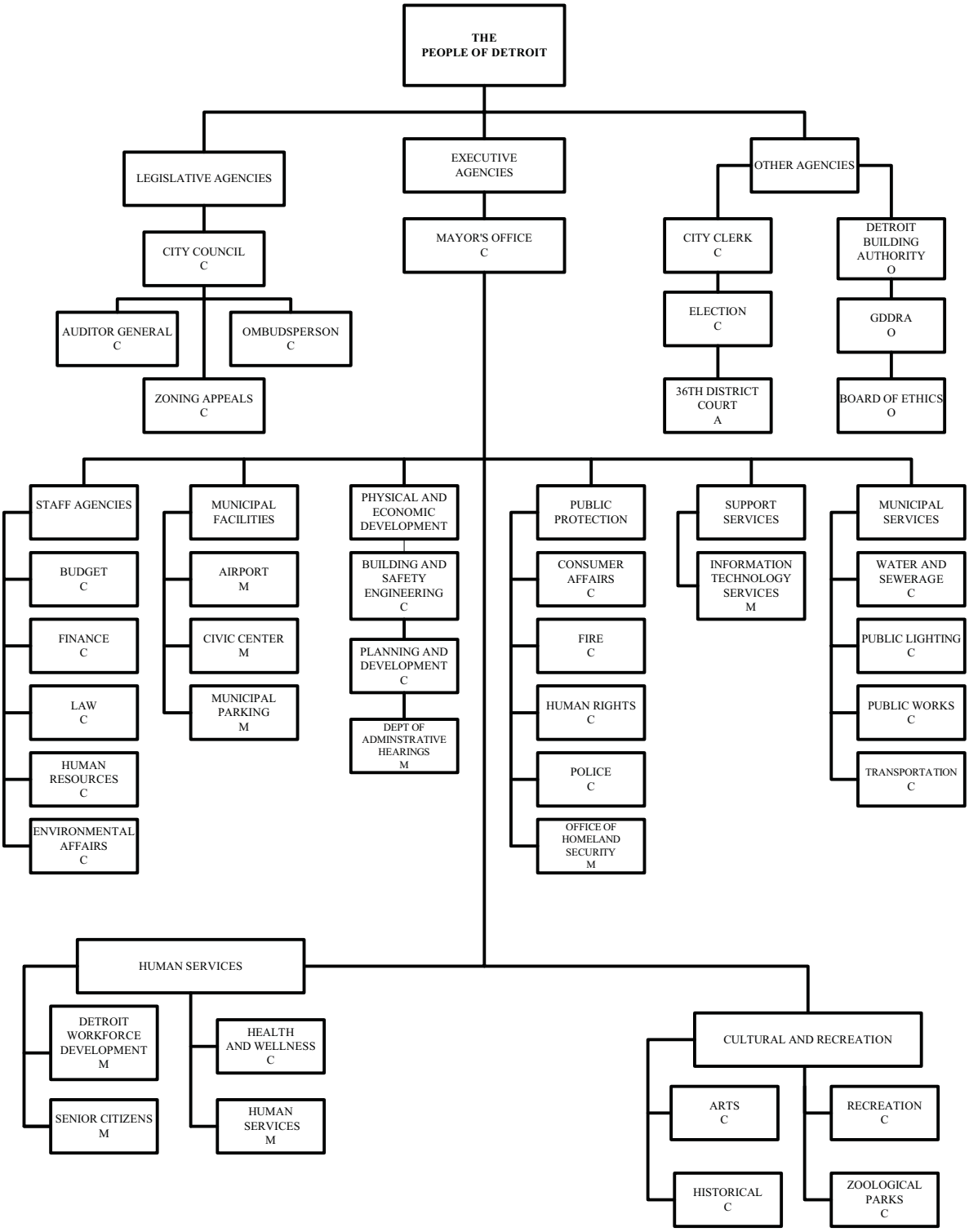
ANTHONY ADAMS, ESQ.
Deputy Mayor

ROGER SHORT
Interim Finance Director/
Chief Financial Officer

MIKE BRIDGES, CPA
Chief Accounting Officer

CITY OF DETROIT ORGANIZATION CHART

June 30, 2005



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

FINANCIAL

The Financial Section contains:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplementary Information

kids cops clean

INDEPENDENT

AUDITORS'

REPORT

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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, Michigan:

We have audited the accompanying 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, 2005, 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 96.9% and 96.6%, 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 95.1% and 36.7%, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

The financial statements of the Detroit Housing Commission Component Unit (Housing) have not been audited, and we were not engaged to audit Housing's financial statements as part of our audit of the City's basic financial statements. Housing's financial activities are included in the City's financial statements as a discretely presented component unit and represent 3.1%, 37.8%, and 1.2% of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

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 such adjustments, if any, as might have been determined to be necessary had Housing's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for City of Detroit, Michigan as of June 30, 2005, and the changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 26, the budgetary comparison information on pages 113 through 115, and the schedules of employer contributions and the schedules of funding progress on page 117 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have 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 reports 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 by us and other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan
May 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

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As management of the City of Detroit, Michigan (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage the readers to consider the information presented here in conjunction with information that we have furnished in our letter of transmittal, contained within this report.

FISCAL 2005 FINANCIAL HIGHLIGHTS

- The assets of the City, in the government-wide financial statements, exceeded its liabilities at June 30, 2005 by $1.6 billion (*net assets*). Of this amount, $306 million is an unrestricted deficit, while $1.6 billion is invested in capital assets, net of related debt and $318 million is restricted for specific purposes.

- The City's total net assets decreased by $114 million over the previous year's net asset of $1.7 billion.

- The City's total governmental activities' assets increased by $1.2 billion since June 30, 2004 to $3.1 billion at June 30, 2005, due mainly from the net pension asset created from the issuance of $1.4 billion of pension obligation certificates (POCs) and the subsequent contribution to the pension systems. The City's increase in liabilities from $1.8 billion at June 30, 2004, to $3.2 billion at June 30, 2005, occurred mostly from the issuance of the $1.4 billion pension obligation certificates.

- The General Fund Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2005 were $1.6 billion, a decrease of $2.6 million (0.16 percent) from 2004.

- The General Fund, also in the fund financial statements, ended 2005 with a total fund deficit of $33.6 million. Total Fund Balance decreased from 2004 primarily because Expenditures and Other Financing Uses exceeded Revenues and Other Financing Sources by $87 million. Fund Balance at June 30, 2005 of $122 million was reserved for commitments. Unreserved Fund Balance was $155 million deficit at June 30, 2005, compared to a $95 million deficit at the end of 2004.

- The City's general obligation bonds and notes outstanding increased by $776 million during the current fiscal year. The key factor in this increase was the issuance of additional general obligation bonds to fund the City's capital plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, similar to that used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

- *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 each 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 (for example, uncollected taxes and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each major function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental 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, recreation and culture, education development, economic development, housing supply and conditions, physical environment, transportation 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 government-wide financial statements reflect not only the activities of 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.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is 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 three categories: *governmental funds*, *proprietary funds*, 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate the comparison between *governmental funds and governmental activities*.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Information for three funds that qualify as major is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances. The three major governmental funds are as follows: the General Fund, the General Retirement System Service Corporation, and the Police and Fire Retirement System Service Corporation. 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 annual appropriation budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds

These funds are generally used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, transportation, parking, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewage Disposal Fund, Transportation Fund, Automobile Parking Fund and Airport Fund.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of primary government. The City is trustee, or fiduciary, for its employees' pension plans. It is responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held

by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Additional Information

The combining statements, which include nonmajor funds, for governmental and trust and agency funds are presented immediately following the notes to the financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $1.6 billion at June 30, 2005.

By far the largest portion of the City's net assets reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding which is $1.6 billion. 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, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets in the amount of $318 million represent resources that are subject to external restrictions on how they may be used.

City of Detroit, Michigan
Summary of Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	$ 1,792,486	$ 781,052	$ 1,797,712	$ 1,384,886	$ 3,590,198	$ 2,165,938
Capital assets	1,403,043	1,194,050	5,105,722	4,593,455	6,508,765	5,787,505
Total assets	3,195,529	1,975,102	6,903,434	5,978,341	10,098,963	7,953,443
Liabilities:						
Other liabilities	671,375	481,145	329,035	354,373	1,000,410	943,659
Long-term liabilities	2,517,648	1,300,807	4,955,407	4,077,927	7,473,055	5,270,593
Total liabilities	3,189,023	1,781,952	5,284,442	4,432,300	8,473,465	6,214,252
Net assets:						
Invested in capital assets, net of related debt	562,312	423,119	1,050,443	1,063,418	1,612,755	1,486,537
Restricted	30,488	85,250	287,779	199,037	318,268	284,287
Unrestricted	(586,294)	(315,219)	280,770	283,586	(305,524)	(31,633)
Total net assets	$ 6,506	$ 193,150	$ 1,618,992	$ 1,546,041	$ 1,625,498	$ 1,739,191

City of Detroit, Michigan
Changes in Net Assets
Years Ended June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	$ 407,969	$ 318,536	$ 486,073	$ 464,344	$ 894,042	$ 782,880
Operating Grants and Contributions	246,249	315,322	88,111	89,345	334,360	404,667
Capital Grants and Contributions	135,505	115,529	15,081	33,759	150,586	149,288
General Revenues:						
Property Taxes	239,508	253,881	-	-	239,508	253,881
Municipal Income Tax	282,502	290,615	-	-	282,502	290,615
Utility User Tax	52,940	47,423	-	-	52,940	47,423
Wagering Tax	137,970	116,146	-	-	137,970	116,146
Hotel and Liquor Tax	16,311	16,217	-	-	16,311	16,217
Shared Taxes	282,914	286,479	-	-	282,914	286,479
Other Local Taxes	11,713	18,118	-	-	11,713	18,118
Investment Earnings	14,465	4,500	22,809	12,516	37,274	17,016
Miscellaneous	6,432	13,173	(6,850)	3,813	(418)	16,986
Total Revenues	1,834,478	1,795,939	605,224	603,777	2,439,702	2,399,716
Expenses:						
Public Protection	876,157	755,816	-	-	876,157	755,816
Health	170,040	172,602	-	-	170,040	172,602
Education	73,771	95.655	-	-	73,771	95,655
Recreation and Culture	75,145	82,149	-	-	75,145	82,149
Economic Development	114,865	102,680	-	-	114,865	102,680
Transportation	46,272	49,858	-	-	46,272	49,858
Housing Supply and Conditions	17,981	21,190	-	-	17,981	21,190
Physical Environment	277,306	267,233	-	-	277,306	267,233
Development and Management	214,747	350,970	-	-	214,747	350,970
Interest on Long-term Debt	65,253	58,080	-	-	65,253	58,080
Sewage Disposal	-	-	192,421	186,980	192,421	186,980
Transportation	-	-	204,914	206,320	204,914	206,320
Water	-	-	195,086	198,120	195,086	198,120
Automobile Parking	-	-	26,296	21,991	26,296	21,991
Airport	-	-	3,141	4,031	3,141	4,031
Total Expenses	1,931,537	1,956,233	621,858	617,442	2,553,395	2,573,675
Decrease in Net Assets before Transfers	(97,059)	(160,294)	(16,634)	(13,665)	(113,693)	(173,960)
Transfers	(89,585)	(77,108)	89,585	77,108	-	-
Change in Net Assets	(186,644)	(237,402)	72,951	63,443	(113,693)	(173,960)
Net Assets, July 1	193,150	430,522	1,546,041	1,482,592	1,739,190	1,913,150
Net Assets, June 30	$ 6,506	$ 193,150	$ 1,618,992	$ 1,546,041	$ 1,625,497	$ 1,739,190

Governmental Activities

Net assets of the City's governmental activities decreased $187 (97%) to reflect a balance of $6 million. A significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net assets showed a $586 million deficit at the end of this fiscal year.

The deficit is the result of having long-term commitments that are greater than currently available resources. Specifically, in accordance with its budgetary policies, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from, long term commitments. The City will include these amounts in future years' budgets as they come due.

Over 40 % of the City's revenue comes from taxes. Total taxes decreased by 0.5 %. Total taxes include a decrease in property taxes of $14 million (6 % percent) is primarily due to a flat property tax growth coupled with population decline. Wagering taxes increased by $22 million (19 %) due to enactment of State of Michigan House Bill 4612 and an increase in activity. The bill was effective September 1, 2004. The bill raised the tax on Detroit's three casinos adjusted gross receipts received to 24 percent from 18 percent. The new additional tax of 6 percent generated roughly $75 million per year of which one-third is earmarked for the City. Thus, the City's share was $25 million.

Federal and State grants vary from year to year depending primarily on the level of spending for programs, construction, and other projects.

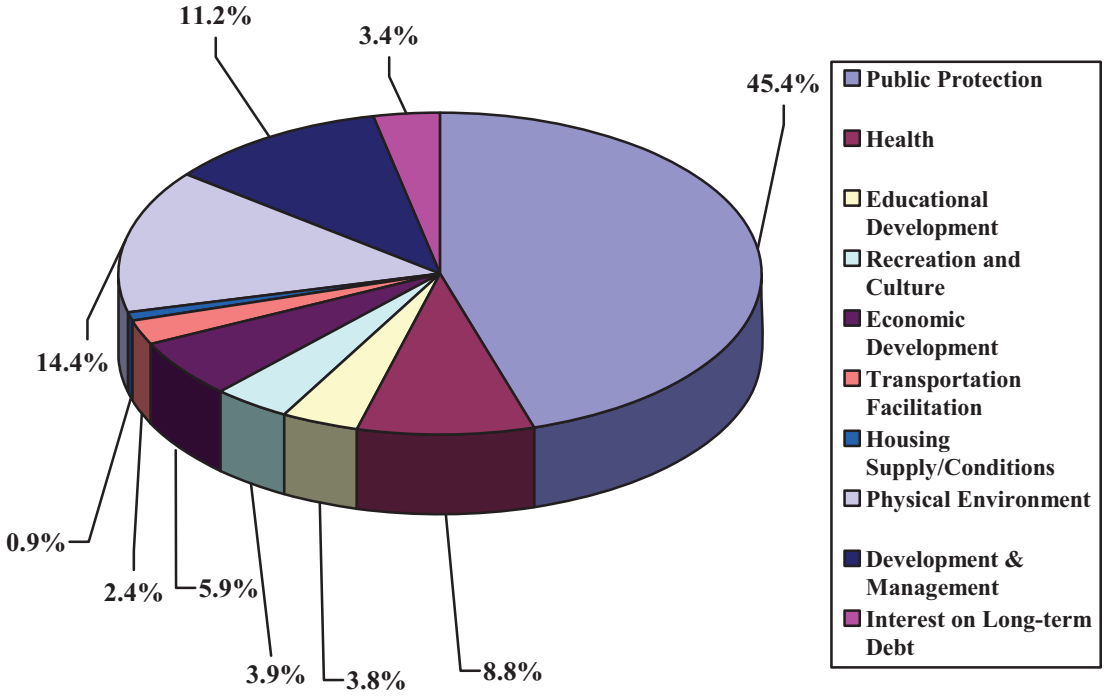
Expenses for governmental activities in 2005 were $1.9 billion. This reflects a decrease of $24 million (1.22 %) over 2004. Public protection (police and fire protection) was the largest component of current expenses, accounting for 45 % of total expenses. Public protection expenses increased $120 million (16 %) over 2004 due to increased payouts for litigation, workmans compensation and rising health expenses for retired police and fire employees. Development and Management decreased $136 million (39%) below 2004 as a result of cost reductions and restructuring of related services.

Revenues for governmental activities were $1.8 billion.

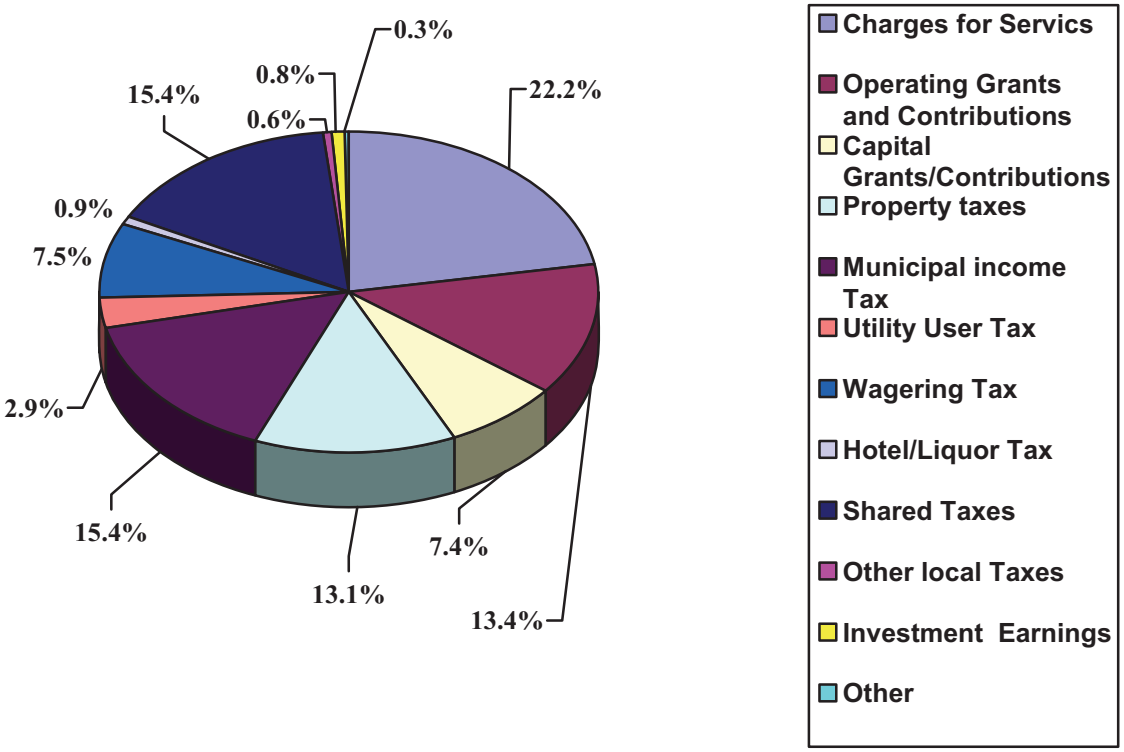
- The amount that taxpayers paid for these activities through City taxes was only $729 million. Other funding for governmental activities was provided from the following sources:

    - User fees were paid by those who directly benefited from certain programs ($408 million),
    - Other governments and organizations subsidized certain programs with grants and contributions ($382 million).
    - Other revenues such as state aid, interest, and miscellaneous income funded the "public benefit" portion of various programs ($315 million).

Expenses by Function Type - Governmental Activities



Revenues by Source - Governmental Actvities



Business-type Activities

Total revenues of the City's business-type activities increased by $1.4 million in 2005 generally due to higher charges for services revenue.

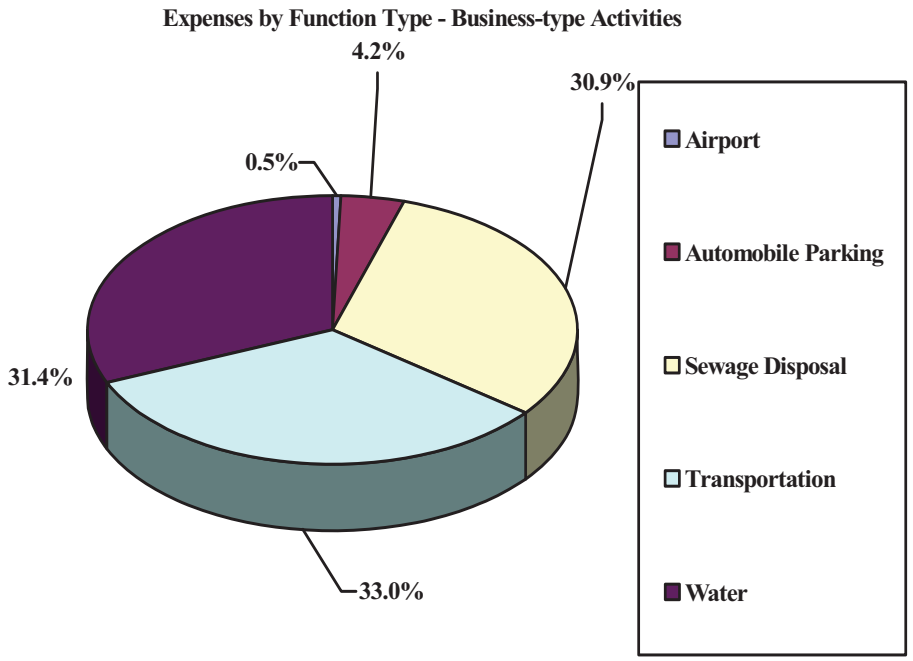
- The Sewage Disposal Fund's operating revenues for 2005 increased by 8.2 % due to an increase in sewage rates. Offsetting the increase in sewer rates was a reclass for this year's bad debt expense, which was charged directly against gross service revenue. However, net sewer revenue still increased over the previous year.

- The Transportation Fund's operating revenues decreased by 7.6 % during fiscal year 2005. Capital contributions in 2005 decreased by 75.8% due to a significant decrease in projects planned for 2004-2005.

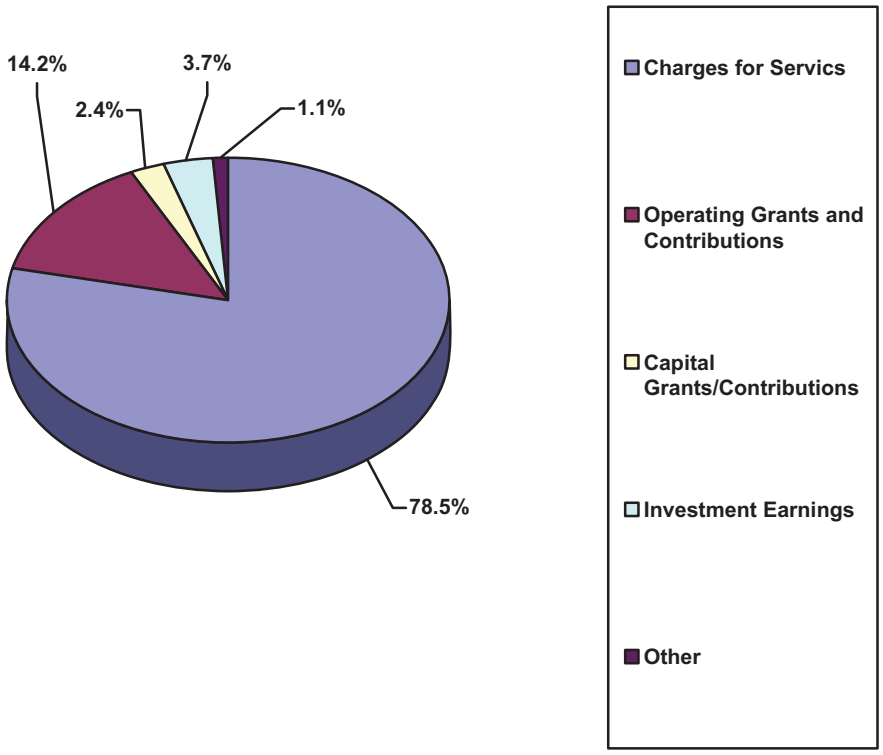
- The Water Fund's operating revenues for 2005 increased by 6.4 % due to an increase in water rates. More than offsetting the increase in water rates was reclass for this year's bad debt expense, which was charged directly against gross service revenue.

- The Automobile Parking Fund's operating revenues for 2005 decreased 30 % due to garages not being filled to capacity. Also, the Detroit Red Wings (the local National Hockey League team) did not play during the 2005 season because of the players strike which significantly reduced utilization of municipal parking facilities. Operating expenses in 2005 increased by 22.5 % due to an increase in operating expenses (i.e., expenses associated with salaries and benefits, and contractual services) and depreciation.

- The Coleman A. Young Municipal Airport's operating revenues for 2005 increased 21.4%. Operating expenses in 2005 increased by 22 % percent due to an increase in personnel and related fringe benefits, materials, supplies, and other expenses, and depreciation.


Expenses by Function Type - Business-type Activities
4.2%
30.9%
0.5%
31.4%
33.0%
Airport
Automobile Parking
Sewage Disposal
Transportation
Water

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. 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.

At June 30, 2005, the City's governmental funds reported combined ending fund balances of $275 million, a decrease of $113 million in comparison with the prior year. The combined fund balance includes an *unreserved fund deficit* of $78 million. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($49 million), 2)

to pay debt service ($52 million) and 3) for a variety of other restricted purposes ($252 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance was a $155 million deficit with a combined (reserved and unreserved) total fund deficit of $33 million.

The fund deficit of the City's General Fund increased by $103 million during the current year due to Expenditures and Other Financing Uses exceeded Revenues and Other Financing Sources by $87 million. As a result of the City's population decline and economic downturn cut into the City's two primary revenue sources: 1) income taxes and 2) state revenue sharing funds are directly connected to the health of the economy. Also, the City continues to experience rising health care costs and pension costs.

With the issuance of the POCs this fiscal year, two Special Revenue Funds, the Detroit General Retirement System Service Corp. (DGRS) and the Detroit Police and Fire Retirement System Service Corp. (DPFRS), were created to account for the proceeds and service payments related to the issuance of the POCs. The DGRS has a total fund balance of $36.2 million, of which $23.8 million is reserved for advances and $12.4 million is reserved for debt service. The DPFRS has a total fund balance of $10.6 million, which is reserved, for debt service.

The Other Governmental Funds has a total fund balance of $262 million, of which $185 million is reserved for advances, inventory, encumbrances, endowments and trusts, debt service, and capital projects, while there was an unreserved, undesignated balance of $77 million.

Changes in fund balance

The City's governmental fund revenues (excluding other financing sources) decreased by 1.4 percent or $27 million.

Proprietary funds

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

Unrestricted net assets of the Sewage Disposal, Transportation, Water, Automobile Parking, and Coleman A. Young Municipal Airport Funds at the end of the year amounted to $1.6 billion. The total increase in unrestricted net assets related to the $1 billion of net assets invested in capital assets, net of related debt and the $288 million of net assets restricted is primarily due to assets being reserved for debt service and a transfer in of governmental-type activities of $89 million to business-type activities. Other factors concerning the finances of

these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2005 General Fund Budget is $1.7 billion. The budget reflects an increase of $98 million (6%) over the 2004 Budget. The City's 2005 General Fund Budget contains no additions or material changes to existing taxes and fees and was approved by the City Council in June 2004.

The General Fund revenues and expenditures in 2005 ended the current year with an unreserved fund balance deficit of $155 million, which is a $60 million increase (63%) over 2004. Within the 2005-2006 adopted budget, the City Council appropriated $101 million for the prior year deficit.

During the year, the estimated revenues in the budget exceeded actual revenues and other resources by $216.2 million. The majority of this amount is attributable to actual property taxes, municipal income tax, grant revenues, sales and charges for services, and sale of real property being somewhat less than the final budgets. However, expenditures were less than budgeted estimates. Budgeted expenditures were approximately $1.7 billion but actual expenditures were $1.5 billion, a favorable variance of $200 million.

Differences between the original budget and the final amended budget consisted of a total net increase in estimated revenues of $161.4 million and a total net increase in appropriations of $238.7 million. The difference was offset by a total net increase in Other Financing Sources and Uses of $77 million.

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

- $133.2 million increase in grants (Federal, State and other)
- $10.9 million increase in sales and charges for services

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

- $68.5 million in increases for the Police department
- $53 million in increases for the Health department
- $84.8 million in increases for Sale of General Obligation Bonds

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2005 amount to $6.5 billion (net of accumulated depreciation). These capital assets include land, buildings and improvements, machinery and equipment, vehicles, park facilities, roads, streets, and bridges.

Major capital projects during the current fiscal year included the following:

- The Recreation department expended $17 million on capital activities for the construction and improvement of parks, playgrounds, and recreation facilities.
- The Department of Public Works expended $66 million on capital activities for road paving and resurfacing including the modernization of traffic signals.
- The Police Department expended $30 million on capital activities for construction of communication center, acquisition of electronic equipment and software, renovation of precincts, and the purchase of police vehicles.
- The Detroit Institute of Arts expended $35 million on capital activities for expansion and renovation.
- The City expended $25 million to acquire land for the waterfront redevelopment and the casino development project.
- The Fire Department expended $19 million on capital activities to acquire fire trucks and renovate fire stations.
- The Transportation Department expended $32 million on capital activities to acquire 102 buses through a capital lease purchase.

City of Detroit, Michigan
Capital Assets (net of depreciation)
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land and Land Rights	$ 383,014	$ 355,512	$ 36,702	$ 36,702	$ 419,716	$ 392,214
Land Improvements	-	-	47,747	43,371	47,747	43,371
Building and Structures	506,428	434,835	1,539,650	1,058,727	2,046,078	1,493,562
Sewer and water lines	-	-	900,236	879,131	900,236	879,131
Machinery, Equipment, Fixtures and Vehicles	91,775	80,405	937,817	681,482	1,029,592	761,887
Works of Art	29,788	29,788	-	-	29,788	29,788
Infrastructure	185,041	140,403	-	-	185,041	140,403
Construction-in-Progress	206,997	153,107	1,643,568	1,894,041	1,850,565	2,047,148
Total	$ 1,403,043	$ 1,194,050	$ 5,105,722	$ 4,593,454	$ 6,508,765	$ 5,787,504

Information on the City's capital assets can be found in Note III A 7 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total long-term obligations of $ 7.4 billion outstanding. Of this amount, $931 million are general obligation bonds backed by the full faith and credit of the City and $ 5.7 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 August 2004, the City issued $41.3 million of General Obligation Unlimited Tax Bonds for capital improvements to various General City Agencies. Approximately $70.4 million in refunding bonds were issued to refund prior debt. The bonds mature beginning April 1, 2009 with an average yield of 4.22 percent.

In August 2004, the City issued $62.2 million of Self-Insurance Bonds Limited Tax to fund payment of claims. The bonds mature beginning April 1, 2009 with an average yield of 4 percent.

In January 2005, the City issued $81 million in General Obligation Unlimited Tax Refunding Bonds to refinance prior debt. The bonds mature beginning April 1, 2006 with an average yield of 4 percent.

In June 2005, the City issued $87 million of Capital Improvement Limited Tax Bonds to acquire, construct, and equip several 800 MHz radio frequency towers and related communication facilities. In addition, $11.8 million in refunding bonds were issued to

refinance prior debt. The bonds mature beginning April 1, 2006 with an average yield of 4.11 percent.

In June 2005, the Detroit Retirement System Funding Trust (DRSFT) issued $1,440,000,000 ($640 million of taxable fixed rate, Series A and $800 million of taxable floating rate, Series B) of taxable Pension Obligation Certificates of Participation (POCs). The Trust was created by the General Retirement System Service Corporation (GRSSC) and the Police and Fire Retirement System Service Corporation (PFRSSC), both blended component units of the City. The City entered into service contracts with the GRSSC and the PFRSSC to facilitate the transaction. The POCs represent undivided proportionate interests in the rights to receive the payments from the City under its service contracts with the GRSSC and the PFRSSC.

The POCs were issued for the purpose of providing money to pay down certain unfunded accrued actuarial liabilities (UAAL) of each Retirement System of the City of Detroit: 1) the General Retirement System (GRS) and 2) the Police & Fire Retirement System (PFRS). The UAAL is a liability of the City of Detroit (COD) for past services rendered by its employees that must be paid. Michigan State Law and the Michigan Constitution require the city to annually pay down a portion of this UAAL liability. The GRS also include employees and retirees of certain proprietary funds (i.e., The Department of Transportation (DDOT) and the Department of Water and Sewerage) and The Detroit Public Library, which is a component unit of the city.

The City contributed $739,793,897 of the proceeds were to the GRS, which included $52,503,654 of annual required contributions for June 30, 2005. The remaining amount of $687,290,243 resulted in a net pension asset. $630,829,188 of the proceeds were contributed to the PFRS, which included $98,842,261 of annual required contributions for June 30, 2005. The remaining amount of $531,986,927 resulted in a net pension asset.

Interest payments for Series A will commence on December 15, 2005 and are due semi-annually while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. Interest payments for Series B will commence on September 15, 2005 and are due quarterly through 2025 while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. The interest rates on the outstanding obligations range from 4.004% and 4.948

In June 2005, the City issued $54.4 million in Revenue Anticipation Notes to pay necessary operating expenditures. The notes mature April 2006 with a yield of 2.63 percent.

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. Note - the following ratios do not include the Pension Obligation Certificates. A comparison of these indicators follows:

	FY 2005	FY 2004
Net General Bonded debt	$1,209,104	$1,104,034
Net General Bonded debt per capita	$1,271.05	$1,211.37
Ratio of net General Bonded debt to net assessed value (50% of present market value)	14.50 %	13.24%
Ratio of debt to present market value	7.25 %	6.62%

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, which is $728.2 million. The City's legal debt limitation at June 30, 2005 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, 2005 were:

Moody's Investors Service, Inc.	**Baa1**
Standard and Poor's Corporation	**BBB+**
Fitch IBCA, Inc.	**BBB+**

Subsequent to June 30, 2005, the Moody's Investors Service, Inc. reduced the City's uninsured bond ratings to Baa2.

Subsequent to June 30, 2005, the Standard and Poor's Corporation reduced the City's uninsured bond ratings to BBB.

Subsequent to June 30, 2005, the Fitch IBCA, Inc. reduced the City's uninsured 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.

The City's ratings were reduced primarily due to less favorable revenues for Property Taxes and Municipal Income Tax and the City's inability to identify new revenue sources. In addition, the City was under increasing financial pressure due to rising health care and pension costs.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City made several strategic budget cuts in 2005-2006 that did not impact City services:

- The Detroit People Mover subsidy was reduced by $1.5 million.
- The Zoo subsidy was reduced by $1.5 million.
- The Center Computing Services Department was eliminated. The function was consolidated with the City's Information Technology Services Department to increase efficiency for agencies.
- The Department of Culture, Arts & Tourism was eliminated. The function (including Eastern Market and arts grants management) was consolidated with the Recreation Department.
- The City eliminated 205 take home vehicles (62 general, 43 executive, and 100 police). The vehicles are to be sold at auction for projected proceeds of $1.3 million.
- The City initiated a 10 percent reduction in non-union and appointees salary.

The City is currently experiencing a less favorable economic environment resulting from the continued decline in the manufacturing sector of the economy, partially offset by modest increases in leisure and hospitality, professional and business services, educational and health services, and construction. Detroit's unemployment rate decreased from 15.1 percent in June 2004 to 14.8 percent by June 2005. As of November 2005, the rate had decreased to 13.3 percent.

The 2005-06 Budget has 2,992 fewer positions including layoffs:

Description	FY 2005-2006	FY 2004-2005	Variance
General City	10,203	12,668	2,465
Enterprise Agencies	5,548	6,075	527
Total Budgeted Positions	15,751	18,743	2,992

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Detroit Finance Department, Coleman A. Young Municipal Center, Suite 801, 2 Woodward Avenue, Detroit, Michigan 48226.

BASIC

FINANCIAL

STATEMENTS

(BFS)

City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 50,307,208	$ 2,208,061	$ 52,515,269	$ 7,040,534
Investments	265,697,802	60,216,610	325,914,412	220,845,055
Escrow Deposits	-	-	-	16,888,051
Accounts and Contracts Receivable:				
Internal Balances	(40,465,211)	40,465,211	-	-
Due from Primary Government	-	-	-	16,763,769
Due from Component Units	5,035,254	-	5,035,254	-
Due from Other Governmental Agencies	200,132,033	7,311,200	207,443,233	274,715,217
Other Receivables - Net	64,005,862	171,196,549	235,202,411	181,454,081
Total Accounts and Contracts Receivable - Net	228,707,938	218,972,960	447,680,898	472,933,067
Inventories	22,102,413	24,423,946	46,526,359	8,585,441
Prepaid Expenses	127,636	1,418,433	1,546,069	3,551,895
Total Unrestricted Assets	566,942,997	307,240,010	874,183,007	729,844,043
Restricted Assets:				
Cash and Cash Equivalents	88,805,837	48,602,256	137,408,093	24,633,915
Investments	45,599,567	687,583,173	733,182,740	446,073,664
Total Restricted Assets	134,405,404	736,185,429	870,590,833	470,707,579
Total Current Assets	701,348,401	1,043,425,439	1,744,773,840	1,200,551,622
Non-Current Assets:				
Restricted Investments	-	376,045,765	376,045,765	-
Long-Term Receivable	-	44,946,430	44,946,430	-
Loans and Notes Receivable	-	-	-	26,010,604
Net Pension Asset	1,011,722,816	256,308,295	1,268,031,111	22,653,538
Bonds, Notes and POC Issuance Costs	55,581,562	76,336,302	131,917,864	4,642,547
Advance to Component Unit	23,819,934	-	23,819,934	-
Deferred Charges	-	-	-	1,929,376
Capital Assets:				
Non-Depreciable	619,799,106	1,680,270,437	2,300,069,543	564,320,508
Depreciable, Net	783,243,729	3,425,451,196	4,208,694,925	1,540,635,308
Total Capital Assets, Net	1,403,042,835	5,105,721,633	6,508,764,468	2,104,955,816
Other Assets	14,014	650,000	664,014	11,307,571
Total Non-Current Assets	2,494,181,161	5,860,008,425	8,354,189,586	2,171,499,452
Total Assets	3,195,529,562	6,903,433,864	10,098,963,426	3,372,051,074

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	$ 175,494,769	$ 38,831,271	$ 214,326,040	$ 162,020,841
Due to Other Governmental Agencies	44,834,866	-	44,834,866	-
Due to Primary Government	-	-	-	5,035,256
Due to Component Units	14,999,010	1,764,760	16,763,770	-
Deposits and Refunds	29,153,581	95,324	29,248,905	-
Accrued Interest Payable	16,226,059	78,671,369	94,897,428	23,365,150
Loans and Advances from Primary Government	-	-	-	334,229
Accrued Salaries and Wages	47,996,848	6,567,446	54,564,294	99,584,154
Deferred Revenue	8,475,533	3,821,205	12,296,738	22,553,351
Other Current Liabilities	61,598,795	12,056,140	73,654,935	16,081,657
Restricted Liabilities:				
Accounts Payable	2,323,943	82,621,279	84,945,222	-
Accrued Public Liability and Worker's Compensation	17,115,917	-	17,115,917	-
Other Liabilities	723,944	718,363	1,442,307	-
Total Restricted Liabilities	20,163,804	83,339,642	103,503,446	-
Bonds, Notes and Other Debt Payable - Current	140,031,083	81,245,000	221,276,083	283,463,363
Accrued Compensated Absences	112,401,028	17,262,561	129,663,589	6,750,759
Accrued Public Liability and Workers' Compensation	-	5,379,974	5,379,974	16,743,169
Total Current Liabilities	671,375,376	329,034,692	1,000,410,068	635,931,929
Long-Term Liabilities:				
Bonds, Notes and Other Debt Payable	1,090,408,971	4,654,089,820	5,744,498,791	2,277,840,783
Unamortized Premium/(Discount) and Loss (Gain) on Defeasances	31,508,983	(48,239,486)	(16,730,503)	29,990,243
Bonds, Notes and Other Debt Payable -Net	1,121,917,954	4,605,850,334	5,727,768,288	2,307,831,026
Pension Obligation Certificates Payable	1,170,607,422	269,392,578	1,440,000,000	-
Deferred Swap Termination Fees	-	19,084,051	19,084,051	
Advance Payable to Primary Government	-	-	-	23,819,934
Accrued Compensated Absences	44,597,266	19,796,809	64,394,075	117,897,488
Accrued Public Liability and Workers' Compensation	180,525,495	23,100,987	203,626,482	25,342,576
Other Long -Term Obligations	-	18,182,314	18,182,314	-
Total Long-Term Liabilities	2,517,648,137	4,955,407,073	7,473,055,210	2,474,891,024
Total Liabilities	3,189,023,513	5,284,441,765	8,473,465,278	3,110,822,953
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	562,311,648	1,050,443,297	1,612,754,945	531,905,048
Restricted for:				
Endowments and Trust (Non-Expendable)	1,253,623	-	1,253,623	15,913,126
Capital Projects	-	-	-	39,196,460
Debt Service	29,234,972	287,778,927	317,013,899	(21,944,952)
Unrestricted (Deficit)	(586,294,194)	280,769,875	(305,524,319)	(303,841,561)
Total Net Assets	$ 6,506,049	$ 1,618,992,099	$ 1,625,498,148	$ 261,228,121

City of Detroit
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Protection	$ 876,156,606	$ 90,825,019	$ 418,374	$ -
Health	170,039,930	13,026,677	133,521,803	-
Recreation and Culture	75,145,276	11,474,294	1,373,670	-
Economic Development	114,865,586	5,427,118	11,464,565	59,785,281
Education	73,770,757	-	73,837,899	-
Housing Supply and Conditions	17,980,767	6,700,117	5,795,925	1,148,369
Physical Environment	277,305,834	81,944,899	130,053	-
Transportation	46,272,594	-	-	74,571,099
Development and Management	214,746,647	198,570,684	19,706,576	-
Interest on Long-Term Debt	65,252,896	-	-	-
Total Government Activities	1,931,536,893	407,968,808	246,248,865	135,504,749
Business-type Activities:				
Sewage Disposal	192,421,480	254,350,136	-	-
Transportation	204,913,780	22,959,490	88,110,603	7,120,491
Water	195,085,657	193,954,987	-	6,938,882
Automobile Parking	26,295,677	13,627,650	-	-
Airport	3,140,746	1,180,584	-	1,021,347
Total Business-type Activities	621,857,340	486,072,847	88,110,603	15,080,720
Total Primary Government	$ 2,553,394,233	$ 894,041,655	$ 334,359,468	$ 150,585,469
Component units:				
Brownfield Redevelopment Authority	$ 276,975	$ 225,000	$ 154,341	$ -
Detroit Public Library	35,649,358	267,492	5,387,912	-
Downtown Development Authority	45,468,502	9,311,503	-	-
Economic Development Corporation	7,959,886	12,289,457	-	-
Detroit Housing Commission	20,691,453	4,622,167	17,601,668	-
Local Development Finance Authority	7,014,282	-	-	-
Museum of African American History	9,832,615	1,609,275	4,718,423	-
Detroit Public Schools	1,676,862,532	9,044,337	533,266,746	-
Tax Increment Finance Authority	11,210,975	-	-	-
Detroit Transportation Corporation	18,317,364	443,669	11,694,950	-
Greater Detroit Resource Recovery Authority	113,778,556	46,176,830	67,693,792	-
Total Component units	$ 1,947,062,498	$ 83,989,730	$ 640,517,832	$ -

General Revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Municipal income tax
  - Utility Users tax
  - Wagering tax
  - Hotel and Liquor tax
  - Other taxes
  - Shared taxes
  - Interest and Penalty on taxes
- Investment earnings
- Miscellaneous revenue (expense)
- Loss on disposal of capital assets

Transfers
- Total general revenues, and transfers
  - Change in net assets

Net assets - beginning, as Restated
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (784,913,213)	$ -	$ (784,913,213)	$ -
(23,491,450)	-	(23,491,450)	-
(62,297,312)	-	(62,297,312)	-
(38,188,622)	-	(38,188,622)	-
67,142	-	67,142	-
(4,336,356)	-	(4,336,356)	-
(195,230,882)	-	(195,230,882)	-
28,298,505		28,298,505	-
3,530,613	-	3,530,613	-
(65,252,896)	-	(65,252,896)	-
(1,141,814,470)	-	(1,141,814,470)	-
-	61,928,656	61,928,656	-
-	(86,723,196)	(86,723,196)	-
-	5,808,212	5,808,212	-
-	(12,668,027)	(12,668,027)	-
-	(938,815)	(938,815)	-
-	(32,593,170)	(32,593,170)	-
$ (1,141,814,470)	$ (32,593,170)	$ (1,174,407,640)	-
$ -	$ -	$ -	$ 102,366
-	-	-	(29,993,954)
-	-	-	(36,156,999)
-	-	-	4,329,571
-	-	-	1,532,382
-	-	-	(7,014,282)
-	-	-	(3,504,917)
-	-	-	(1,134,551,449)
-	-	-	(11,210,975)
-	-	-	(6,178,745)
-	-	-	92,066
$ -	$ -	$ -	$ (1,222,554,936)
$ 179,694,260	$ -	$ 179,694,260	$ 155,300,085
59,813,679	-	59,813,679	99,454,576
282,501,875	-	282,501,875	-
52,939,839	-	52,939,839	-
137,970,347	-	137,970,347	-
16,310,767	-	16,310,767	-
-	-	-	12,928,065
282,914,217	-	282,914,217	853,218,402
11,712,960	-	11,712,960	530,439
14,464,802	22,808,775	37,273,577	17,175,813
9,984,374	(6,850,110)	3,134,264	12,102,431
(3,551,036)	-	(3,551,036)	-
(89,585,306)	89,585,306	-	-
955,170,778	105,543,971	1,060,714,749	1,150,709,811
(186,643,692)	72,950,801	(113,692,891)	(71,845,125)
193,149,741	1,546,041,298	1,739,191,039	333,073,246
$ 6,506,049	$ 1,618,992,099	$ 1,625,498,148	$ 261,228,121

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Primary Government				
	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	$ 27,423,073	$ -	$ -	$ 22,884,135	$ 50,307,208
Investments	38,688,891	-	-	227,008,911	265,697,802
Accounts and Contracts Receivable:					
Due from Other Funds	33,125,485	-	-	6,629,195	39,754,680
Due from Fiduciary Funds	4,910,736	-	-	-	4,910,736
Due from Component Units	5,035,254	-	-	-	5,035,254
Due from Other Governmental Agencies	169,596,534	-	-	30,535,501	200,132,035
Estimated Withheld Income Taxes Receivable	28,381,590	-	-	-	28,381,590
Utility Users' Taxes Receivable	6,241,469	-	-	-	6,241,469
Property Tax Receivable	58,093,679	-	-	20,478,737	78,572,416
Land Contracts Receivable	4,672,578	-	-	-	4,672,578
Income Tax Assessments	38,617,652	-	-	-	38,617,652
Special Assessments	25,697,431	-	-	347,225	26,044,656
Interest and Penalties	5,685,000	-	-	2,005,000	7,690,000
Other Receivables	21,342,143	-	-	1,236,024	22,578,167
Total Accounts and Contracts Receivable	401,399,551	-	-	61,231,682	462,631,233
Allowance for Uncollectible Accounts	(136,611,870)	-	-	(17,091,532)	(153,703,402)
Total Accounts and Contracts Receivable - Net	264,787,681	-	-	44,140,150	308,927,831
Inventory-Forfeited Property	-	-	-	250,875	250,875
Inventories	21,174,330	-	-	677,208	21,851,538
Prepaid Expenditures	-	-	-	127,636	127,636
Working Capital Advances to Other Funds	12,692,905	-	-	-	12,692,905
Restricted Assets:					
Cash and Cash Equivalents	2,242,749	12,422,045	10,592,394	63,548,649	88,805,837
Investments	45,549,815	26,854	22,898	-	45,599,567
Due from Other Funds	15,309,676	-	-	-	15,309,676
Total Restricted Assets	63,102,240	12,448,899	10,615,292	63,548,649	149,715,080
Advances to Component Units	-	23,819,934	-	-	23,819,934
Other Advances	5,000	-	-	-	5,000
Other Assets	9,014	-	-	-	9,014
Total Assets	$ 427,883,134	$ 36,268,833	$ 10,615,292	$ 358,637,564	$ 833,404,823

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

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Primary Government				
	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Total
LIABILITIES					
Accounts and Contracts Payable	$ 11,718,789	$ -	$ -	$ 43,353,996	$ 55,072,785
Due to Other Funds	90,405,875	-	-	16,414,741	106,820,616
Due to Fiduciary Funds	71,335,032	-	-	-	71,335,032
Loans and Other Advances from Other Funds	-	-	-	995,674	995,674
Due to Other Governmental Agencies	24,696,649	-	-	5,901,271	30,597,920
Due to Component Units	14,999,010	-	-	-	14,999,010
Accrued Salaries and Wages	24,050,537	-	-	1,937,814	25,988,351
Fringes Benefits Payable	8,099,667	-	-	-	8,099,667
Payroll Deductions Payable	13,908,830	-	-	-	13,908,830
Accrued Compensated Absences	1,286,116	-	-	-	1,286,116
Income Tax Refunds Payable	10,142,447	-	-	-	10,142,447
Deposits from Vendors and Customers	16,163,494	-	-	2,847,640	19,011,134
Accrued Liabilities	35,522,203	-	-	13,564,749	49,086,952
Revenue Anticipation Notes Payable	54,445,000	-	-	-	54,445,000
Other Liabilities	59,927,572	-	-	1,671,223	61,598,795
Liabilities Payable from Restricted Assets:					
Accounts and Contracts Payable	2,323,943	-	-	-	2,323,943
Accrued Public Liability	5,035,133	-	-	-	5,035,133
Accrued Workers' Compensation Payable	2,013,464	-	-	-	2,013,464
Due to Other Funds	406,184	-	-	-	406,184
Other Liabilities	723,944	-	-	-	723,944
Total Liabilities Payable from Restricted Assets	10,502,668	-	-	-	10,502,668
Deferred Revenue	14,273,679	-	-	9,979,270	24,252,949
Total Liabilities	461,477,568	-	-	96,666,378	558,143,946
FUND BALANCES					
Reserved Fund Balance:					
Reserved for Advances to Component Units	-	23,819,934	-	-	23,819,934
Reserved for Inventory	21,174,330	-	-	928,083	22,102,413
Reserved for Encumbrances	35,336,469	-	-	14,018,549	49,355,018
Reserved for Short-Term Loans and Advances to Other Funds	12,699,231	-	-	-	12,699,231
Reserved for Risk Management Operations	29,169,120	-	-	-	29,169,120
Reserved for Motor Vehicle Operations	23,430,451	-	-	-	23,430,451
Reserved for Endowments and Trusts	-	-	-	1,253,623	1,253,623
Reserved for Debt Service	-	12,448,899	10,615,292	29,061,404	52,125,595
Reserved for Capital Projects	-	-	-	139,812,882	139,812,882
Total Reserved Fund Balance	121,809,601	36,268,833	10,615,292	185,074,541	353,768,267
Unreserved Fund Balance (Deficit):					
Undesignated, Reported In:					
General Fund Operations (Deficit)	(155,404,035)	-	-	-	(155,404,035)
Special Revenue Funds	-	-	-	76,896,645	76,896,645
Total Unreserved Fund Balance (Deficit)	(155,404,035)	-	-	76,896,645	(78,507,390)
Total Fund Balances (Deficit)	(33,594,434)	36,268,833	10,615,292	261,971,186	275,260,877
Total Liabilities, and Fund Balances	$ 427,883,134	$ 36,268,833	$ 10,615,292	$ 358,637,564	$ 833,404,823

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Fund balances - total governmental funds			$	275,260,877
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	$	2,656,306,017		
Less accumulated depreciation		(1,253,263,182)		1,403,042,835
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund				
Bond and Pension Obligation Certificate issuance costs	$	72,060,986		
Less accumulated amortization		(16,479,424)		55,581,562
Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds				15,777,416
Issuance of Pension Obligation Certificates created a Net Pension Asset:				1,011,722,816
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	$	(1,175,995,054)		
Pension Obligation Certificates Payable		(1,170,607,422)		
Bond Premium		(32,426,664)		
Loss on advance refunding		917,681		
Grant Audit Amount Due to Other Governments		(14,236,946)		
Accrued interest payable		(16,226,059)		
Compensated absences		(155,712,178)		
Public Liability and Workers Compensation		(190,592,815)		(2,754,879,457)
Net assets of governmental activities			$	6,506,049

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, 2005

	Primary Government				
	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Total
REVENUES:					
Taxes:					
Property Taxes	$ 178,957,463	$ -	$ -	$ 59,813,679	$ 238,771,142
Municipal Income Tax	282,501,875	-	-	-	282,501,875
Utility Users' tax	52,939,839	-	-	-	52,939,839
Wagering Taxes	137,970,347	-	-	-	137,970,347
Gas and Weight Tax	-	-	-	63,476,425	63,476,425
Other Taxes and Assessments	10,962,886	-	-	2,602,232	13,565,118
State Hotel and Liquor Tax	-	-	-	16,310,767	16,310,767
State Shared Taxes	282,914,217	-	-	-	282,914,217
Shared Taxes-Liquor and Beer Licenses	602,582	-	-	-	602,582
Interest and Penalties on Taxes	11,491,470	-	-	-	11,491,470
Licenses, Permits and Inspection Charges	11,061,055	-	-	23,945,463	35,006,518
Intergovernmental:					
Federal	26,522,887	-	-	249,849,587	276,372,474
State	23,511,241	-	-	13,356,134	36,867,375
State Equity Grant	1,076,931	-	-	-	1,076,931
Other	16,346,773	-	-	-	16,346,773
Sales and Charges for Services	178,109,203	-	-	5,185,630	183,294,833
Ordinance Fines	23,273,726	-	-	4,207,916	27,481,642
Revenue from Use of Assets	16,265,923	-	-	516,134	16,782,057
Earnings on Investments	2,380,653	62,217	22,898	11,999,034	14,464,802
Other Revenue	100,134,090	-	-	31,523,802	131,657,892
Total Revenues	1,357,023,161	62,217	22,898	482,786,803	1,839,895,079
EXPENDITURES:					
Current:					
Public Protection	716,727,817	37,865,367	630,829,188	38,159,175	1,423,581,547
Health	87,862,830	27,828,763	-	81,781,875	197,473,468
Recreation and Culture	67,498,395	31,797,784	-	-	99,296,179
Economic Development	23,541,123	3,010,981	-	73,103,489	99,655,593
Educational Development	-	3,421,113	-	73,837,899	77,259,012
Housing Supply and Conditions	12,486,977	9,580,394	-	5,795,925	27,863,296
Physical Environment	256,619,913	45,164,714	-	-	301,784,627
Transportation Facilitation	-	-	-	46,272,594	46,272,594
Development and Management	197,808,776	297,540,121	-	-	495,348,897
Debt Service:					
Principal	-	-	-	73,544,336	73,544,336
Interest	-	-	-	51,462,415	51,462,415
Bond Issuance Costs	5,192,701	-	-	2,299,818	7,492,519
Costs of Issuance of POC's	-	15,431,660	21,338,326	-	36,769,986
Capital Outlay	124,712,800	-	-	157,832,908	282,545,708
Total Expenditures	1,492,451,332	471,640,897	652,167,514	604,090,434	3,220,350,177
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,428,171)	(471,578,680)	(652,144,616)	(121,303,631)	(1,380,455,098)
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In	33,051,546	-	-	108,024,243	141,075,789
Pension Obligation Certificates Issued	-	507,847,513	662,759,908	-	1,170,607,421
Proceeds of Section 108 Federal Note	-	-	-	7,789,000	7,789,000
Proceeds of Capital Leases	315,351	-	-	-	315,351
Proceeds from Debt Issuance	242,150,000	-	-	111,680,000	353,830,000
Premium from Debt Issuance	5,974,832	-	-	7,039,843	13,014,675
Uses:					
Transfers Out	136,651,053	-	-	94,010,042	230,661,095
Principal Paid to Bond Agent for Refunded Bonds	92,640,000	-	-	69,160,000	161,800,000
Interest Paid to Bond Agent for Refunded Bonds	4,213,845	-	-	6,651,575	10,865,420
Total Other Financing Sources (Uses)	47,986,831	507,847,513	662,759,908	64,711,469	1,283,305,721
Net Change in Fund Balances	(87,441,340)	36,268,833	10,615,292	(56,592,162)	(97,149,377)
Fund Balance at Beginning of Year	69,216,269	-	-	318,648,926	387,865,195
Decrease in Inventories	(15,369,363)	-	-	(85,578)	(15,454,941)
Fund Balance (Deficit) at End of Year	$ (33,594,434)	$ 36,268,833	$ 10,615,292	$ 261,971,186	$ 275,260,877

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, 2005

Change in fund balances - total governmental funds		$ (97,149,377)
Amounts reported for governmental activities in the statement of net assets are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	$ 282,545,708	
Less current year depreciation	(70,001,642)	212,544,066
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		(3,551,036)
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		958,287
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		(15,454,941)
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.		235,344,336
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		(374,949,026)
Pension Obligation Certificates provides current financial resources to governmental funds, but issuing POC's increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of certificate issuance cost and premiums that must be amortized over the life of the certificates		(1,170,607,422)
Payments to The Pension Systems created a Net Pension Asset:		1,011,722,816
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 Bond and POC Issuance Cost	44,262,505	
Increase in accrued interest expense on govermental debt	(1,254,187)	
Increase in accrued interest on POC's	(1,670,874)	
Increase in accrued compensated absences	(15,947,268)	
Increase in accrued public liability and workers compensation	(12,107,879)	
Amortization of current year bond premium and defeasances	4,121,498	
Amortization of current year bond cost	(2,905,190)	14,498,605
Change in net assets of governmental activities		$ (186,643,692)

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

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City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

ASSETS	Sewage Disposal Fund	Transportation Fund
Current Assets:		
Cash and Cash Equivalents	$ -	$ 113,569
Investments	47,948,538	4,742,114
Accounts and Contracts Receivable:		
Due from Other Funds	66,388,078	760,432
Due from Other Governmental Agencies	-	7,297,850
Other Receivables- Trade	165,158,307	975,621
Total Accounts and Contracts Receivable	231,546,385	9,033,903
Allowance for Uncollectible Accounts	(64,482,340)	(383,531)
Total Accounts and Contracts Receivable - Net	167,064,045	8,650,372
Inventories	11,173,380	6,920,401
Prepaid Expenses	381,847	-
Restricted Cash and Cash Equivalents	12,289,108	11,261,008
Restricted Investments	275,424,204	-
Restricted Due from Other Funds	37,638,549	-
Total Current Assets	551,919,671	31,687,464
Noncurrent Assets:		
Restricted:		
Investments	308,770,507	-
Capital Assets:		
Land	13,876,751	4,114,574
Land Improvements	-	-
Buildings and Structures	1,143,914,922	69,910,255
Water and Sewer Lines	542,769,689	-
Equipment, Machinery, and Fixtures	708,031,859	50,730,624
Vehicles and Buses	-	166,837,062
Construction Work in Progress	1,219,986,063	5,050,781
Total Capital Assets	3,628,579,284	296,643,296
Less: Accumulated Depreciation	(681,127,715)	(143,845,060)
Net Capital Assets	2,947,451,569	152,798,236
Total Restricted Noncurrent Assets	3,256,222,076	152,798,236
Other Long -Term Assets:		
Long-Term Receivable	44,946,430	-
Bond and Pension Obligation Certificate Issuance Costs	35,719,846	3,372,800
Net Pension Asset	7,850,281	98,005,506
Other Assets	-	650,000
Total Noncurrent Assets	3,344,738,633	254,826,542
Total Assets	$ 3,896,658,304	$ 286,514,006

(Continued)

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

Business-Type Activities

Water Fund	Automobile Parking Fund	Non-Major Fund	Total
$ 870,259	$ 331,775	$ 892,458	$ 2,208,061
7,520,716	5,242	-	60,216,610
53,149,298	389,636	1,430,941	122,118,385
-	-	13,350	7,311,200
105,859,302	342,165	1,000,408	273,335,803
159,008,600	731,801	2,444,699	402,765,388
(36,887,901)	-	(385,482)	(102,139,254)
122,120,699	731,801	2,059,217	300,626,134
6,330,165	-	-	24,423,946
568,211	381,923	86,452	1,418,433
25,052,140	-	-	48,602,256
412,158,969	-	-	687,583,173
40,475,299	-	-	78,113,848
615,096,458	1,450,741	3,038,127	1,203,192,461
30,072,332	37,202,926	-	376,045,765
6,527,438	7,014,113	5,169,374	36,702,250
103,323,777	214,908	8,020,718	111,559,403
707,846,651	207,288,512	5,853,773	2,134,814,113
714,856,603	-	-	1,257,626,292
630,635,010	2,391,206	1,770,642	1,393,559,341
-	-	1,576,778	168,413,840
418,027,160	504,183	-	1,643,568,187
2,581,216,639	217,412,922	22,391,285	6,746,243,426
(688,863,364)	(114,187,803)	(12,497,851)	(1,640,521,793)
1,892,353,275	103,225,119	9,893,434	5,105,721,633
1,922,425,607	140,428,045	9,893,434	5,481,767,398
-	-	-	44,946,430
37,243,656	-	-	76,336,302
150,452,508	-	-	256,308,295
-	-	-	650,000
2,110,121,771	140,428,045	9,893,434	5,860,008,425
$ 2,725,218,229	$ 141,878,786	$ 12,931,561	$ 7,063,200,886

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005 (Continued)

LIABILITIES AND NET ASSETS	Sewage Disposal Fund	Transportation Fund
Liabilities:		
Current Liabilities:		
Book Cash Overdraft	758,762	-
Accounts and Contracts Payable	7,683,870	10,323,683
Due to Other Funds	52,871,340	10,949,562
Due to Fiduciary Funds	262,382	-
Due to Component Units	-	1,764,760
Refundable Deposits	-	-
Accrued Salaries and Wages	1,629,152	2,601,179
Accrued Compensated Absences	5,556,011	3,039,331
Accrued Public Liability and Workers Compensation	895,155	992,272
Other Liabilities	5,693,347	2,577,808
Bonds and Notes Payable	50,035,000	-
Accrued Interest on Bonds and Notes Payable	38,654,433	743,151
Restricted Accounts and Contracts Payable	62,465,874	-
Restricted Due to Other Funds	11,074,002	-
Restricted Other Liabilities	89,017	-
Deferred Revenue	-	117,630
Total Current Liabilities	237,668,345	33,109,376
Noncurrent Liabilities:		
Bonds and Notes Payable	2,603,791,573	29,533,118
Unamortized Discount and Gain on Defeasances	5,212,683	-
Bonds and Notes Payable - Net	2,609,004,256	29,533,118
Deferred Swap Termination Fees	2,286,256	-
Accrued Compensated Absences	8,361,795	759,833
Accrued Public Liability and Workers' Compensation	3,832,814	3,969,088
Advance From Other Funds	-	10,447,231
Pension Obligation Certificates Payable	8,760,811	103,083,553
Other Long Term Liabilities	7,054,464	11,037,009
Total Noncurrent Liabilities	2,639,300,396	158,829,832
Total Liabilities	2,876,968,741	191,939,208
Net Assets:		
Invested in Capital Assets, Net of Related Debt	646,808,681	120,687,310
Restricted for Debt Service	166,369,102	-
Unrestricted (Deficit)	206,511,780	(26,112,512)
Total Net Assets	$ 1,019,689,563	$ 94,574,798

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

Business-Type Activities

Water Fund	Automobile Parking Fund	Non-Major Fund	Total
-	-	-	758,762
16,543,893	3,117,197	141,486	37,810,129
65,882,639	565,470	211,202	130,480,213
-	-	-	262,382
-	-	-	1,764,760
-	-	95,324	95,324
2,171,724	123,101	42,290	6,567,446
8,604,763	251,636	62,456	17,514,197
3,470,751	-	21,796	5,379,974
3,053,509	-	93,342	11,418,006
24,595,000	6,615,000	-	81,245,000
38,521,332	905,717	-	78,824,633
20,117,305	-	38,100	82,621,279
6,515,574	-	-	17,589,576
629,346	-	-	718,363
-	3,702,050	1,525	3,821,205
190,105,836	15,280,171	707,521	476,871,249
1,967,020,000	54,230,000	-	4,654,574,691
(51,725,621)	(1,726,548)	-	(48,239,486)
1,915,294,379	52,503,452	-	4,606,335,205
16,797,795	-	-	19,084,051
9,808,909	307,555	307,081	19,545,173
15,240,595	-	58,490	23,100,987
-	1,250,000	-	11,697,231
157,548,214	-	-	269,392,578
-	90,840	-	18,182,313
2,114,689,892	54,151,847	365,571	4,967,337,538
2,304,795,728	69,432,018	1,073,092	5,444,208,787
204,520,234	68,533,638	9,893,434	1,050,443,297
121,409,825	-	-	287,778,927
94,492,442	3,913,130	1,965,035	280,769,875
$ 420,422,501	$ 72,446,768	$ 11,858,469	$ 1,618,992,099

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services	$ 310,491,707	$ 22,959,490
Rentals, Fees and Surcharges	281,062	-
Miscellaneous	2,815,506	-
Total Operating Revenues	313,588,275	22,959,490
Operating Expenses:		
Salaries, Wages and Benefits	37,441,707	121,359,201
Contractual Services	-	26,046,086
Operating	113,609,989	-
Repairs and Maintenance	12,348,658	-
Materials, Supplies and Other Expenses	-	40,757,327
Depreciation and Amortization	44,053,316	16,919,222
Total Operating Expenses	207,453,670	205,081,836
Total Operating Income (Loss)	106,134,605	(182,122,346)
Non-Operating Revenues (Expenses):		
Earnings on Investments	14,930,952	296,527
Grants-Federal	-	3,226,017
Contributions	-	72,670,780
Amortization of Bond Premium	-	-
Interest on Bonds and Notes Payable	(44,205,957)	(589,887)
Other Revenue	-	-
Other Expenses	(7,038)	-
Total Non-Operating Revenues (Expenses)	(29,282,043)	75,603,437
Net Income (Loss) Before Contributions and Transfers	76,852,562	(106,518,909)
Capital Contributions	-	7,120,491
Transfers In	-	77,441,898
Increase (Decrease) in Net Assets	76,852,562	(21,956,520)
Net Assets - Beginning of Year	942,837,001	116,531,318
Net Assets - End of Year	$ 1,019,689,563	$ 94,574,798

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

Business-Type Activities

Water Fund	Automobile Parking Fund	Non-Major Fund	Total
$ 258,971,833	$ -	$ 98,801	$ 592,521,831
-	13,627,651	1,006,314	14,915,027
1,641,252	-	75,552	4,532,310
260,613,085	13,627,651	1,180,667	611,969,168
48,753,131	5,550,516	1,472,526	214,577,081
-	6,293,134	-	32,339,220
105,956,032	2,933,107	780,166	223,279,294
-	1,196,435	214,121	13,759,214
2,244,535	32,200	280,929	43,314,991
41,529,608	6,287,158	393,089	109,182,393
198,483,306	22,292,550	3,140,831	636,452,193
62,129,779	(8,664,899)	(1,960,164)	(24,483,025)
7,175,672	405,624	-	22,808,775
-	-	1,021,349	4,247,366
-	-	-	72,670,780
-	181,992	-	181,992
(63,260,449)	(4,185,120)	-	(112,241,413)
(62,246)	-	-	(62,246)
-	6,190,931	-	6,183,893
(56,147,023)	2,593,427	1,021,349	(6,210,853)
5,982,756	(6,071,472)	(938,815)	(30,693,878)
6,938,882	-	-	14,059,373
-	9,575,006	2,568,402	89,585,306
12,921,638	3,503,534	1,629,587	72,950,801
407,500,863	68,943,234	10,228,882	1,546,041,298
$ 420,422,501	$ 72,446,768	$ 11,858,469	$ 1,618,992,099

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operations:		
Receipts from Customers	$ 326,617,651	$ 22,665,516
Advances from Other Funds	-	-
Repayments from Other Funds	-	-
Loans to Other Funds	(18,598,461)	-
Deposits Refunded to Customers	-	-
Payments to Suppliers	(124,639,909)	(23,458,578)
Payments to Employees	(76,204,371)	(221,025,500)
Net Cash Provided by (Used in) Operating Activities	107,174,910	(221,818,562)
Cash Flows from Non-Capital Financing Activities:		
Proceeds from Pension Obligation Certificates	8,760,811	103,083,533
Issuance Costs - Pension Obligation Certificates	(286,646)	(3,372,800)
Bank Overdraft	758,762	-
Grants and Contributions from Other Governments	-	75,896,797
Transfers from Other Funds	-	76,943,880
Net Cash Provided by Non-Capital Financing Activities	9,232,927	252,551,410
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	-	20,308,094
Acquisition and Construction of Capital Assets	(364,680,084)	(39,231,417)
Proceeds from Bond and Note Issuances	429,391,224	-
Principal Paid on Bonds and Notes	(32,590,000)	-
Interest Paid on Bonds - Net	(82,010,501)	-
Principal Paid on Refunded Debt	(108,765,000)	-
Swap Termination Fees	(11,750,000)	-
Net Cash Provided by (Used in) Capital Financing Activities	(170,404,361)	(18,923,323)
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	651,726,904	103,221,800
Purchase of Investments	(632,143,250)	(106,320,328)
Interest on Investment Securities	14,930,952	296,527
Net Cash Provided by (Used in) Investing Activities	34,514,606	(2,802,001)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,481,918)	9,007,524
Cash and Cash Equivalents at Beginning of Year	31,771,026	2,367,033
Cash and Cash Equivalents at End of Year	$ 12,289,108	$ 11,374,557

(Continued)

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

Business-Type Activities			
Water Fund	Automobile Parking Fund	Non-Major Fund	Total
$ 260,740,367	$ 14,383,275	$ 614,205	$ 625,021,014
-	1,310,000	-	1,310,000
-	389,962	-	389,962
(28,698,398)	934,068	-	(46,362,791)
-	-	2,257	2,257
(115,305,031)	(6,499,865)	(1,785,571)	(271,688,954)
(204,140,836)	(5,067,693)	(1,583,127)	(508,021,527)
(87,403,898)	5,449,747	(2,752,236)	(199,350,039)
157,548,214	-	-	269,392,558
(5,154,834)	-	-	(8,814,280)
-	-	-	758,762
-	-	1,021,349	76,918,146
-	9,575,006	2,568,402	89,087,288
152,393,380	9,575,006	3,589,751	427,342,474
6,938,882	-	-	27,246,976
(134,448,175)	(2,897,037)	(717,474)	(541,974,187)
429,966,584	-	-	859,357,808
(22,440,000)	(6,615,000)	-	(61,645,000)
(85,928,089)	(5,502,077)	-	(173,440,667)
(125,985,000)	-	-	(234,750,000)
-	-	-	(11,750,000)
68,104,202	(15,014,114)	(717,474)	(136,955,070)
309,876,577	35,897,510	-	1,100,722,791
(449,752,017)	(37,208,168)	-	(1,225,423,763)
7,175,672	405,624	-	22,808,775
(132,699,768)	(905,034)	-	(101,892,197)
393,916	(894,395)	120,041	(10,854,832)
25,528,483	1,226,170	772,417	61,665,129
$ 25,922,399	$ 331,775	$ 892,458	$ 50,810,297

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2005

	Sewage Disposal Fund	Transportation Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	$ 106,134,605	$ (182,122,346)
Adjustments to Operating Income (Loss):		
Depreciation and Amortization	44,053,316	16,919,222
Allowance for Uncollectible Accounts	21,580,685	339,241
Changes in Assets and Liabilities:		
Other Receivables - Trade	(19,337,158)	(293,974)
Inventories	(282,877)	2,977,217
Increase in Net Pension Asset	(7,850,281)	(99,710,753)
Prepaid Expenses	(375,967)	-
Accounts Receivable	-	-
Due from Other Funds	-	-
Accounts and Contracts Payable	(20,085,947)	(4,155,308)
Due to Other Funds	(18,598,461)	3,384,553
Due to Component Units	-	(3,762,064)
Other Liabilities	482,844	43,301,199
Accrued Compensated Absences	1,759,543	69,004
Accrued Public Liability and Worker Compensation	(478,715)	1,413,261
Advances from Other Funds	-	-
Refundable Deposits	-	-
Prepaid Revenue	-	-
Accrued Salaries and Wages	173,323	(177,814)
Net Cash Provided by (Used in) Operating Activities	$ 107,174,910	$ (221,818,562)

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

Business-Type Activities			
Water Fund	Automobile Parking Fund	Non-Major Fund	Total
$ 62,129,779	$ (8,664,899)	$ (1,960,164)	$ (24,483,025)
41,529,608	6,287,158	393,089	109,182,393
6,650,637	-	-	28,570,563
(10,919,185)	-	169,345	(30,380,972)
501,841	-	-	3,196,181
(150,452,508)	-	-	(258,013,542)
(461,392)	254,802	2,241	(580,316)
-	755,624	-	755,624
(28,698,398)	389,962	(389,265)	(28,697,701)
(13,787,881)	1,435,430	(41,066)	(36,634,772)
-	934,068	(681,590)	(14,961,430)
-	-	-	(3,762,064)
(7,669)	2,512,403	(120,211)	46,168,566
2,824,151	112,098	(97,741)	4,667,055
2,933,092	-	(42,363)	3,825,275
-	1,310,000	-	1,310,000
-	-	2,257	2,257
-	-	(3,176)	(3,176)
354,027	123,101	16,408	489,045
$ (87,403,898)	$ 5,449,747	$ (2,752,236)	(199,350,039)

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Pension and Other Employee Benefit Funds	Agency Funds	Total
ASSETS			
Cash and Cash Equivalents	$ 32,226,333	$ 2,510,627	$ 34,736,960
Investments at Fair Value:			
Short-Term Investments	1,311,852,696	-	1,311,852,696
Commercial Paper	15,579,446	-	15,579,446
U. S. Government Obligations	39,733	-	39,733
Bonds and Stocks	4,543,538,820	-	4,543,538,820
Mortgage-Backed Securities	182,055,771	-	182,055,771
Mortgage and Construction Loans	152,136,711	-	152,136,711
Equity Interest in Real Estate	174,797,372	-	174,797,372
Real Estate Investment Trusts Held by Custodian	35,450,553	-	35,450,553
Pooled Investments	470,829,154	8,639,787	479,468,941
Private Placements	302,198,121	-	302,198,121
Total Investments	7,188,478,377	8,639,787	7,197,118,163
Accrued Interest Receivable	28,321,019	-	28,321,019
Accounts Receivable:			
Due from Primary Government	71,412,133	185,281	71,597,414
Due from Component Units	14,207	-	14,207
Other Receivables	152,939,255	-	152,939,255
Total Accounts Receivable	224,365,595	185,281	224,550,876
Cash and Investments Held as Collateral for Secuities Lending	1,103,131,232	-	1,103,131,232
Other Assets	920,108	-	920,108
Total Assets	8,577,442,664	11,335,695	8,588,778,359
LIABILITIES AND NET ASSETS			
Accounts and Contracts Payable	6,342,883	1,488,321	7,831,204
Due to Broker	195,337,141	-	195,337,141
Benefits and Claims Payable	21,225,025	-	21,225,025
Due to Primary Government	4,672,331	238,405	4,910,737
Due to Component Units	787,815	-	787,815
Amount Due to Broker for Secuities Lending	1,103,131,232	-	1,103,131,232
Other Liabilities	59,619,625	9,608,969	69,228,594
Total Liabilities	1,391,116,052	11,335,695	1,402,451,747
Net Assets:			
Net Assets Held in Trust for Pension and Employee Benefits	$ 7,186,326,612	$ -	$ 7,186,326,612

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 117)

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, 2005

	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions	$ 1,743,795,825
Plan Member Contributions	54,099,017
Other Income	10,470,273
Total Contributions	1,808,365,115
Investment Gain	538,048,281
Total Additions	2,346,413,396
DEDUCTIONS:	
Pension and Annuity Benefits	381,246,326
Premiums to Insurers and Damage Claims	316,409,428
Benefits	2,080,792
Refunds	140,439,687
General and Administrative Expenses	8,038,436
Total Deductions	848,214,669
Net Increase	1,498,198,727
Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year	5,688,127,885
Net Assets Held in Trust for Pension and Employee Benefits, End of Year	$ 7,186,326,612

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission (Unaudited)
ASSETS:					
Cash and Cash Equivalents	$ 114,129	$ 89,905	$ 1,027,619	$ 1,725,472	$ 740,334
Escrow Deposits-Cash	-	-	140,251	16,747,800	-
Investments, including Accrued Interest	-	1,806,129	83,233,758	24,050,508	-
Accounts and Contracts Receivable:					
Due from Primary Government	-	7,901,457	5,732,524	-	1,257,000
Due from Other Governments	-	7,467,059	-	-	-
Other Receivables	150,000	8,803,070	31,418,950	1,113,741	3,744,440
Total Accounts and Contracts Receivable	150,000	24,171,586	37,151,474	1,113,741	5,001,440
Allowance for Doubtful Accounts	-	(7,300,000)	(36,661)	-	(201,028)
Total Accounts and Contracts Receivable - Net	150,000	16,871,586	37,114,813	1,113,741	4,800,412
Inventory	-	3,224,483	-	-	-
Prepaid Expenditures/Expenses	-	-	109,206	-	699,837
Taxes, Interest, and Penalties Receivable - Net	-	830,000	11,626,196	-	-
Loans and Notes Receivable	-	-	24,120,792	1,889,812	-
Unamortized Bond and Note Issue Costs- Net	-	-	3,469,960	-	-
Net Pension Asset	-	22,653,538	-	-	-
Restricted Cash	-	1,604,760	-	-	590,912
Restricted Investments	-	7,238,503	-	-	-
Capital Assets:					
Land	-	1,371,996	7,544,670	-	15,119,876
Artwork	-	1,230,175	-	-	-
Plant and Equipment	-	165,365,967	26,833,841	-	144,474,267
Construction Work in Progress	-	-	-	-	32,631
Less: Depreciation	-	(150,200,884)	(2,196,500)	-	(63,881,637)
Capital Assets, Net	-	17,767,254	32,182,011	-	95,745,137
Other	-	-	10,021,003	343,085	943,483
Deferred Charges	-	778,209	-	-	-
Total Assets	264,129	72,864,367	203,045,609	45,870,418	103,520,115
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Contracts Payable	15,747	471,665	2,347,361	15,543,777	830,634
Interest Payable	-	-	6,287,196	232,740	-
Due to Primary Government	-	1,116,151	86,096	-	-
Due to Other Government	-	311,305	-	22,924	-
Accrued Salaries and Wages	-	1,026,504	-	-	2,130,838
Deferred Revenues	-	-	-	-	298,133
Other Current Liabilities	-	829,534	7,444,120	-	-
State Aid Anticipation and Other Notes Payable	-	-	-	-	-
Bonds, Notes, and Other Debt Payables-Current	-	-	11,180,000	1,382,398	-
Unamortized Premiums and Defeasances	-	-	(70,303)	-	-
Bonds, Notes and Other Debt Payable-Current-Net	-	-	11,109,697	1,382,398	-
Accrued Compensated Absences	-	253,571	-	-	288,311
Accrued Public Liability and Workers Compensation	-	5,347	-	-	146,909
Non-current Liabilities:					
Bonds, Notes, and Other Debt Payables-Noncurrent	-	-	158,163,501	980,000	-
Unamortized Premuims and Defeasances	-	-	(1,492,731)	-	-
Bonds, Notes and Other Debt Payable-Non-current-Net	-	-	156,670,770	980,000	-
Advance Payable to Primary Government for POC's	-	23,819,934	-	-	-
Accrued Compensated Absences	-	4,478,003	-	-	1,001,012
Accrued Public Liability and Workers Compensation	-	122,643	-	-	-
Total Liabilities	15,747	32,434,657	183,945,240	18,161,839	4,695,837
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	-	17,767,254	32,182,011	-	95,745,136
Restricted for:					
Restricted (Non-Expendable)	-	10,093,263	-	-	590,912
Capital Projects	86,395	-	-	27,532,628	-
Debt Service	-	-	(13,081,642)	-	-
Unrestricted (Deficit)	161,987	12,569,193	-	175,951	2,488,230
Total Net Assets (Deficit)	$ 248,382	$ 40,429,710	$ 19,100,369	$ 27,708,579	$ 98,824,278

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

Local Development Finance Authority	Museum of African American History	School District of the City of Detroit	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
$ 4,521	$ 218,697	$ 2,102,119	$ -	$ 1,017,738	$ -	$ 7,040,534
-	-	-	-	-	-	16,888,051
-	395,412	105,865,783	-	5,493,465	-	220,845,055
108,028	-	-	-	1,764,760	-	16,763,769
3,303,543	-	263,944,615	-	-	-	274,715,217
7,759	2,110,824	12,708,776	-	3,060,615	5,844,532	68,962,707
3,419,330	2,110,824	276,653,391	-	4,825,375	5,844,532	360,441,693
-	-	-	-	-	-	(7,537,689)
3,419,330	2,110,824	276,653,391	-	4,825,375	5,844,532	352,904,004
-	125,809	1,755,951	-	3,479,198	-	8,585,441
-	4,804	-	-	565,304	2,172,744	3,551,895
-	-	107,572,867	-	-	-	120,029,063
-	-	-	-	-	-	26,010,604
-	-	-	-	-	1,172,587	4,642,547
-	-	-	-	-	-	22,653,538
-	-	-	-	-	22,438,243	24,633,915
26,778,339	-	269,316,268	-	9,800,637	132,939,917	446,073,664
-	-	69,811,599	-	5,122,237	8,873,234	107,843,612
-	-	-	-	1,986,000	-	3,216,175
-	12,773,292	1,486,985,633	-	201,057,612	513,623,297	2,551,113,909
-	-	446,989,551	-	6,238,539	-	453,260,721
-	(2,635,511)	(468,378,233)	-	(135,990,456)	(187,195,380)	(1,010,478,601)
-	10,137,781	1,535,408,550	-	78,413,932	335,301,151	2,104,955,816
-	-	-	-	-	-	11,307,571
-	-	-	-	-	1,151,167	1,929,376
30,202,190	12,993,327	2,298,674,929	-	103,595,649	501,020,341	3,372,051,074
69,514	2,428,845	116,820,995	-	1,654,715	21,837,588	162,020,841
799,868		14,807,260	-	-	1,238,086	23,365,150
-	3,195	3,279,147	-	256,331	294,336	5,035,256
-	-	-	-	-	-	334,229
-	146,087	95,841,190	-	439,535	-	99,584,154
-	-	21,378,301	-	876,917	-	22,553,351
-	-	4,439,917	-	3,368,086	-	16,081,657
-	-	161,515,039	-	-	-	161,515,039
3,370,000	1,222,125	47,733,281	-	-	51,690,000	116,577,804
-	-	5,440,823	-	-	-	5,370,520
3,370,000	1,222,125	214,689,143	-	-	51,690,000	283,463,363
-	-	6,208,877	-	-	-	6,750,759
-	-	16,590,913	-	-	-	16,743,169
82,840,000	-	1,663,542,462	-	-	372,314,820	2,277,840,783
-	-	34,823,980	-	-	(3,341,006)	29,990,243
82,840,000	-	1,698,366,442	-	-	368,973,814	2,307,831,026
-	-	-	-	-	-	23,819,934
-	-	112,210,414	-	208,059	-	117,897,488
-	-	25,219,933	-	-	-	25,342,576
87,079,382	3,800,252	2,329,852,532	-	6,803,643	444,033,824	3,110,822,953
-	9,137,781	208,705,250	-	78,413,932	89,953,684	531,905,048
5,228,951	-	-	-	-	-	15,913,126
-	-	-	-	11,577,437	-	39,196,460
24,103,857	-	-	-	-	(32,967,167)	(21,944,952)
(86,210,000)	55,294	(239,882,853)	-	6,800,637	-	(303,841,561)
$ (56,877,192)	$ 9,193,075	$ (31,177,603)	$ -	$ 96,792,006	$ 56,986,517	$ 261,228,121

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2005

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission (Unaudited)
Expenses	$ (276,975)	$ (35,649,358)	$ (45,468,502)	$ (7,959,886)	$ (20,691,453)
Program Revenues:					
Charges for Services	225,000	267,492	9,311,503	12,289,457	4,622,167
Operating Grants and Contributions	154,341	5,387,912	-	-	17,601,668
Total Program Revenues	379,341	5,655,404	9,311,503	12,289,457	22,223,835
Net Program (Expenses) Revenue	102,366	(29,993,954)	(36,156,999)	4,329,571	1,532,382
General Revenues:					
Property Taxes - Levied for General Purposes	73,353	28,262,818	18,238,362	-	-
Property Taxes - Levied for Debt Service	-	-	-	-	-
Investment Income	-	167,376	-	3,172	121,042
Interest and Penalities on Taxes	2,043	528,396	-	-	-
Shared Taxes	-	2,697,049	-	-	-
Other Taxes and Assessments	-	1,263,994	-	-	-
Other Non Operating	-	1,415,751	872,073	300,000	312,342
General Revenues	75,396	34,335,384	19,110,435	303,172	433,384
Change in Net Assets	177,762	4,341,430	(17,046,564)	4,632,743	1,965,766
Net Assets(Deficit) - Beginning of Year, as Restated	70,620	36,088,280	36,146,933	23,075,836	96,858,512
Net Assets (Deficit) - End of Year	$ 248,382	$ 40,429,710	$ 19,100,369	$ 27,708,579	$ 98,824,278

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

Local Development Finance Authority	Museum of African American History	School District of the City of Detroit	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
$ (7,014,282)	$ (9,832,615)	$ (1,676,862,532)	$ (11,210,975)	$ (18,317,364)	$ (113,778,556)	(1,947,062,498)
-	1,609,275	9,044,337	-	443,669	46,176,830	83,989,730
-	4,718,423	533,266,746	-	11,694,950	67,693,792	640,517,832
-	6,327,698	542,311,083	-	12,138,619	113,870,622	724,507,562
(7,014,282)	(3,504,917)	(1,134,551,449)	(11,210,975)	(6,178,745)	92,066	(1,222,554,936)
8,985,583	-	88,528,994	11,210,975	-	-	155,300,085
-	-	99,454,576	-	-	-	99,454,576
484,718	(6,327)	9,798,478	-	1,532,144	5,075,210	17,175,813
-	-	-	-	-	-	530,439
-	-	850,521,353	-	-	-	853,218,402
285,393	-	11,378,678	-	-	-	12,928,065
3,001,533	7,499,369	(3,582,523)	-	2,283,886	-	12,102,431
12,757,227	7,493,042	1,056,099,556	11,210,975	3,816,030	5,075,210	1,150,709,811
5,742,945	3,988,125	(78,451,893)	-	(2,362,715)	5,167,276	(71,845,125)
(62,620,137)	5,204,950	47,274,290	-	99,154,721	51,819,241	333,073,246
$ (56,877,192)	$ 9,193,075	$ (31,177,603)	$ -	$ 96,792,006	$ 56,986,517	261,228,121

CITY OF DETROIT

In April, musicians and dancers perform at the celebration of the **40th anniversary of the Charles H. Wright Museum of African-American History**. The museum has taken great strides in expanding its membership, and its exhibits have struck a deep chord with visitors from across the country.

One of the fabulously imaginative **CarTune** car sculptures that were displayed on streets throughout downtown Detroit and Windsor during the summer of 2005.

The cars were later sold to raise funds for local charities.

Mayor Kilpatrick receives the **Midwest Regional Deal of the Year Award** from The Bond Buyer in New York City on December 6, 2005.

Children relish a warm spring day at Belle Isle Park's **Kids' Kingdom**. People of all ages enjoy the many attractions and natural beauty of Belle Isle, Detroit's 980-acre island Gem.

Children create their own crafts at **Metro Youth Day**. Hundreds of children participated in the many activities at the annual event on Belle Isle.

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 of Michigan 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 thirteen 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 Units:

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.

Detroit General Retirement System Service Corporation (DGRSSC) and Police and Fire Retirement System Service Corporation (DPFRSSC):

The Detroit General Retirement System Service Corporation (DGRSSC) and the Detroit Police and Fire Retirement System Service Corporation (DPFRSSC) are Michigan nonprofit corporations incorporated by the City pursuant to State Law. The DGRSSC and DPFRSSC were formed to assist the City in maintaining the actuarial integrity of the City's two pension systems. The governing body of each corporation is its Board of Directors, each of which consists of three officials of the City, the Finance Director, the Budget Director and the Corporation Counsel, plus two members of the City Council, selected and appointed by the City Council.

In May 2005, the City entered into a separate service contract with each of the DGRSSC and the DPFRSSC, in which the City contractually obligated itself to make periodic payments to the corporations in return for their service of reducing the financial burden of the City's pension costs. The DGRSSC and the DPFRSSC, severally and not jointly, entered into a Trust Agreement with U.S. Bank National Association, as Trustee, which created the Detroit Retirement Systems Funding Trust 2005 (DRSFT), a grantor trust established and existing under Michigan law. The DGRSSC and DPFRSSC sold and assigned to the DRSFT their rights to receive certain of the payments to be received from the City under the service contracts.

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:

(Continued)

Detroit Brownfield Redevelopment Authority (DBRA): The DBRA was created by a City Council resolution and approved by the Mayor in April 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.

Detroit Public Library (DPL): The DPL is a statutory body created by the State. 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.

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 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.

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."

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 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.

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

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.

(Continued)

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

Detroit Building Authority
2800 Cadillac Tower
65 Cadillac Square
Detroit, MI 48226
(313) 224-7242

Detroit General Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 1200
2 Woodward Avenue
Detroit, Michigan 48226
(313) 224-3380

Detroit Police & Fire Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 1200
2 Woodward Avenue
Detroit, Michigan 48226
(313) 224-3380

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

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

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

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, Michigan 44226
(313) 963-2940

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

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

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

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

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

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. Also, the extended lease agreement identified the intention to renovate space occupied by the County and provided the commitment of the County to enter into a separate supplemental lease for the repayment for the debt used in the renovations. Therefore, the County has an ongoing financial responsibility.

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. 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, 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 primarily 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City uses the following major funds:

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.

b. **Detroit General Retirement System Service Corporation** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.

c. **Police & Fire Retirement System Service Corporation** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.

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 five water treatment plants, 20 booster stations, a transmission and distribution system 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.

The City reports the following additional fund types:

Fiduciary Funds:

a. **Pension and Other Employee Benefit Funds** account for moneys held in trust by the City for pension benefits and other employee benefits. The City uses pension trust funds to account for the retirement plans for civilian employees, firefighters and police officers. The Employee Benefit funds accounts for various health and long-term disability benefits for employees and retirees.

b. **Agency Funds** account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

D. 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.

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 GASB. 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.

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, compensated absences and other long term obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, pension obligation certificates 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.

E. 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.

Budgetary Compliance Report:

The Finance Department has prepared a Budgetary Compliance Report for the fiscal year ended June 30, 2005. This report shows the Original and Final Budgets amounts and the (non-GAAP) budgetary-basis expenditures for each appropriation in of the Governmental Funds. The report is in Adobe PDF format and is available on the Finance Department home page of the City's website at **www.ci.detroit.mi.us**

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 24. 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.

F. 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 storm water 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, 2005 for the Sewage

Disposal and Water Funds was $50,767,951 and $31,567,774 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 at cost or appreciate 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 premiums, discounts and issuance gains and costs are reported as deferred charges and amortized over the term of the related debt.

   In the fund financial statements, governmental fund types recognize bond premiums 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 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 State Constitution 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

(Continued)

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 2005 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by non-residents and for corporations the annual rate for 2005 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 2005. 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 2006. 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 proprietary fund 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 GAAP 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. **Detroit Housing Commission (DHC) Restatement:** On July 7, 2005, the United States Department of Housing and Urban Development (HUD) signed a cooperative endeavor agreement with the Mayor. The agreement calls for the City to transfer all of DHC's assets, projects, and programs to HUD and for HUD to manage the day-to-day operations and reporting requirements of the DHC. The agreement has a two-year term and is renewable annually thereafter. DHC's net assets at June 30, 2004 are restated based on their unaudited financial statements.

    The Basic Financial Statements contain the Detroit Housing Commission's unaudited financial statements for fiscal year ended June 30, 2005.

    These unaudited financial statements represent the best data available as of April 15, 2006.

Net Assets of DHC at June 30, 2004, as previously reported	$	126,581,588
Net Assets of DHC at June 30, 2004, as restated	$	96,858,512
Net DHC restatement	$	29,723,076

14. **New Accounting Pronouncements:** The City adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, for the year ended June 30, 2005. This pronouncement requires additional disclosures presented in these notes, but has no impact on fund balance or net assets. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest risk, and foreign currency risk.

    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.

    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

The legal level of budget control is maintained at the appropriation level, which is more detailed than the budget in the Required Supplemental Information. Listed below are expenditures that exceeded its corresponding appropriation for the year ended June 20, 2005:

Department Name	Appropriation No.	Appropriation Description	Final Budget	Actual Expenditure	Actual/Over Appropriation
Public Works	00035	Refuse Collection	25,848,672	27,240,817	(1,392,145)
	00037	Street Cleaning	2,812,494	4,242,270	(1,429,776)
	00040	Refuse Disposal	76,548,620	82,768,373	(6,219,753)
	00041	Street Maintenance	5,213,828	6,386,796	(1,172,968)
	00052	Stores and Supplies	10,144,002	12,233,477	(2,089,475)
		Total Public Works	120,567,616	132,871,733	(12,304,117)
Fire	00718	Fire Fighting Operations	146,748,964	147,713,662	(964,698)
Non Departmental	10828	Tax Support-Bldgs and Safety Eng	112,106	461,106	(349,000)
	11177	Program Management Office	446,342	1,674,004	(1,227,662)
	11426	Office of Targeted Business Development	469,273	786,498	(317,225)
	11915	ITS - Unisys Project	-	6,612,615	(6,612,615)
		Total Non Departmental	1,027,721	9,534,223	(8,506,502)
Police	00112	Police Executive	4,973,659	5,319,436	(345,777)
	00115	Human Resources Bureau	10,303,321	10,649,572	(346,251)
	00116	Eastern Operations Bureau	128,255,851	137,173,079	(8,917,228)
	00363	Office of Executive Deputy Chief	-	4,357,611	(4,357,611)
	10164	COPS UHP-DDOT (3601)	4,095,456	5,748,893	(1,653,437)
		Total Police	147,628,287	163,248,591	(15,620,304)
Public Lighting	00131	Heat and Power Production	37,175,546	44,221,515	(7,045,969)
Recreation	10544	North District Operations	6,991,443	8,374,769	(1,383,326)
	10547	East District Operations	4,463,085	4,865,580	(402,495)
	10548	Belle Isle District	6,343,673	9,331,838	(2,988,165)
		Total Recreation	17,798,201	22,572,187	(4,773,986)

(Continued)

C. DEFICIT FUND EQUITY

General Fund had a deficit fund balance of $33,594,434. The Detroit Public Schools (DPS) and Local Development Finance Authority (both Component units) had fund deficits of $31,177,603 and $56,877,192 respectively. Each fund has a deficit reduction plan, which includes, among other things, changes in how and what level of services are to be provided, perhaps additional subsidies and in the case of DPS additional State appropriations.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. ASSETS

1. Deposits and Investments

a. Primary Government

The following is a complete listing of deposits and investments held by the City at June 30, 2005:

	Governmental Activities	Business - Type Activities	Total
Deposits	$ 152,481,046	$ 71,120,511	$ 223,601,557
Investments	297,929,368	1,103,535,354	1,404,464,722
Total	$ 450,410,414	$ 1,174,655,865	$ 1,625,066,279

The Deposits and Investments of the City at June 30, 2005 are reflected in the financial statements as follows:

	Governmental Activities	Business - Type Activities	Total
Unrestricted			
Cash and Cash Equivalents	$ 50,307,208	$ 2,208,061	$ 52,515,269
Investments	265,697,802	60,216,610	325,914,412
Restricted			
Cash and Cash Equivalents	88,805,837	48,602,256	137,408,093
Investments	45,599,567	1,063,628,938	1,109,228,505
Total	$ 450,410,414	$ 1,174,655,865	$ 1,625,066,279

State laws authorize the City to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The City is authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the bank may not return the City's deposits. The City does not have a deposit policy for custodial credit risk. As of June 30, 2005, the governmental and business-type activities had deposits of $204,454,712 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2005, the City had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not specifically restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City policy minimizes interest rate risk by requiring that the Fund attempt to match its investments with anticipated cash flow requirements. Unless related to a specific cash flow, the City is generally not permitted to directly invest in securities maturing more than 10 years from original date of purchase.

As of June 30, 2005, the City had the following investments and maturities**:**

Governmental Activities	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
US Treasury	$ 12,689,389	$ 2,446,448	$ 7,583,266	$ 2,659,675
US Government Agency Securities	84,887,117	18,024,779	66,862,338	-
Repurchase Agreement	1,005,222	1,005,222	-	-
Money Market	154,347,640	154,347,640	-	-
Total-Unrestricted	252,929,368	175,824,089	74,445,604	2,659,675
Money Market	45,000,000	45,000,000	-	-
Total -Restricted	45,000,000	45,000,000	-	-
Total Investments	$ 297,929,368	$ 220,824,119	$ 74,445,604	$ 2,659,675

		Investment Maturities in Years			
Business Type Activities	**Fair Value**	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**Over 10 Years**
Money Market	$ 54,216,611	$ 54,216,611	-	-	-
Total-Unrestricted	54,216,611	54,216,611	-	-	-
US Treasury	12,976,157	12,976,157	-	-	-
US Government Agency Securities	454,132,713	251,440,514	199,784,590	2,907,609	-
Repurchase Agreement	93,256,654	42,332,654	14,924,000	-	36,000,000
Money Market	488,953,219	488,953,219	-	-	-
Total -Restricted	1,049,318,743	795,702,544	214,708,590	2,907,609	36,000,000
Grand Total	$ 1,103,535,354	$ 849,919,155	$ 214,708,590	$ 2,907,609	$ 36,000,000

Credit Risk

The City's investment policy complies with state law which limits its investments in commercial paper, mutual funds and external investment pools which purchase commercial paper to the top two rating classifications issued by two nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2005, the City's investments have the following ratings:

Governmental Activities:

	U.S. Treasury	U.S. Government Agency Securities	Repurchase Agreements	Money Market
S&P				
AAA	$ 12,689,389	$ 58,059,229	$ -	$ -
Moodys				
Aaa	-	-	-	732,658
Not Rated	-	26,827,888	1,005,222	198,614,982
Total	$ 12,689,389	$ 84,887,117	$ 1,005,222	$ 199,347,640

Business-Type Activities:

	U.S. Treasury	U.S. Government Agency Securities	Repurchase Agreements	Money Market
S&P				
AAA	$ 12,976,157	$ 395,844,561	$ 28,442,000	$ 10,645,531
AA-	-	-	40,074,500	-
A+	-	-	9,816,154	-
A-	-	-	14,924,000	-
Moodys				
Aaa	-	58,288,152	-	38,010,950
Aa3	-	-	-	1,014,385
	-	-	-	-
Not Rated	-	-	-	493,498,964
Total	$ 12,976,157	$ 454,132,713	$ 93,256,654	$ 543,169,830

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the city's investment in a single issuer. The city's policy specifies a number of limitations to minimize concentration of credit risk include prohibiting investing more than 5% of the portfolio in securities (excluding U.S. government, mutual funds, external investment pools, and other pooled investments) of any one issuer. More than 5% of the primary government's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage, and Federal National Mortgage Association. These investments are 18.5%, 6.1%, and 13.9%, respectively, of the primary governments investments.

b. Fiduciary Activities

The Fiduciary activities consist of the Pension funds (General Retirement System and Police and Fire Retirement System) and Other Employee Benefit and Agency Funds.

State laws authorize the Pension Funds to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The Pension Funds are authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, equity securities and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Pension Funds' deposits may not be returned by the bank. The Pension Funds do not have a deposit policy for custodial credit risk. At June 30, 2005, the General Retirement System and Police and Fire Retirement System had deposits of $11,267,228 and $9,672,771, respectively, that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Pension Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Funds do not have a policy for custodial credit risk. As of June 30, 2005, the Pension Funds had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The pension funds' investment policy does not restrict investment maturities.

As of June 30, 2005, the Pension Funds had the following investments and maturities:

		Investment Maturities (in years)			
General Retirement System	Fair Value	Less than 1	1 - 5	6 - 10	more than 10
Asset Backed	83,953,543	753,194	59,361,622	1,252,924	22,585,803
CMO	24,876,956	-	799,965	272,038	23,804,953
Corporate Bonds	231,628,740	15,904,350	82,989,282	118,588,374	14,146,734
FHLMC	24,969,252	-	1,247,691	2,044,374	21,677,187
FNMA	69,064,833	-	1,938,653	2,844,399	64,281,781
GNMA	4,743,387	-	534,423	204,094	4,004,870
Government Issues	509,386,179	28,110,142	452,530,960	8,833,505	19,911,572
Municipals	702,496	653,242	49,254	-	-
Foreign Government Issues	33,112,342	4,028,477	6,725,441	19,353,419	3,005,005
STIF-Type Instrument	797,103,222	89,304,981	-	-	707,798,241
Mortgages	46,263,663	31,383,209	14,880,454	-	-
Construction loans	23,920,529	15,305,065	8,615,464	-	-
Private Placement	5,000,000	-	5,000,000	-	-
Total	1,854,725,142	168,785,116	28,495,918	19,353,419	710,803,246

Police and Fire Retirement System		Investment Maturities (in years)			
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government	$129,475,028	$14,431,714	$75,458,000	$20,558,190	$19,027,124
Mortgage Backed	54,371,713	-	270,134	2,174,714	51,926,865
Collateralized Mortgage Obligation	24,833,936	-	-	-	24,833,936
Corporate	439,208,985	23,656,048	187,021,254	143,788,865	84,742,818
Yankee Bonds	12,463,030	-	1,231,416	315,066	10,916,548
Non-U.S. Fixed Income	31,155,584	3,979,259	15,788,814	8,525,486	2,862,025
Convertible Bonds	8,204,662	149,044	1,020,885	-	7,034,733
Treasury Bills	3,439,095	3,439,095	-	-	-
Mortgages	19,331,504	-	-	-	19,331,504
Construction Loans	62,621,015	51,305,516	11,315,499	-	-
Total	**785,104,552**	**96,960,676**	**292,106,002**	**175,362,321**	**220,675,553**

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The system has no investment policy that would further limit its investment choices.

As of June 30, 2005, the Pension Funds' investments have the following ratings:

General Retirement System

S&P		Moody	
Amount	**Rating**	**Amount**	**Rating**
227,955	A	3,609,067	A1
2,184,833	A+	10,746,815	A2
275,673	A-1+	2,448,851	A3
89,828	AA	1,682,295	AA1
542,621	AA-	3,530,682	AA2
152,974	AA+	914,947	AA3
11,684,542	AAA	246,131,696	AAA
3,255,949	B	18,169,725	B1
380,147	B-	21,017,424	B2
4,625,130	B+	25,387,322	B3
1,061,020	BB	9,453,732	BA1
60,738	BB-	15,725,284	BA2
2,822,961	BB+	15,975,582	BA3
1,764,783	BBB	6,043,284	BAA1
239,755	BBB+	9,005,332	BAA2
104,162	D	11,017,052	BAA3
		8,750	C
		3,598,138	CA
		11,218,333	CAA1
		4,612,680	CAA2

Police and Fire Retirement System

	S&P									
Investment Type and Fair Value ($000)	TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	NR
U.S. Government	$82,480	$2,844	$43,195	$956	-	-	-	-	-	-
Mortgage Backed	-	54,372	-	-	-	-	-	-	-	-
Collateralized Mortgage Obligations	-	15,679	9,155	-	-	-	-	-	-	-
Corporate	-	479	12,403	19,150	130,774	127,786	52,032	68,657	18,424	9,504
Yankee Bonds	-	-	-	-	3,148	6,618	1,757	940	-	-
Non-U.S. Fixed Income	-	-	-	6,384	14,739	2,934	3,037	4,061	-	-
Convertible Bonds	-	-	885	-	1,829	2,635	753	1,950	-	153
Treasury Bills	-	-	3,439	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	19,332
Construction Loans	-	-	-	-	-	-	-	-	-	62,621
Total	**$ 82,480**	**$ 73,374**	**$ 69,077**	**$ 26,490**	**$ 150,490**	**$ 139,973**	**$ 57,579**	**$ 75,608**	**$ 18,424**	**$ 91,610**

Quality Ratings of TSY and AGY have been assigned by The Bank of New York

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in a foreign currency could lose U.S. dollar value because of changes in foreign currency exchange rates. State law and the city's investment policy do not permit investments in foreign currency. However, the General Retirement System and Police and Firemen Retirement System (Pension Funds) do not restrict the amount of investments in foreign currency. Their foreign currency investments are as follows:

	Equity	Corporate Bonds	Cash and Cash Equivalents	Government Securities	Derivative
Australian Dollar	$ 7,595,112	$ -	$ 163,535	$ 8,282,550	$ -
Brazilian Real	-	-	3,992	-	-
British Pound Sterling	41,313,013	-	1,562,280	3,005,005	(3,271)
Canadian Dollar	1,811,619	-	31,272	9,893,994	9,486
Danish Krone	2,689,232	-	49,056	-	-
Euro Currency	84,064,927	-	2,165,338	8,040,295	(11,791)
Hong Kong Dollar	2,944,461	-	51,139	-	(1,868)
Hungarian Forint	3,169,711	-	-	-	-
Indionesian Rupiah	534,819	-	3,616	-	-
Japanese Yen	45,406,763	-	7,100,605	6,384	(11,491)
Malaysian Ringgit	621	-	-	-	-
Mexican Nuevo Peso	938,989	-	11,277	34,180	-
New Russian Ruble	-	-	2	-	-
New Zealand Dollar	297,023	1,374,483	3,752	1,360,650	-
Norwegian Krone	6,246,851	-	12,685	-	-
Philippine Peso	168,797	-	2,229	-	-
Polish Zloty	6,901,247	-	-	5,003,345	-
Singapore Dollar	1,578,579	-	16,976	4,028,477	(1,216)
South African Rand	537,065	-	9,615	-	-
South Korean Won	2,247,933	-	272	-	-
Swedish Krona	12,071,842	-	430,400	-	(1,385)
Swiss Franc	16,031,622	-	535,465	-	-
Thai Baht	22,541	-	569	-	-
	$ 236,572,767	$ 1,374,483	$ 12,154,075	$ 39,654,880	$ (21,536)

Securities Lending

As permitted by State statues and under the provisions of a securities lending authorization agreement, the Pension Funds lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Pension Funds custodial bank manages the securities lending program and receives cash, government securities, or 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 not less than 100 percent of the market value of the loaned securities.

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

The General Retirement System had lent no securities to broker-dealers or banks.

The Police and Fire Retirement System and the borrower maintain the right to terminate all securities lending transaction on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool as of June 30, 2005 was 27 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2005, the Police and Fire Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Retirement System as of June 30, 2005 was $1,103,131,232 and $1,072,327,690, respectively.

Other Employee Benefit and Agency Funds

State laws authorize the City to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The City is authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools authorized by state law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Other Employee Benefit and Agency funds (Other Funds) deposits may not be returned by the bank. The City does not have a deposit policy for custodial credit risk. At June 30, 2005, the Other Funds had deposits of $13,811,612 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Other Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2005, the Other Funds had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not specifically restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City policy minimizes interest rate risk by requiring that the Fund attempt to match its investments with anticipated cash flow requirements. Unless related to a specific cash flow, the City is generally not permitted to directly invest in securities maturing more than 10 years from original date of purchase.

As of June 30, 2005, the Other Funds had the following investments and maturities:

Employee Benefit/ Agency Funds	Fair Value	Less than 1 yr
Money Market	$ 34,354,890	$ 34,354,890
Mutual Funds	18,429,867	18,429,867
U.S. Gov't Agency Securities	39,733	39,733
Equity	4,436,139	4,436,139
Total-Unrestricted	57,260,629	57,260,629
Restricted-Mutual Funds	2,200,862	2,200,862
Grand Total	$ 59,461,491	$ 59,461,491

Credit Risk

The City's investment policy complies with state law which limits its investments in commercial paper, mutual funds and external investment pools which purchase commercial paper to the top two rating classifications issued by two nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2005, the Other Funds investments in debt securities are with money market funds and mutual funds, which have no rating.

c. Component Units

School District of the City of Detroit.

State statues and the School District of the City of Detroit (School District) investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District deposits are in accordance with statutory authority.

The School District has designated three banks and one credit union for the deposit of its funds.

The investment policy adopted by the School District has authorized investments as listed in the State statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used fro the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of $9,098,466 had $8,880,646 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring

the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit it investment choices.

At year-end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Federal Home Loan Mortgage Corporation Discount Note	$ 15,043,980	7/5/2005	AAA	S&P
Bank America Tri Party Repurchase Agreement	70,000,000	7/1/2005	AAA	S&P
Goldman Sachs Tri Party Repurchase Agreement	21,000,000	7/1/2005	AAA	S&P
Morgan Stanley Tri Party Repurchase Agreement	70,000,000	7/1/2005	AAA	S&P
ING US FDG LLC Commercial Paper	1,994,380	8/1/2005	A1/P1	S&P/Moody's
JP Morgan US Government Money Market Fund Capital Class	82,980,549	N/A	AAAm/Aaa	S&P/Moody's
Dreyfus Corporation Dreyfus Government Cash Management	871,449	N/A	N/A	Not Rated
Citicorp Discount Commercial Paper	1,996,760	7/19/2005	A1/P1	S&P/Moody's
AIG FDG Inc Discount Commercial Paper	8,693,451	7/22/2005	A1/P1	S&P/Moody's
Ciesco LLC Discount Commercial Paper	6,287,778	7/22/2005	A1/P1	S&P/Moody's
Citigroup Global Markets Holdings Inc. Discount Commercial Paper	5,487,075	7/27/2005	A1/P1	S&P/Moody's
General Electric CAP Corporation Discount Commercial Paper	1,994,380	8/1/2005	A1/P1	S&P/Moody's
ING US FDG LLC Discount Commercial Paper	12,963,470	8/1/2005	A1/P1	S&P/Moody's
Barclays US FDG LLC Discount Commercial Paper	5,866,193	8/31/2005	A1/P1	S&P/Moody's
Barclays US FDG LLC Discount Commercial Paper	4,968,950	9/6/2005	A1/P1	S&P/Moody's
UBS Financial Del LLC Discount Commercial paper	3,776,098	9/6/2005	A1/P1	S&P/Moody's
Citigroup Global Markets Holdings Inc. Discount Commercial Paper	4,968,100	9/7/2005	A1/P1	S&P/Moody's
Dexia Del LLC Discount Commercial Paper	4,669,450	9/9/2005	A1/P1	S&P/Moody's
Federal Home Loan Bank Discount Note	8,990,100	7/13/2005	AAA	S&P
Federal National Mortgage Association Discount Note	9,862,313	7/15/2005	AAA	S&P
Federal Home Loan Bank Discount Note	8,989,200	7/15/2005	AAA	S&P
Federal National Mortgage Association Discount Note	4,982,000	8/10/2005	AAA	S&P
Federal Home Loan Mortgage Corporation Medium Term Note	2,000,160	10/7/2005	AAA	S&P
Federal Home Loan Bank Discount Note	5,443,900	10/18/2005	AAA	S&P
Amstel Funding Corporation Commercial Paper	250,200	7/15/2005	A1/P1	S&P/Moody's
Asset One Sec LLC Commercial Paper	250,495	7/8/2005	A1/P1	S&P/Moody's
Atlantis One Funding Commercial Paper	246,340	8/11/2005	A1+/P1	S&P/Moody's
Beethoven Funding Corporation Commercial Paper	246,373	11/9/2005	A1/P1	S&P/Moody's
Beethoven Funding Corporation Commercial Paper	319,970	7/1/2005	A1/P1	S&P/Moody's
Coca-Cola Company Commercial Paper	198,598	7/5/2005	A1/P1	S&P/Moody's
Coop Association Tractor Commercial Paper	98,931	7/25/2005	A1/P1	S&P/Moody's
Coop Association Tractor Commercial Paper	390,884	9/27/2005	A1/P1	S&P/Moody's
Dealers Capital Access Commercial Paper	147,704	10/12/2005	A1/P1	S&P/Moody's
Edison Asset Securitization Commercial Paper	245,940	10/3/2005	A1+/P1	S&P/Moody's
Fairway Finance Corporation Commercial Paper	246,663	7/7/2005	A1/P1	S&P/Moody's
Fairway Finance Corporation Commercial Paper	245,884	11/7/2005	A1/P1	S&P/Moody's
GE Capital Corporation Commercial Paper	118,470	7/1/2005	A1+/P1	S&P/Moody's
GE Capital Corporation Commercial Paper	197,314	9/8/2005	A1+/P1	S&P/Moody's
Starbird Funding Corporation Commerical Paper	248,729	8/10/2005	A1/P1	S&P/Moody's

(Continued)

Sydney Capital Corporation Commercial Paper	246,878	7/14/2005	A1+/P1	S&P/Moody's
Three Crowns FDG LLC Commercial Paper	246,539	7/21/2005	A1/P1	S&P/Moody's
Three Crowns FDG LLC Commercial Paper	273,183	9/29/2005	A1/P1	S&P/Moody's
Windmill Funding Corporation Commercial Paper	398,415	7/27/2005	A1+/P1	S&P/Moody's
Repurchase agreement	5,677,299	7/1/2005	Not rated	Not rated
MILAF MIMAX	1,057,506	N/A	AAAm	S&P
Total investments	$ 375,182,051			

Concentration of Credit Risk – The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the School District 's investments are invested in the following.

Investment	Fair Value	Percentage of Total Investments
JP Morgan US Government Money Market Fund Capital Class	$ 82,980,549	22.12%
Bank America Tri Party Repurchase Agreement	70,000,000	18.66%
Morgan Stanley Tri Party Repurchase Agreement	70,000,000	18.66%
Goldman Sachs Tri Party Repurchase Agreement	21,000,000	5.60%
Federal Home Loan Bank Discount Note	23,423,200	6.24%
Total	$ 267,403,749	71.27%

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, 2005:

	General	Other Governmental	Total
Estimated Withheld Income Tax Receivable	$ 28,381,590	$ —	$ 28,381,590
Trade Receivables	21,342,143	1,236,024	22,578,167
Land Contracts Receivable	4,672,578	—	4,672,578
Property Taxes	58,093,679	20,478,737	78,572,416
Income Taxes	38,617,652	—	38,617,652
Special Assessments	25,697,431	347,225	26,044,656
Interest and Penalties	5,685,000	2,005,000	7,690,000
Utility Users Tax	6,241,469	—	6,241,469
Due from Fidiciary Funds	4,910,736	—	4,910,736
Allowance for Doubtful Accounts	(136,611,870)	(17,091,532)	(153,703,402)
Total Other Receivables, Net	$ 57,030,408	$ 6,975,454	$ 64,005,862

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, 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" and "due to other funds" on the Balance Sheet and Statement of Net Assets and will be settled within one year. Interfund receivables and payables at June 30, 2005 are as follows:

	Due From								
	General Fund	Non-Major Governmental Funds	Sewage Disposal Fund	Transportation Fund	Water Fund	Auto Parking Fund	Non-Major Proprietary Fund	Fiduciary Funds	Total
Due to:									
General Fund	$ -	$ 14,819,187	$ 4,707,202	$ 10,781,506	$ 17,378,010	$ 538,137	$ 211,119	$ 4,910,736	$ 53,345,897
Non-Major Governmental Funds	5,176,131	1,189,209	—	—	236,522	27,333	—	—	6,629,195
Sewage Disposal Fund	49,242,946	—	—	—	54,783,681	—	—	—	104,026,627
Transportation Fund	560,346	200,086	—	—	—	—	—	—	760,432
Water Fund	34,037,321	181,080	59,238,140	168,056	—	—	—	—	93,624,597
Automobile Parking Fund	364,374	25,179	—	—	—	—	83	—	389,636
Non-Major Proprietary Fund	1,430,941	—	—	—	—	—	—	—	1,430,941
Fiduciary Funds	71,335,032	—	262,382	—	—	—	—	—	71,597,414
Total	$ 162,147,091	$ 16,414,741	$ 64,207,724	$ 10,949,562	$ 72,398,213	$ 565,470	$ 211,202	$ 4,910,736	$ 331,804,739

5. Advances: Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2005 are as follows:

Receivable Fund	Amount
General Fund	$ 12,692,905
	$ 12,692,905

Payable Fund	Amount
Detroit Workforce Development Department (Non-Major Governmental Fund)	$ 145,674
Capital Projects Fund (Non-Major Governmental Fund)	850,000
Transportation Fund (Proprietary Fund)	10,447,231
Automobile Parking Funds (Proprietary Fund)	1,250,000
	$ 12,692,905

6. Transfers: During the course of the fiscal year 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, 2005 are as follows:

	Tranfers In					
	General Fund	Non-major Governmental Funds	Transportation Fund	Automobile Parking Fund	Non-major Enterprise Fund	Total
Transfers Out						
General Fund	$ -	$ 47,065,747	$ 77,441,898	$ 9,575,006	$ 2,568,402	$ 136,651,053
Non-Major Governmental	33,051,546	60,958,496	-	-	-	94,010,042
	$ 33,051,546	$ 108,024,243	$ 77,441,898	$ 9,575,006	$ 2,568,402	$ 230,661,095

The General Fund transferred $136.6 million to other funds. The largest transfer was made to the Transportation Fund for $77.4 million to maintain bus operations. The General Fund also transferred $38.8 million to the Debt Service Fund for principal and interest payments. A transfer of $9.6 million was made to the Automobile Parking Fund to support operations due the union lockout in effect for the 2004-2005 NHL hockey season.

The Non-Major Governmental Funds transferred $94 million to other funds. The Debt Service Fund transferred $37.5 million of unspent bond proceeds to the Capital Projects Fund to be reserved for the future Cobo Hall construction costs.

The Major and Local Street Fund transferred $30.3 million to the General Fund to reimburse General Fund for street construction costs.

7. Capital Asset Activity for the Year Ended June 30, 2005:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 355,511,574	$ 27,536,453	$ (34,400)	$ 383,013,627
Works of Arts	29,788,133	-	-	29,788,133
Construction in Progress	153,106,957	75,251,114	(21,360,725)	206,997,346
Total Non-Depreciable Assets	538,406,664	102,787,567	(21,395,125)	619,799,106
Depreciable Assets:				
Buildings and Improvements	698,160,966	106,885,999	(3,671,389)	801,375,576
Machinery and Equipment	377,848,919	34,168,607	(4,287,368)	407,730,158
Infrastructure	767,336,917	60,064,260	-	827,401,177
Total Depreciable Assets	1,843,346,802	201,118,866	(7,958,757)	2,036,506,911
Less Accumulated Depreciation for :				
Buildings and Improvements	263,325,399	31,805,821	(183,754)	294,947,466
Machinery and Equipment	297,444,161	22,770,003	(4,258,367)	315,955,797
Infrastructure	626,934,101	15,425,818	-	642,359,919
Total Accumulated Depreciation	1,187,703,661	70,001,642	(4,442,121)	1,253,263,182
Governmental Activities Capital Assets, Net	$ 1,194,049,805	$ 233,904,791	$ (24,911,761)	$ 1,403,042,835

Depreciation Expense was charged to the Governmental functions as follows:

Public Protection	$ 12,196,755
Health	1,830,351
Education	109,285
Recreation and Culture	9,286,687
Economic Development	18,376,250
Housing Supply and Condition	191,925
Physical Environment	23,015,059
Development and Management	4,995,330
Total:	$ 70,001,642

Business-type Activities:

Major Funds:	Beginning Balance	Increase	Decrease	Ending Balance
Sewage Disposal Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 13,876,751	$ -	$ -	$ 13,876,751
Construction in Progress	1,203,738,078	439,665,001	(423,417,016)	1,219,986,063
Total Non-Depreciable Assets	1,217,614,829	439,665,001	(423,417,016)	1,233,862,814
Depreciable Assets:				
Buildings and Structures	891,488,855	252,665,492	(239,425)	1,143,914,922
Sewer Lines	532,455,750	10,313,939	-	542,769,689
Machinery, Equipment and Fixtures	572,095,371	136,220,745	(284,257)	708,031,859
Total Depreciable Assets	1,996,039,976	399,200,176	(523,682)	2,394,716,470
Total Capital Assets	3,213,654,805	838,865,177	(423,940,698)	3,628,579,284
Less Accumulated Depreciation:				
Buildings and Structures	227,878,813	24,164,324	(213,185)	251,829,952
Sewer Lines	96,278,191	5,635,113	-	101,913,304
Machinery, Equipment and Fixtures	313,414,031	14,253,879	(283,451)	327,384,459
Total Accumulated Depreciation	637,571,035	44,053,316	(496,636)	681,127,715
Net Capital Assets	$ 2,576,083,770	$ 794,811,861	$ (423,444,062)	$ 2,947,451,569
Transportation Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 4,114,574	$ -	$ -	$ 4,114,574
Construction in Progress	4,699,876	3,892,509	(3,541,604)	5,050,781
Total Non-Depreciable Assets	8,814,450	3,892,509	(3,541,604)	9,165,355
Depreciable Assets:				
Buildings and Structures	65,498,463	4,411,792	-	69,910,255
Machinery, Equipment and Fixtures	48,489,640	2,240,984	-	50,730,624
Vehicle and Buses	148,970,549	32,227,735	(14,361,222)	166,837,062
Total Depreciable Assets	262,958,652	38,880,511	(14,361,222)	287,477,941
Total Capital Assets	271,773,102	42,773,020	(17,902,826)	296,643,296
Less Accumulated Depreciation:				
Buildings and Structures	45,764,174	1,377,739	-	47,141,913
Machinery, Equipment and Fixtures	28,840,860	3,412,179	-	32,253,039
Vehicle and Buses	66,682,027	12,129,304	(14,361,223)	64,450,108
Total Accumulated Depreciation	141,287,061	16,919,222	(14,361,223)	143,845,060
Net Capital Assets	$ 130,486,041	$ 25,853,798	$ (3,541,603)	$ 152,798,236

(Continued)

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Water Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 6,527,438	$ -	$ -	$ 6,527,438
Construction in Progress	679,745,387	171,715,631	(433,433,858)	418,027,160
Total Non-Depreciable Assets	686,272,825	171,715,631	(433,433,858)	424,554,598
Depreciable Assets:				
Land Improvements	96,834,157	6,489,620	-	103,323,777
Buildings and Structures	453,406,152	254,440,499	-	707,846,651
Water lines	689,057,547	25,799,056	-	714,856,603
Machinery, Equipment and Fixtures	492,782,490	138,004,268	(151,748)	630,635,010
Total Depreciable Assets	1,732,080,346	424,733,443	(151,748)	2,156,662,041
Total Capital Assets	2,418,353,171	596,449,074	(433,585,606)	2,581,216,639
Less Accumulated Depreciation:				
Land Improvements	55,574,268	1,935,202	-	57,509,470
Buildings and Structures	172,328,105	7,660,215	-	179,988,320
Water Lines	246,104,133	9,566,224	(193,610)	255,476,747
Machinery, Equipment and Fixtures	173,646,239	22,367,967	(125,379)	195,888,827
Total Accumulated Depreciation	647,652,745	41,529,608	(318,989)	688,863,364
Net Capital Assets	$ 1,770,700,426	$ 554,919,466	$ (433,266,617)	$ 1,892,353,275
Automobile Parking Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 7,014,113	$ -	$ -	$ 7,014,113
Construction in Progress	5,858,056	1,282,871	(6,636,744)	504,183
Total Non-Depreciable Assets	12,872,169	1,282,871	(6,636,744)	7,518,296
Depreciable Assets:				
Land Improvements	214,908	-	-	214,908
Buildings and Structures	199,088,852	8,199,660	-	207,288,512
Machinery, Equipment and Fixtures	2,339,955	51,251	-	2,391,206
Total Depreciable Assets	201,643,715	8,250,911	-	209,894,626
Total Capital Assets	214,515,884	9,533,782	- (6,636,744)	217,412,922
Less Accumulated Depreciation:			-	
Land Improvements	166,368	10,745	-	177,113
Buildings and Structures	105,978,636	6,103,469	-	112,082,105
Machinery, Equipment and Fixtures	1,755,641	172,944	-	1,928,585
Total Accumulated Depreciation	107,900,645	6,287,158	- -	114,187,803
Net Capital Assets	$ 106,615,239	$ 3,246,624	$ - $ (6,636,744)	$ 103,225,119

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Non-Major Fund:				
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	8,020,718	-	-	8,020,718
Buildings and Structures	5,272,287	581,486	-	5,853,773
Machinery, Equipment and Fixtures	1,729,316	41,326	-	1,770,642
Vehicle and Buses	1,482,115	94,663	-	1,576,778
Total Depreciable Assets	16,504,436	717,474	-	17,221,910
Total Capital Assets	21,673,810	717,474	-	22,391,284
Less Accumulated Depreciation:				
Land Improvements	5,958,411	167,098	-	6,125,509
Buildings and Structures	4,078,141	43,462	-	4,121,603
Machinery, Equipment and Fixtures	1,437,656	80,809	-	1,518,465
Vehicle and Buses	630,554	101,719	-	732,273
Total Accumulated Depreciation	12,104,762	393,088	-	12,497,851
Net Capital Assets	$ 9,569,048	$ 324,386	$ -	$ 9,893,434

(Continued)

Component Units

School District of the City of Detroit:	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land and Land Rights	$ 55,427,603	$ 14,394,596	$ (10,600)	$ 69,811,599
Construction in Progress	432,500,072	15,192,146	(702,667)	446,989,551
Total Non-Depreciable Assets	487,927,675	29,586,742	(713,267)	516,801,150
Depreciable:				
Buildings and Structures	1,009,762,305	139,599,832	(5,171,000)	1,144,191,137
Land Improvements	63,406,679	38,037,657	—	101,444,336
Buses and Other Vehicles	43,313,438	8,746,862	(7,350,000)	44,710,300
Machinery, Equipment, and Fixtures	166,063,632	30,591,220	(14,992)	196,639,860
Total Depreciable Assets	1,282,546,054	216,975,571	(12,535,992)	1,486,985,633
Total Capital Assets	1,770,473,729	246,562,313	(13,249,259)	2,003,786,783
Less Accumulated Depreciation:				
Building and Structures	339,377,994	26,409,305	(1,180,711)	364,606,588
Land Improvements	10,918,892	3,748,108	—	14,667,000
Buses and Other Vehicles	27,172,099	3,791,281	(7,350,000)	23,613,380
Machinery, Equipment, and Fixtures	37,963,026	27,530,654	(2,415)	65,491,265
Total Accumulated Depreciation	415,432,011	61,479,348	(8,533,126)	468,378,233
Net Capital Assets	$ 1,355,041,718	$ 185,082,965	$ (4,716,133)	$ 1,535,408,550
Other Component Units:				
Non-Depreciable Assets:				
Land and Land Rights	$ 38,032,013	$ —	$ —	$ 38,032,013
Works of Art	3,216,175	—	—	3,216,175
Construction in Progress	29,507,376	673,354	(23,909,560)	6,271,170
Total Non-Depreciable Assets	70,755,564	673,354	(23,909,560)	47,519,358
Depreciable:				
Land and Leasehold Improvements	188,444	—	—	188,444
Buildings and Structures	236,345,291	—	—	236,345,291
Facility and Steamline	513,623,297	—	—	513,623,297
Machinery, Equipment and Fixtures	300,137,378	13,578,861	(128,019)	313,588,220
Vehicles and Buses	383,024	—	—	383,024
Total Depreciable Assets	1,050,677,434	13,578,861	(128,019)	1,064,128,276
Total Capital Assets	1,121,432,998	14,252,215	(24,037,579)	1,111,647,634
Less Accumulated Depreciation	514,836,000	27,264,368	—	542,100,368
Net Capital Assets	$ 606,596,998	$ (13,012,153)	$ (24,037,579)	$ 569,547,266

(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 often 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 $116.5 million for governmental activities.

b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs, principally, 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, 2005 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, 2005. 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 (DHC):** Effective July 1, 2003, the City changed its presentation of the DHC to a discretely presented component unit of the City. 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

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, 2005.

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. The City is in the process of vigorously defending these questioned costs.

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, 2005, 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, 2005, $2,807,435 is outstanding against this advance.

f. **Greater Detroit Resource Recovery Authority (GDRRA):** In 1991, the GDRRA 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 GDRRA, which results in the GDRRA assuming most of the lease obligations. Upon expiration of the initial lease term, the GDRRA 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 GDRRA 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 GDRRA's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the GDRRA distributed $54 million of the cash proceeds to the City, which was reflected as a reduction of the GDRRA's equity.

Future minimum lease payments for each of the next four years for the initial lease term are as follows: 2006 – $51,419,062; 2007 – $52,521,466; 2008 – $ 34,719,333 and 2009 – $34,719,333 (expiration year).

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 Commitments:** The City has commitments for future construction contracts. Construction in progress and remaining commitments at June 30, 2005 are as follows:

	Spent to June 30, 2005	Remaining
Public protection	$ 62,171,273	$ 95,565,766
Municipal facilities	46,023,951	6,347,120
Cultural and recreational	111,813,976	7,397,933
Human services	1,288,329	2,465,326
Municipal services	1,755,560	1,089,108
	$ 223,053,089	$ 112,865,253

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 ($41million). The bonds require that remaining funds be used for self-insurance activities. The City is self-insured for losses such as workers' compensation, legal, and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds and Transportation Fund 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 Transportation fund 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, 2005, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at $181.2 million for the primary government. The City has recognized a liability that approximated $7.0 million in the General Fund as of June 30, 2005 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, 2005 and 2004 were as follows:

	(In Millions)	
	June 30, 2005	June 30, 2004
Balance at Beginning of Year	$ 187.3	$ 178.8
Current Year Claims and Changes in Estimates	60.8	117.7
Claims Payments	(66.9)	(109.2)
Balance at End of Year	$ 181.2	$ 187.3

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, 2005 the General Fund has reserved $29.2 million for the purpose of funding the City's future claims liabilities.

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:	
2006	$ 8,415,372
2007	5,486,898
2008	4,716,654
2009	2,748,140
2010	1,799,707
Total Minimum Payments	$ 23,166,771

Rental expense for all operating leases approximated $18.4 million for the year ended June 30, 2005.

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.

3. **Short-Term Revenue Anticipation Notes:** In June 2005, the City issued $54,445,000 (Series 2005) in Revenue Anticipation Notes (RANS). The notes are due on April 3, 2006 and bear interest at 4.00% per year. The notes are not subject to redemption prior to maturity. The Notes were issued to pay necessary operating expenditures and to pay the costs of issuance with respect to the Notes.

4. **Long-Term Obligations**

Governmental Activities:

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.

In August 2004, the City issued $41,325,000 of Unlimited Tax General Obligation Bonds to finance various capital projects; the bonds are fully matured in April 2024, with an average yield of 4.22%. Refunding Bonds were issued in the amount of $70,355,000 to advance refund $69,160,000 of previously issued Unlimited Tax General Obligation Bonds. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $1,195,000. This difference, reported in the financial statements as a deduction from bonds payable, is being charged through the year 2018 using the straight-line method.

In August 2004, the City issued $62,285,000 of Limited Tax General Obligation Bonds to fund the Risk Management Fund. The bonds fully mature in April 2014, with an average yield of 4.70%.

In January 2005, the City issued $81,050,000 in Refunding Bonds that were issued to advance refund $81,230,000 of previously issued Unlimited Tax General Obligation Bonds. The bonds fully mature in April 2011, with an average yield of 3.51%. The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $180,000. This difference, reported in the financial statements as an increase to bonds payable, is being charged through the year 2011 using the straight-line method.

In June 2005, the City issued $87,030,000 of Limited Tax General Obligation Bonds to finance capital improvement projects. The bonds fully mature in April 2025, with an average yield of 3.24%. Refunding Bonds in the amount of $11,785,000 were issued to advance refund $11,410,000 of previously issued Limited Tax General Obligation Bonds. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $375,000. This difference, reported in the financial statements as a deduction from bonds payable, is being charged through the year 2021 using the straight-line method.

The net savings (loss) from refundings and the related economic gains are as follows:

	Series 2004 -B $70,355,000	Series 2005-A $81,050,000	Series 2005-B $11,785,000
Cash flow requirements to service old debt	$ 96,358,370	$ 96,578,645	$ 18,433,130
Less cash flow requirements for new debt	102,618,911	93,009,489	17,795,183
Net savings (loss) from refunding	(6,260,541)	3,569,156	637,947
Economic Gain	$ 423,241	$ 2,988,078	$ 728,146

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 old 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, 2005 approximated $193.0 million.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Governmental Activities was allocated an obligation of $1,170,607,422 out of the total obligation of $1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F for further disclosure.

Business-type Activities:

Sewage Disposal Fund:

The outstanding indebtedness of the Sewage Disposal Fund was $2,653,826,572 at June 30, 2005. The interest rates on the outstanding bonds range from 4.2% to 6.5%. Net revenues of the Sewerage Disposal Fund are pledged to repayment of bonds. In fiscal 2005, the Fund issued $273,355,000 of City of Detroit, Michigan Sewage Disposal System Revenue Second Lien Bonds, Series 2005-A; $40,215,000 of City of Detroit, Michigan Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-B; $63,160,000 of City of Detroit Michigan Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-C. The net proceeds were used to refund a portion of the City's outstanding Sewage Disposal Systems Revenue Bonds and Revenue Refunding Bonds and to pay cost of issuance associated with the 2005 Bonds.

The net proceeds of the Sewage System Revenue Second Lien Bond, Series 2005-A will be used (a) to deposit into the Construction Fund, and (b) for the payment of the related costs of issuance, including the premium for the municipal bon d insurance.

The net proceeds of the Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-B were used (a) to advance-refund $ 22,355,000 principal amount of the City's Sewage Disposal System Senior Lien Bonds, Series 1997-A comprised of serial bonds maturing in the year 2022; (the "Advance Refunded 1997-A Bonds") with an average interest rate of 5%, (b) to advance refund $ 115,000, 1999-A Sewage Disposal system Senior Lien Bonds, maturing 2011 and $3,425,000, 1999-B Sewage Disposal System Senior Lien Bonds, maturing 2012, (the "Advance Refunded 1999-A Bonds") with an average interest rate of 5.20% and 5.25% respectively, (c) to advance refund $8,215,000, 2003-A Sewage Disposal system Senior Lien Bonds maturing 2014 and $ 8,470,000 Sewage Disposal System Senior Lien Bonds maturing 2015 (the Advance Refunded 2003 –A Bonds") with an average interest rate of 5.0%, and (d) to pay the related costs of issuance, including the premium for the bond insurance.

The proceeds of the Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005-C will be used (a) to advance refund $ 6,770,000 principal amount of the City's Sewage Disposal System Senior Lien Bonds, Series 1995-A bonds maturing in the year 2025 (the Current Refunded Bonds 1995A) with an average interest rate of 5.0% (the "Refunded 1997-A Bonds") with an average interest rage of 5.0%, (b) to refund principal amounts of the City's Sewage Disposal System Senior Lien Bonds, Series 1995-B bonds with principal amounts of $ 2,400,000 maturing in the year 2008, Series 1995-B bonds with principal amounts of $ 20,410,000 maturing in the year 2015 , and Series 1995-B bonds with principal amount of $ 36,605,000 maturing in the year 2021.) With average interest rate of 5.25% (the "Advance Refunded Bonds") and, collectively with the Refunded 1995-A Bonds, the "Refunded Bonds"), and (c) for the payment of the related costs of issuance, including the premium for the municipal bond insurance

Those refunded securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the Currently Refunded 1995-A/B Bonds when due to and including July 1, 2005, the refunded 1997-A Bonds, due July 1, 2007, the 1999-A bonds due January 1, 2010 and the Refunded 2003-A bonds due July 1, 2013 at 100%-101%.

The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $8,987,394. 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 $6,143,299.

In prior years, the Sewer Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in its financial statements. Similarly, the interest expensed 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, 2005, approximately $593,330,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2005 include $2,318,471,573 of bonds callable at various dates after June 30, 2005. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Sewerage Disposal Fund was allocated an obligation of $8,760,811 out of the total obligation of $1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Transportation Fund:

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Transportation Fund was allocated an obligation of $103,083,553 out of the total obligation of $1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Capital Leases: During the year ended June 30, 2005 the Fund entered into a capital lease agreement with GE Capital Public Finance, Inc. to lease 121 buses and received 102 of the 121 buses. The book value of the 102 buses under capital lease was $31,005,862 as of June 30, 2005. The annual interest rate of the lease is 4.12% for 19 buses and 4.22% for 83 buses. The capital lease has been recorded at the present value of the future minimum lease payments as of the date of their inception. The present value of future minimum capital lease payments, interest, and the minimum annual lease payment for the 102 uses received as of June 30, 2005 is as follows:

	Year	Minimum Lease Payment Includes (principal and interest)
Fiscal year ending June 30:	2006	$ 3,977,397
	2007	3,977,397
	2008	3,977,397
	2009	3,977,397
	2010	3,977,397
	2011-2015	19,847,056
Total minimum lease payments		39,734,041
Less: Amount representing interest		(7,623,115)
Present value of minimum capital lease payments		$ 32,110,926

The actual purchase price of the 102 buses, leased by the fund, is $31,438,223, a total of $672,703 less than above lease amount. City's Finance Department will amend the lease agreement and return the $672,703 plus interest to the lessor, which is recorded as a liability.

The Fund is required to hold $11.3 million, equal to the lease proceeds not spent on the buses as of June 30, 2005.

Water Fund:

The outstanding indebtedness of the Water Fund for revenue bonds was $1,991,615,000 at June 30, 2005. 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.

In fiscal 2005, the Fund issued $105,000,000 of City of Detroit, Michigan Water Supply System Revenue Senior Lien Bonds, Series 2005-A; $195,000,000 of City of Detroit, Michigan, Water Supply System Revenue Refunding Second Lien Bonds (Variable Rate Demand), Series 2005-B; and $126,605,000 of City of Detroit, Michigan, Water Supply System Revenue Refunding Senior Lien Bonds, Series 2005 C. The net proceeds were used to refund a portion of the City's outstanding Water Supply Systems Revenue Bonds and Revenue Refunding Bonds and to pay costs of issuance associated with the 2005 Bonds.

The net proceeds of the Water Supply System Revenue Second Lien Bond; Series 2005-A of $97,314,500 (net of Capitalized Interest of $8,611,516 and Bond underwriting fees, insurance and other costs of issuance of $2,119,542) were used to purchase US Government Securities.

The net proceeds of the Water Supply System Revenue Senior Lien Bond (variable rate demand), series 2005-B of $176,783,879 (net of capitalized interest of $16,096,578 and underwriting fees, insurance and other issuance cost of $2,119,542) were used to purchase U.S. Government Securities.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2005-C will be used to (a) to advance-refund $69,285,000 principal amount of the City's Water Supply Revenue Senior Lien Bonds, Series 1997-A comprised of serial bonds maturing in the years 2010, 2016 and 2017: the 2018 through 2021 mandatory redemption payment for serial 1997-A term bonds maturing July 1, 2027 (the Refunded 1997-A Bonds") with an average interest rate of 5.5% (b) to refund $56,700,000 principal amount of the City's Water Supply System Revenue Senior Lien Bonds, Series 1999-A bonds maturing in the years 2011 through 2018 with interest rate of 7.48% (the "Refunded 1999-A bonds" and collectively with the Refunded 1997-A Bonds, the Refunded bonds") and (c) for payment of the related costs of issuance, including the premium for the municipal bond insurance.

Those refunded securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded 1999-A Bonds when due to including July 1, 2010 and redeem the Refunded 1997-A Bonds on July 1, 2007 at 101%.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,640,081. 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 Water 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 $4,567,184.

In prior years, the Water 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 Water 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, 2005 approximately $511,265,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2005 include $1,792,485,000 of bonds callable at various dates after June 30, 2005. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

In June 2005, the City issued Pension Obligation Certificates of Participation (POC's) to fund certain unfunded accrued actuarial liabilities. The Water Fund was allocated an obligation of $157,548,214 out of the total obligation of $1,440,000,000. See the Pension Obligation Certificates of Participation Footnote B.4.F. for further disclosure.

Subsequent to year-end, the Fund received loans from the Michigan Municipal Bond Authority State Revolving Loan Fund Program in the amount of $25,975,000 for the construction of facilities.

Automobile Parking Fund:

The outstanding indebtedness of the Parking Fund was $60.8 million at June 30, 2005. The interest rates on the outstanding fixed-rate revenue refunding bonds range from 4.50% to 7.75%.

Component Units:

As of June 30, 2005, the School District had $1.711 billion in bonds outstanding, plus $40.3 million in unamortized bond premium, for a total of $1.751 billion.

In April 2005 the School District refinanced Series 2005B bonds of $210 million in short-term State Aid Anticipation Notes outstanding as of June 30, 2004 with a multi-year payment agreement with a lending institution as allowed by State law (Section 1225 of the Michigan Code). This refinancing was part of an overall deficit elimination plan approved by the State in February 2005. The terms of the issuance of this long-term debt require among other things, that the School District maintain a positive General Fund balance. As of June 30, 2005, the School District is in full compliance with all related debt covenants.

In prior years, the District defeased certain bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded 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, 2005 approximated $63.3 million.

a. The following is the schedule of the Bonds Payable at June 30, 2005

			Retired Year Ended June 30, 2005		Outstanding at June 30, 2005			
	Bond Date	Amount Issued	Interest Rate %	Amount	Range of Interest Rates	Maturity Date	Amount	
Governmental Activities:								
General Obligation Bonds - Unlimited Tax								
Series 1995-B	8-1-95	$ 183,450,000.0	Various	$ 99,470,000	-	-	$ -	c
Series 1996-A	11-1-96	22,195,000	Various	14,480,000	5.20 to 5.375%	4/1/08-11	5,990,000	c
Series 1996-B	11-1-96	1,350,000	4.90	170,000	5.00	4/1/2006	180,000	
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	-	-	5.10 to 5.50	4/1/08-18	29,120,000	
Series 1997-B	12-15-97	12,860,000	Various	8,350,000	5.50	5/1/07	515,000	
Series 1997-B	12-15-97	22,945,000	5.50	3,700,000	5.00 to 5.38	4/1/08-14	19,245,000	c
Series 1999-A	4-1-99	44,100,000	-	-	5.00 to 5.25	4/1/08-19	32,130,000	c
Series 1999-B	11-15-99	14,725,000	Various	-	5.00	4/1/08-09	3,825,000	
Series 1999-B	11-15-99	30,275,000	Various	20,800,000	5.125 to 5.875	4/1/10-14	9,475,000	c
Series 2000-AMT	2-15-00	9,270,000	Various	4,425,000	5.75	4/1/09	1,255,000	
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	Various	8,405,000	3.80 to 5.50	4/1/07-11	8,395,000	
Series 2001 A (1)	7-15-01	83,200,000	-	-	5.0 to 5.375	4/1/12-21	83,200,000	c
Series 2001-A(2)	7-15-01	5,000,000	-	-	Variable	4/1/22	5,000,000	c
Series 2001-B	7-15-01	23,560,000	Various	4,650,000	5.50	4/1/09-11	17,660,000	
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	Various	8,540,000	4.00	4/1/10	1,880,000	
Series 2002	8-2-02	31,160,000	-	-	4.00 to 5.50	4/1/11-22	31,160,000	c
Series 2003A	10-21-03	7,065,000	-	-	3.70 to 5.00	4/1/10-12	7,065,000	
Series 2003A	10-21-03	36,955,000	-	-	4.00 to 5.25	4/1/13-23	36,955,000	c
Series 2003B	10-21-03	10,770,000	-	-	3.0 / 5.00	4/1/06	10,770,000	
Series 2004-A(1)	9-9-04	39,270,000	-	-	4.25 to 5.25	4/1/19-24	39,270,000	
Series 2004-A(2)	9-9-04	2,055,000	-	-	4.57	4/1/12	2,055,000	
Series 2004-B(1)	9-9-04	7,545,000	-	-	3.75 to 5.00	4/1/12	7,545,000	
Series 2004-B(1)	9-9-04	45,540,000	-	-	3.75 to 5.24	4/1/13-18	45,540,000	
Series 2004-B(2)	9-9-04	17,270,000	-	-	3.92 to 5.25	4/1/09-18	17,270,000	
Series 2005-A	1/5/05	81,050,000	-	-	5.00	4/1/06-11	81,050,000	
Distributable State Aid Bonds:								
Series 1993	12-1-93	136,675,000	5.00	10,540,000	5.20 to 5.25	5/1/07-09	36,755,000	
Total General Bonds - Unlimited Tax							$ 579,850,000	

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.

			Retired Year Ended June 30, 2005		Outstanding June 30, 2005		
	Bond Date	Amount Issued	Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
Governmental Activities:							
General Obligation Bonds - Limited Tax:							
Self-Insurance Bonds:							
Series 2003…….....…..	10-2-03	$ 98,895,000	- %	$ -	2.42 to 4.97%	5/1/06-13	$ 98,895,000
Series 2004…….....…..	9-9-04	62,285,000	-	-	3.92 to 4.85	4/1/09-14	62,285,000
General Obligation:							
Series 1997.....	5-1-97	3,300,000	5.05	560,000	5.15 to 5.20	7/15/05-06	1,210,000
Series 1997.....	5-1-97	13,665,000	5.625	1,375,000	5.25 to 6.25	7/15/07-19	880,000
Series 2002A….....	6-27-02	52,725,000	5.00	12,550,000	5.00	4/1/06-07	27,010,000
Series 2004A…….....	3-12-04	41,760,000	2.00	3,880,000	2.00 to 5.00	4/1/06-09	37,880,000
Series 2004Fiscal Stabilization …	6-24-04	61,070,000	-	-	3.00 to 5.00	4/1/06-09	61,070,000
Series 2005-A(1) …….....	6-24-05	21,325,000	-	-	4.27 to 4.53	4/1/06-15	21,325,000
Series 2005-A(1) …….....	6-24-05	52,175,000	-	-	4.61 to 5.15	4/1/16-25	52,175,000
Series 2005-A(2) …….....	6-24-05	4,055,000	-	-	3.50 to 4.50	4/1/10-15	4,055,000
Series 2005-A(2) …….....	6-24-05	9,475,000	-	-	4.00 to 5.00	4/1/16-25	9,475,000
Series 2005-B …….....	6-24-05	4,845,000	-	-	3.25 to 5.00	4/1/06-15	4,845,000
Series 2005-B …….....	6-24-05	6,940,000	-	-	5.00	4/1/16-21	6,940,000
Total General Bonds- Limited Tax.....							388,045,000
Total General Bonds.....							967,895,000
Detroit Building Authority Bonds:							
District Court Madison Center							
Project, Series 1996 A.....	9-1-96	2,770,000	6.15	945,000	6.15	2/1/2006	1,045,000
	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	546,872	7.97	7/1/05-06	646,953
Total Detroit Building Authority Bonds.....							9,921,953
Total General Obligation Bonds.....							977,816,953
Revenue Bonds:							
Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion:							
Series 1993.....	9-1-93	167,050,000	5.10	10,300,000	5.125 to 5.25	9/30/05-07	34,185,000
Series 2003.....	9-18-03	90,883,138	2.00	55,000	3.00 to 5.00	9/30/08-15	90,828,138
TotalConventional Facility Limited Tax Revenue Bonds-Cobo Hall Expansion.....							125,013,138
Total Bonds.....							$ 1,102,830,091

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, 2005 Interest Rate	Amount	Outstanding June 30, 2005 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%	4/1/06-13	$ 1,955,000
Series 1992-B-SRF (5070-01)	9-10-92	1,915,000	2.00	95,000	2.00	10/1/05-13	955,000
Series 1993-B-SRF (5091 & 5092)	9-30-93	6,603,996	2.00	320,000	2.00	10/1/05-14	3,590,000
Series 1995-A	11-1-95	132,430,000	5.00	6,770,000	6.00	7/1/05	2,885,000
Series 1995-B	11-1-95	65,880,000	Various	61,375,000	4.80 to 6.25	7/1/05-21	20,840,000
Series 1997-A	6-15-97	55,625,000	4.60	4,490,000	6.00	7/1/05-06	31,375,000
Series 1997-A	6-15-97	206,869,000	Various	22,355,000	5.00 to 6.00	7/1/07-27	84,444,128
Series 1997-B-SRF (5125-01)	9-30-97	5,430,174	2.25	240,000	2.25	10/1/05-18	4,005,000
Series 1998-A	12-10-98	69,000,000	4.51	400,000	4.512	7/1/05-23	68,000,000
Series 1998-B	12-10-98	68,955,000	4.51	300,000	4.512	7/1/05-23	67,900,000
Series 1999-SRF-1 (5126-01)	6-24-99	21,475,000	2.50	925,000	2.50	4/1/06-20	17,060,000
Series 1999-SRF-2 (5143-01)	9-30-99	46,000,000	2.50	1,840,000	2.50	10/1/05-20	42,365,000
Series 1999-SRF-3 (5144-01)	9-30-99	31,030,000	2.50	1,305,000	2.50	10/1/05-20	26,000,000
Series 1999-SRF-4 (5175-01)	9-30-99	40,655,000	2.50	1,710,000	2.50	10/1/05-20	34,065,000
Series 1999-A	12-1-99	7,225,000	-	-	4.625 to 5.00	7/1/05-09	1,515,000
Series 1999-A	12-1-99	295,770,178	Various	3,540,000	5.125 to 5.25	7/1/10-21	34,080,179
Series 2000-SRF-1 (5143-02)	9-28-00	53,475,000	2.50	2,140,000	2.50	10/1/04-22	42,368,275
Series 2000-SRF-2 (5175-02)	9-28-00	65,000,000	2.50	2,600,000	2.50	10/1/04-22	50,941,582
Series 2001-SRF-1 (5175-03)	6-28-01	82,200,000	-	-	2.50	10/1/05-24	82,200,000
Series 2001-SRF-2 (5175-04)	6-28-01	57,195,868	-	-	2.50	10/1/05-24	59,850,000
Series 2001-A	9-15-01	76,375,000	-	-	5.00 to 5.13	7/1/11-31	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	Variable	360,000	Variable	7/1/04-27	156,500,000
Series 2001-C(2)	9-23-01	127,165,000	Variable	235,000	Variable	7/1/04-24	124,500,000
Series 2001-D	9-23-01	92,450,000	-	-	Variable	7/1/32	92,450,000
Series 2001-E	9-23-01	139,080,000	-	-	Variable	7/1/24-31	139,080,000
Series 2002 SRF-1 (5204-01)	10-27-01	18,985,000	2.50	760,000	2.50	4/1/05-23	17,480,000
Series 2002-SRF-2(5204-02)	10-27-01	1,970,000	2.50	80,000	2.50	4/1/05-23	1,390,369
Series 2002-SRF-3(5175-05)	12-19-02	43,740,000	-	-	2.50	10/1/05-33	12,255,979
Series 2003-A	5-22-03	158,000,000	3.00	21,560,000	5.00	7/1/04-13	135,555,000
Series 2003-A	5-22-03	441,380,000	5.00	16,685,000	5.00	7/1/14-32	424,695,000
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	48,520,000	-	-	2.50	10/1/06-25	29,529,874
Series 2003-SRF-2(5204-03)	9-25-03	25,800,000	-	-	2.50	4/1/06-25	18,208,014
Series 2004-A	1-9-04	101,435,000	2.00	570,000	3.00 to 5.25	7/1/04-24	100,865,000
Series 2004 SRF-1(5204-05)	6-24-04	2,910,000	-	-	2.125	10/1/05-24	510,152
Series 2004 SRF-2(5204-06)	6-24-04	18,690,000	-	-	2.125	7/1/04-25	6,064,547
Series 2004 SRF-3(5228-01)	6-24-04	12,920,000	-	-	2.125	7/1/04-25	4,693,474
Series 2005-A	3-17-05	3,765,000	-	-	2.75 to 3.70	7/1/08-15	3,765,000
Series 2005-A	3-17-05	269,590,000	-	-	3.75 to 5.125	7/1/16-35	269,590,000
Series 2005-B	3-17-05	40,215,000	-	-	3.40 to 5.50	7/1/12-22	40,215,000
Series 2005-C	3-17-05	22,065,000	-	-	2.40 to 5.00	7/1/06-25	22,065,000
Series 2005-C	3-17-05	41,095,000	-	-	5.00	7/1/16-26	41,095,000
Total Sewage Disposal System Revenue Bonds							$ 2,653,826,573

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, 2005 Interest Rate	Retired Year Ended June 30, 2005 Amount	Outstanding June 30, 2005 Range of Interest Rates	Outstanding June 30, 2005 Maturity Date	Outstanding June 30, 2005 Amount	
Business type Activities:								
Water Fund								
Water Supply System Revenue Bonds (Note A)								
Series 1993	10-15-93	$ 38,225,000	4.70%	$ 2,455,000	6.50%	7/1/14-15	$ 24,725,000	
Series 1995-A	10-15-95	102,100,000	4.80	2,455,000	5.00-5.55	7/1/05-12	24,690,000	A
Series 1995-B	10-15-95	60,485,000	4.80	335,000	5.00-5.55	7/1/05-12	54,800,000	
Series 1997-A	8-1-97	29,080,000	5.00	4,010,000	5.25	7/1/05-06	8,645,000	A
Series 1997-A	8-1-97	186,220,000	-	69,285,000	4.80 to 5.25	7/1/07-27	116,935,000	
Series 1997-B	8-1-97	30,555,000	6.00	6,985,000	5.25	7/1/05-06	15,055,000	A
Series 1999-A	11-1-99	18,000,000	4.50	2,000,000	4.75 to 5.25	7/1/05-09	10,000,000	
Series 1999-A	11-1-99	238,340,000	Various	56,700,000	5.125	7/1/10	2,000,000	
Series 2001-A	5-1-01	302,485,000	-	-	4.50 to 5.75	7/1/11-33	167,675,000	A
Series 2001-B	5-1-01	108,985,000	-	-	4.50 to 5.50	7/1/12-33	108,985,000	A
Series 2001-C	6-7-01	192,290,000	Variable	385,000	Variable	7/1/05-29	191,905,000	A
Series 2003-A	1-28-03	234,805,000	-	-	4.75 to 5.25	7/1/14-34	234,805,000	
Series 2003-B	1-28-03	172,945,000	-	-	2.00 to 5.25	7/1/05-33	172,945,000	A
Series 2003-C	1-28-03	46,355,000	2.00	3,410,000	2.00 to 5.25	7/1/05-22	40,280,000	A
Series 2003-D	1-28-03	151,370,000	Variable	405,000	Variable	7/1/05-33	150,965,000	A
Series 2004-A	5-04-04	77,010,000	-	-	Variable	7/1/11-24	77,010,000	A
Series 2004-B	5-04-04	163,590,000	-	-	Variable	7/1/06-23	163,590,000	
Series 2005-A	3-11-05	18,735,000	-	-	3.00 to 5.00	7/1/08-14	18,735,000	
Series 2005-A	3-11-05	86,265,000	-	-	3.85 to 5.00	7/1/15-35	86,265,000	
Series 2005-B	3-11-05	195,000,000	-	-	Variable	7/1/10-35	195,000,000	
Series 2005-C	3-11-05	26,670,000	-	-	3.00-5.00	7/1/05-14	26,670,000	
Series 2005-C	3-11-05	126,605,000	-	-	5.00	7/1/15-22	99,935,000	
Total Water Supply System Revenue Bonds							$ 1,991,615,000	
Automobile Parking Fund								
Detroit Building Authority Bonds - Revenue Refunding Bonds:								
Parking System-Series 1997A	2-15-97	$ 3,050,000	4.60%	$ 355,000	4.70 to 4.80%	7/1/05-06	$ 755,000	
Parking System-Series 1997B	2-15-97	37,695,000	6.68	4,535,000	6.68 to 6.79	7/1/05-06	10,000,000	
Parking System-Series 1998A	7-1-98	8,385,000	4.50	965,000	4.50 to 5.25	7/1/05-07	3,175,000	
Parking System-Series 1998A	7-1-98	18,615,000	-	-	4.70 to 5.25	7/1/08-19	18,615,000	A
Parking System-Series 1999A	10-22-99	29,900,000	Variable	400,000	Variable	7/27/05-29	28,300,000	
Total Detroit Building Authority Revenue Refunding Bonds							60,845,000	
Total Business-type Bonds							$ 4,708,886,573	

Note A -Stated Principal amount of State Revolving Fund Bonds issued as part of the State of Michigan's Revolving Fund Loan Program. As the System draws additional amount from time to time hereafter, the outstanding principal amounts of such Bonds will correspondingly increase.

b. The following is the schedule of Notes Payable at June 30, 2005:

Governmental Activities Notes Payable	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2005
Urban Renewal Fund:				
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue)	8/1/2002	1.75 to 4.16 %	8/1/2008	$ 4,266,000
Ferry Street Project (Secured by Future Block Grant Revenue)	4/28/1999	5.58 to 6.72	8/1/04-19	2,815,000
Garfield Project (Secured by Future Block Grant Revenue)	6/5/1996	6.67 to 7.66	8/1/03-15	1,840,000
Riverbend Project (Secured by Future Block Grant Revenue)	6/5/1996	6.59 to 7.66	8/1/03-15	665,000
Riverbend Project (Secured by Future Block Grant Revenue)	10/28/1997	6.11 to 7.08	8/1/03-16	405,000
Stuberstone Project (Secured by Future Block Grant Revenue)	10/28/1997	6.11 to 7.10	8/1/03-16	315,000
New Amsterdam Project (Secured by Future Block Grant Revenue)	8/1/2002	4.16 to 6.12	8/1/08-23	9,700,000
Mexicantown Welcome Center Project (Secured by Future Block Grant Revenue)	1/13/2005	LIBOR Plus 2%	8/1/08-24	7,789,000
Total Notes Payable				$ 27,795,000

c. The following is the schedule of Loans Payable at June 30, 2005:

Governmental Activities Loans Payable	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2005
Downtown Development Authority	1991-1997	- %	-	$ 33,600,000
Loans Payable GE Capital Schedule - 009	10/30/2003	3.50	7/1/05-2/1/09	1,892,182
Loans Payable GE Capital Schedule - 010	10/30/2003	3.80	7/1/05-11-1-08	141,246
Loans Payable GE Capital Schedule - 011	11/15/2003	3.65	7/1/05-4/15/08	7,459,520
Loans Payable GE Capital Schedule - 012	4/2/2004	3.61	8/1/05-4/1/09	384,501
Loans Payable GE Capital Schedule - 013	4/9/2004	4.07	7/1/05-6/1/14	1,178,881
Loans Payable GE Capital Schedule - 014	5/14/2004	4.07	7/1/05-6/1/09	438,896
Loans Payable GE Capital Schedule - 015	5/14/2004	4.07	7/1/05-11/1/07	121,556
Loans Payable GE Capital Schedule - 021	3/1/2005	4.08	7/1/05-3/1/08	153,181
Total Loans Payable				$ 45,369,963

d. The following is the schedule of Bonds Authorized and Unissued at June 30, 2005:

	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	11/4/1997	15,000,000	625,000
Public Safety	Electorate	11/7/2000	12,000,000	1,500,000
Public Safety	Electorate	11/2/2004	120,000,000	120,000,000
Municipal Facilities	Electorate	11/7/2000	18,000,000	5,120,000
Neighborhood/Economic Development	Electorate	11/7/2000	30,000,000	4,105,000
Neighborhood/Economic Development	Electorate	11/2/2004	19,000,000	19,000,000
Public Lighting	Electorate	11/7/2000	30,000,000	7,935,000
Public Lighting	Electorate	11/2/2004	22,000,000	22,000,000
Recreation, Zoo, Cultural	Electorate	11/7/2000	56,000,000	19,195,000
Recreation, Zoo, Cultural	Electorate	11/2/2004	22,000,000	22,000,000
Institute of Arts	Electorate	11/7/2000	25,000,000	4,850,000
Historical	Electorate	11/6/2001	20,000,000	17,200,000
Museum of African American History	Electorate	4/29/2003	6,000,000	500,000
Transportation	Electorate	11/2/2004	32,000,000	32,000,000
Total Bonds Authorized - Unissued				$ 300,030,000

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.

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	Sewage Disposal Fund	Water Fund	Automobile Parking Fund	Total
2006	$ 85,586,083	$ 50,035,000	$ 24,595,000	$ 6,615,000	$ 166,831,083
2007	86,524,015	53,205,000	25,535,000	7,105,000	172,369,015
2008	91,540,094	51,180,000	25,970,000	1,610,000	170,300,094
2009	119,403,236	59,449,128	35,070,000	1,670,000	215,592,364
2010	120,440,746	59,685,152	34,655,000	1,830,000	216,610,898
2011-2015	378,447,684	312,548,398	211,425,000	10,515,000	912,936,082
2016-2020	186,118,196	352,125,636	261,685,000	14,200,000	814,128,832
2021-2025	107,935,000	391,963,259	318,665,000	7,000,000	825,563,259
2026-2030	-	568,030,000	427,670,000	10,300,000	1,006,000,000
2031-2035	-	660,365,000	504,765,000	-	1,165,130,000
2036	-	95,240,000	121,580,000	-	216,820,000
Total	$ 1,175,995,054	$ 2,653,826,573	$ 1,991,615,000	$ 60,845,000	$ 5,882,281,627

Interest

		Business-type Activities				
Year Ending	Governmental Activities	Sewage Disposal Fund	Water Fund	Automobile Parking Fund	Interest Rate Swaps, Net	Total
2006	$ 59,480,874	$ 90,736,074	$ 65,004,412	$ 3,931,479	$ 27,326,622	$ 246,479,460
2007	57,343,723	102,210,480	67,891,173	3,287,590	27,923,238	258,656,204
2008	52,753,115	100,677,322	67,256,676	3,215,252	27,836,714	251,739,079
2009	47,939,128	98,022,005	66,688,555	2,906,261	27,736,183	243,292,132
2010	41,913,593	95,677,200	66,052,355	2,809,513	27,642,121	234,094,782
2011-2015	136,000,958	443,768,627	317,597,299	12,921,991	127,663,667	1,037,952,541
2016-2020	54,823,895	412,230,438	278,601,025	9,127,908	113,826,880	868,610,146
2021-2025	9,952,322	330,014,842	230,487,594	5,673,842	89,468,827	665,597,427
2026-2030	-	221,539,046	173,388,743	2,500,303	54,714,582	452,142,674
2031-2035	-	89,278,407	68,708,680	-	28,443,403	186,430,490
2036	-	4,642,000	1,462,380	-	1,393,605	7,497,985
Total	$ 460,207,608	$ 1,988,796,441	$ 1,403,138,892	$ 46,374,138	$ 553,975,841	$ 4,452,492,920

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
2006	116,577,804	107,883,461
2007	135,525,384	108,668,671
2008	132,601,967	107,418,962
2009	145,140,178	101,697,757
2010-2014	543,089,865	411,828,129
2015-2019	347,780,530	332,276,523
2020-2024	278,641,666	258,029,213
2025-2029	417,259,572	168,157,185
2030-2034	281,221,362	39,506,246
2035	-	-
	$ 2,397,838,328	$ 1,635,466,147

f. Pension Obligation Certificates of Participation (POC's)

On June 2, 2005, the Detroit Retirement Systems Funding Trust issued $1,440,000,000 ($640 million of taxable fixed rate, Series A and $800 million of taxable floating rate, Series B) of taxable Pension Obligation Certificates of Participation (POCs). The Trust was created by the General Retirement System Service Corporation (GRSSC) and the Police and Fire Retirement System Service Corporation (PFRSSC), both blended component units of the City. The City entered into service contracts with the GRSSC and the PFRSSC to facilitate the transaction. The POCs represent undivided proportionate interests in the rights to receive the payments from the City under its service contracts with the GRSSC and the PFRSSC.

The POCs were issued for the purpose of the funding certain unfunded accrued actuarial liabilities (UAAL) of the two retirement systems of the City, which include the General Retirement System (GRS), and the Police & Fire Retirement Systems (PFRS), and a portion of the current normal contribution. The UAAL is a liability of the City for past services rendered by its employees in which Michigan state law and the Michigan Constitution require that a portion be annually paid. The GRS includes employees and retirees of certain governmental funds, proprietary funds and the Detroit Public Library, a discretely presented component unit.

The amount of $46,362,475 out of the total proceeds of $1,440,000,000 relates to issuance costs that are recorded as an asset on the government wide and the proprietary fund financial statements and will be amortized over 20 years, the life of the POCs. $739,793,897 of the proceeds were contributed to the GRS, which included $52,503,654 of annual required contributions for June 30, 2005. The remaining amount of $687,290,243 resulted in a net pension asset. $630,829,188 of the proceeds were contributed to the PERS, which included $98,842,261 of annual required contributions for June 30, 2005. The remaining amount of $531,986,927 resulted in a net pension asset.

Interest payments for Series A will commence on December 15, 2005 and are due semi-annually while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. Interest payments for Series B will commence on September 15, 2005 and are due quarterly through 2025 while the first principal payment is payable June 15, 2007, due annually, and are payable through 2025. The interest rates on the outstanding obligations range from 4.004% and 4.948%.

The redemption dates and aggregate principal and interest amounts for each such redemption date are as follows:

Summary of Annual Principal and Interest Requirements for Pension Obligation Certificates:

Primary Government					
Principal					
		Business-type Activities			
Maturity (June 15)	Governmental Activities	Sewer Disposal Fund	Transportation Fund	Water Fund	Totals
2006	$ -	$ -	$ -	$ -	$ -
2007	23,571,654	179,948	2,117,344	3,236,054	29,105,000
2008	28,856,952	220,296	2,592,102	3,961,650	35,631,000
2009	34,776,390	265,486	3,123,820	4,774,304	42,940,000
2010	41,090,241	313,686	3,690,967	5,641,106	50,736,000
2011-2015	319,477,917	2,438,918	28,697,386	43,859,779	394,474,000
2016-2020	396,445,178	3,026,492	35,611,038	54,426,291	489,509,000
2021-2025	326,389,090	2,315,985	27,250,896	41,649,030	397,605,001
Total	$ 1,170,607,422	$ 8,760,811	$ 103,083,553	$ 157,548,214	$ 1,440,000,000

Primary Government					
Interest					
		Business Type Activities			
Maturity (June 15)	Governmental Activities	Sewer Disposal Fund	Transportation Fund	Water Fund	Totals
2006	39,784,138	$ 303,729	$ 3,573,619	$ 5,461,769	$ 49,123,255
2007	56,386,921	430,462	5,065,005	7,741,123	69,623,511
2008	55,349,057	422,539	4,971,778	7,598,639	68,342,013
2009	54,064,825	412,735	4,856,421	7,422,332	66,756,313
2010	52,508,118	400,851	4,716,588	7,208,619	64,834,176
2011-2015	227,884,204	1,739,685	20,469,900	31,285,264	281,379,053
2016-2020	132,202,950	1,009,247	11,875,247	18,149,587	163,237,031
2020-2025	51,751,425	395,075	4,648,617	7,104,735	63,899,852
Total	$ 669,931,638	$ 5,114,323	$ 60,177,175	$ 91,972,069	$ 827,195,204

g. Long-term Obligations activity for the Year Ended June 30, 2005:

	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due Within One Year
Governmental Activities:					
Long-Term Obilagations, Notes, Loans and POC's:					
Convention Facility-Cobo Center					
Expansion Revenue Bonds	$ 135,368,138	$ -	$ 10,355,000	$ 125,013,138	$10,830,000
Detroit Building Authority Bonds					
Madison Center Project	11,413,826	-	1,491,873	9,921,953	1,599,790
Distributable State Aid Bonds	47,295,000	-	10,540,000	36,755,000	-
Self-Insurance Limited Tax Bonds	98,895,000	62,285,000	-	161,180,000	14,585,000
General Obligation Tax Bonds	523,355,000	192,730,000	184,400,000	531,685,000	30,855,000
General Obligation Limited Tax Bonds	157,825,000	98,815,000	18,365,000	238,275,000	22,795,000
Total general fund bonds	974,151,964	353,830,000	225,151,873	1,102,830,091	80,664,790
Federal Note — Caraco Pharmaceutical Project	5,208,000	-	942,000	4,266,000	990,000
Federal Note — Ferry Project	2,900,000	-	85,000	2,815,000	90,000
Federal Note — Garfield Project	1,945,000	-	105,000	1,840,000	105,000
Federal Note — Michigan Repacking Project	1,290,000	-	1,290,000	-	-
Federal Note — Riverbend Project	1,150,000	-	80,000	1,070,000	80,000
Federal Note — Stuberstone Project	330,000	-	15,000	315,000	15,000
Federal Note — New Amsterdam Project	9,700,000	-	-	9,700,000	-
Federal Note — Mexicantown Welcome Center	-	7,789,000	-	7,789,000	-
Loan Payable to Downtown Development Authority	33,600,000	-	-	33,600,000	-
Loans Payable-GE Capital - Schedule-009	2,327,537	-	435,355	1,892,182	492,242
Loans Payable-GE Capital - Schedule-010	176,130	-	34,884	141,246	39,464
Loans Payable-GE Capital - Schedule-011	14,320,318	-	6,860,798	7,459,520	2,697,231
Loans Payable-GE Capital - Schedule-012	491,400	-	106,899	384,501	95,235
Loans Payable-GE Capital - Schedule-013	1,285,029	-	106,148	1,178,881	111,474
Loans Payable-GE Capital - Schedule-014	529,661	-	90,765	438,896	103,018
Loans Payable-GE Capital - Schedule-015	-	149,320	27,764	121,556	48,902
Loans Payable-GE Capital - Schedule-021	-	166,031	12,850	153,181	53,728
Total Governmental Notes and Loans	75,253,075	8,104,350	10,192,463	73,164,963	4,921,293
Pension Obligation Certificates	-	1,170,607,422	-	1,170,607,422	-
Total Long-Term Bonds, Notes, Loans, and Pension Obligation Certificates	$ 1,049,405,039	$ 1,532,541,772	$ 235,344,336	$ 2,346,602,476	$ 85,586,083
Other Long-Term Obligations:					
Accrued Compensated Absences	140,471,015	19,527,492	3,000,213	156,998,294	112,401,028
Claims and Judgments	121,872,574	20,419,251	9,349,644	132,942,181	5,035,133
Workers' Compensation	65,417,378	11,939,499	12,657,646	64,699,231	12,080,784
Total Other Long-Term Obligations	327,760,967	51,886,242	25,007,503	354,639,706	129,516,945
Total General Long-Term Obligations	$ 1,377,166,006	$ 1,584,428,014	$ 260,351,839	$ 2,701,242,182	$ 215,103,028

(Continued)

	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Amount Due Within One Year
Business-type Activities					
Major Funds:					
Long-term Debt and Obligations:					
Sewage Disposal Fund:					
Bonds Payable	2,375,152,599	420,028,974	(141,355,000)	2,653,826,573	50,035,000
Pension Obligation Certificates Payable	-	8,760,811	-	8,760,811	-
Accrued Compensated Absences	12,158,263	2,255,076	(495,533)	13,917,806	5,556,011
Accrued Public Liability and Workers' Compensation	5,206,684	475,827	(954,542)	4,727,969	895,155
Transportation Fund:					
Capital Lease for Buses	-	32,110,926	-	32,110,926	2,577,808
Pension Obligation Certificates Payable	-	103,083,553	-	103,083,553	-
Accrued Compensated Absences	3,730,161	69,003	-	3,799,164	3,039,331
Accrued Public Liability and Workers' Compensation	3,548,100	1,731,846	(318,586)	4,961,360	992,272
Water Fund:					
Bonds Payable	1,713,435,000	426,605,000	(148,425,000)	1,991,615,000	24,595,000
Pension Obligation Certificates Payable	-	157,548,214	-	157,548,214	-
Accrued Compensated Absences	15,589,521	4,203,965	(1,379,814)	18,413,672	8,604,763
Accrued Public Liability and Workers' Compensation	15,778,254	7,193,612	(4,260,520)	18,711,346	3,470,751
Automobile Parking Fund:					
Bonds Payable	67,100,000	360,000	(6,615,000)	60,845,000	6,615,000
Accrued Compensated Absences	447,093	112,098	-	559,191	251,636
Non-Major Fund:					
Accrued Compensated Absences	467,278	11,154	(108,895)	369,537	62,456
Accrued Public Liability and Workers' Compensation	122,649	10,863	(53,226)	80,286	21,796
Total Bonds and Leases Payable	4,155,687,599	879,104,900	(296,395,000)	4,738,397,499	83,822,808
Total POC's Payable	-	269,392,578	-	269,392,578	-
Total Accrued Compensated Absences	32,392,316	6,651,296	(1,984,242)	37,059,370	17,514,197
Total Public Liability and Workers' Compensation	24,655,687	9,412,148	(5,586,874)	28,480,961	5,379,974
Total Long-Term Debt and Obligations	$ 4,212,735,602	$ 1,164,560,922	$ (303,966,116)	$ 5,073,330,408	$ 106,716,979
Component Units					
School District of the City of Detroit:					
Bonds, Notes and Leases Payable	$ 1,589,256,609	$ 210,932,243	$ (88,913,109)	$ 1,711,275,743	$ 47,733,281
Accrued Compensated Absences	147,692,684	3,883,000	(33,156,393)	118,419,291	6,208,877
Accrued Public Liability and Workers' Compensation	56,401,699	140,476,611	(155,067,464)	41,810,846	16,590,913
	1,793,350,992	355,291,854	(277,136,966)	1,871,505,880	70,533,071
Other Component Units:					
Bonds, Notes and Leases Payable	759,152,416	-	(72,589,831)	686,562,585	68,844,523
Total Accrued Compensated Absences	5,185,104	1,043,852	-	6,228,956	541,882
Accrued Public Liability and Workers' Compensation	587,812	-	(312,913)	274,899	152,256
	$ 764,925,332	$ 1,043,852	$ (72,902,744)	$ 693,066,440	$ 69,538,661

(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 financings to fixed-rate financings. These are not reported at fair value on the Statement of Net Assets at June 30, 2005.

Objective of the swaps. In order to better manage its interest rate exposure and to reduce the overall costs of its financings the City has entered into 31 separate fixed-payor interest rate swaps.

Terms, fair values, and credit risk. Certain key terms, fair market values, and counterparty credit ratings relating to the outstanding swaps as of June 30, 2005, are presented below. The notional amounts of the swaps, except those with effective dates of 9/1/06, and 3/1/07 match the principal amounts of the outstanding financings. The swaps with effective dates of 9/1/06, and 3/1/07, were entered into to hedge future interest rate risk and will be associated with financings 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 financings.

Market access risk. The City is exposed to market access risk on its hedge swaps or forward starting swaps in the event that it will not be able to enter credit markets or in the event that the credit will become more costly.

Associated Financing 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%	$ -12,994,248	7/1/2029	7/1/2029	Aa1/AA-/AA+
Sewage 1998-A	68,000,000	12/10/1998	4.51%	BMA (2)	-8,544,876	7/1/2023	7/1/2023	Aa2/AA-/NR
Sewage 1998-B	67,900,000	12/10/1998	4.51%	BMA	-8,570,700	7/1/2023	7/1/2023	Aa2/AA-/NR
Water 2001-C (3)	47,723,000	6/7/2001	4.07%	BMA	-699,037	1/1/2006	7/1/2029	Aaa/AA+/NR
Water 2001-C (3)	30,032,000	6/7/2001	4.70%	BMA	-2,620,915	7/1/2011	7/1/2029	Aaa/AA+/NR
Water 2001-C (3)	47,628,000	1/1/2006	5.42%	BMA	-4,882,486	7/1/2011	7/1/2029	Aaa/AA+/NR
Water 2001-C	114,150,000	6/7/2001	4.90%	BMA	-20,866,778	7/1/2026	7/1/2026	Aa3/A+/AA-
Sewage 2001 C-1	156,500,000	10/23/2001	4.43%	BMA	-21,294,528	7/1/2027	7/1/2027	Aa2/AA+/AAA
Sewage 2001 C-2	124,500,000	10/23/2001	4.47%	BMA	-18,778,403	7/1/2029	7/1/2029	Aa2/AA+/AAA
Water 2003-B	1,980,000	1/30/2003	3.02%	CPI + 1.01%	48,504	7/1/2009	7/1/2009	Aa3/A+/AA-
Water 2003-B	2,290,000	1/30/2003	3.31%	CPI+ 1.12%	37,687	7/1/2010	7/1/2010	Aa3/A+/AA-
Water 2003-B	2,500,000	1/30/2003	3.55%	CPI + 1.25%	36,136	7/1/2011	7/1/2011	Aa3/A+/AA-
Water 2003-B	2,175,000	1/30/2003	3.74%	CPI+ 1.33%	16,814	7/1/2012	7/1/2012	Aa3/A+/AA-
Water 2003-B	2,800,000	1/30/2003	3.87%	CPI +1.34%	22,993	7/1/2013	7/1/2013	Aa3/A+/AA-
Water 2003-B	2,505,000	1/30/2003	4.00%	CPI + 1.36%	20,815	7/1/2014	7/1/2014	Aa3/A+/AA-
Water 2003-C	2,005,000	1/30/2003	3.87%	CPI + 1.34%	15,887	7/1/2013	7/1/2013	Aa3/A+/AA-
Water 2003-C	2,330,000	1/30/2003	4.00%	CPI + 1.36%	-961	7/1/2014	7/1/2014	Aa3/A+/AA-
Water 2003-D	150,965,000	2/6/2003	4.06%	BMA	-15,909,265	7/1/2013	7/1/1933	Aa2/AA-/NR
Sewage 2003-B	150,000,000	5/22/2003	4.14%	BMA	4,737,686	7/1/2013	7/1/1933	Aa2/AA+/AAA
Water 2004-A	77,010,000	5/13/2004	3.94%	BMA	-6,144,865	7/1/2025	7/1/2025	Aa2/AA-/NR
Water 2004-B	163,590,000	5/13/2004	3.85%	BMA	-10,637,688	7/1/2023	7/1/2023	Aa2/AA-/NR
Sewage Hedge Swap	125,000,000	9/1/2006	4.96%	BMA	21,213,900	7/1/2036	N/A	Aa2/AA+/AAA
Pension Obligation Certicates-GRS	161,400,000	6/2/2005	5.12%	3 MTH LIBOR + .28%	6,185,075	6/15/2025	6/15/2025	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	150,369,000	6/2/2005	4.64%	3 MTH LIBOR + .18%	2,096,842	6/15/2014	6/15/2014	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	168,231,000	6/2/2005	4.98%	3 MTH LIBOR + .28%	4,783,333	6/15/2018	6/15/2018	Aa2/AA+/AAA
Pension Obligation Certicates-GRS	53,800,000	6/2/2005	5.12%	3 MTH LIBOR + .28%	-2,027,204	6/15/2025	6/15/2025	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	50,123,000	6/2/2005	4.64%	3 MTH LIBOR + .18%	-700,403	6/15/2014	6/15/2014	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	56,077,000	6/2/2005	4.98%	3 MTH LIBOR + .28%	-1,581,174	6/15/2018	6/15/2018	Aa2/AA+/AAA
Pension Obligation Certicates-GRS	53,800,000	6/2/2005	5.12%	3 MTH LIBOR + .28%	-2,023,307	6/15/2025	6/15/2025	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	50,123,000	6/2/2005	4.64%	3 MTH LIBOR + .18%	-659,624	6/15/2014	6/15/2014	Aa2/AA+/AAA
Pension Obligation Certicates-PFRS	56,077,000	6/2/2005	4.98%	3 MTH LIBOR + .28%	-1,553,680	6/15/2018	6/15/2018	Aa2/AA+/AAA

1. Notional amount balance as of July 1, 2005
2. The Bond Market Association Municipal Swap Index ™.
3. Denotes that the swap termination date does not match the final maturity of the financings.

Fair Value: Because interest rates have generally declined since the time the swaps were negotiated, many of the City's swaps have a negative fair value as of June 30, 2005. The negative fair values may be countered by lower total interest payments required under the variable-rate financing, creating lower synthetic interest rates.

Credit Risk: As of June 30, 2005, the City was not significantly exposed to net credit risk as the majority of 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 financings and thus create no basis risk. The LIBOR based swap has basis risk on $28.3 million of swaps.

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 2003-B. These swaps provide the counterparty with the option to terminate the swap agreement beginning on 1/01/2010, 7/02/2011, 7/01/2005, 7/01/2005, 7/01/2008, 7/01/2008, 1/01/2010, 1/01/2010, and 7/01/2013, respectively, upon the passing of certain BMA thresholds. If any of these swaps are terminated, the associated variable-rate financings 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 financings. 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 issues.

Swap Termination Payment: During the year ended June 30, 2005, 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 paid a termination payment in the amount of $11,750,000 that has been reserved to offset future debt service. The payment will be recognized over the life of the debt using the straight-line method.

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 Parking 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.

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 Sewer Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2005 were approximately $453 million.

The Water Fund is engaged in a variety of projects that are part of its 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 Water Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2005 were approximately $101 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 from City of Detroit Retirement Systems, 2 Woodward Avenue, Coleman A. Young Municipal Center, Room 908, and Detroit, Michigan 48226.

These plans are administered in accordance with the City 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 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 Detroit Public Library fund, including accounts receivable for the year ended June 30, 2005, amounted to $776,281,025 and $693,967,089 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

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, 2005 amounted to $22,648,662 and $10,430,854 respectively.

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

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. Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service.

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. Pension benefits for all members of the GRS are increased annually by 2.25% of the original pension.

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 25 years of service with full benefits and a yearly cost-of-living adjustment of 2.25%. For those members of the PFRS 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.

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.

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):

General Retirement System				Policemen and Firemen Retirement System			
Year Ended June 30	Annual Pension Costs	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Pension Costs	Percentage Contributed	Net Pension Asset
2003	72.9	100	—	2003	66.8	100	—
2004	95.9	100	—	2004	69.5	100	—
2005	106.4	754	$695.6	2005	98.8	754	$595.1

The annual pension costs and net pension assets as of the City June 30, 2005 are as follows:

	P&FRS	GRS				
			Business-Type Activities			
	Governmental Activities	Governmental Activities	Transportation Fund	Sewage Disposal Fund	Water Fund	Total Primary Government
Annual required contributions (ARC)	$ 98,842,261	$ 63,450,814	$ 15,992,663	$ 6,359,722	$ 17,571,543	$ 202,217,003
Annual pension cost	98,842,261	63,450,814	15,992,663	6,359,722	17,571,543	202,217,003
Contributions made (employer)	693,967,089	480,048,802	113,998,169	14,210,003	168,024,051	1,470,248,114
Changes in net pension asset	595,124,828	416,597,988	98,005,506	7,850,281	150,452,508	1,268,031,111
Net pension asset, beginning of year	—	—	—	—	—	—
Net pension asset, end of year	$ 595,124,828	$ 416,597,988	$ 98,005,506	$ 7,850,281	$ 150,452,508	$ 1,268,031,111

The annual pension costs and net pension assets of the component units of the City as of June 30, 2005 are as follows:

	Component Unit Detroit Public Library (GRS)
Annual required contributions	$ 2,990,354
Annual pension cost	2,990,354
Contributions made (employer)	25,643,892
Changes in net pension asset	22,653,538
Net pension asset, beginning of year	—
Net pension asset, end of year	$ 22,653,538

	Defined Benefit		Defined Annuity Contributions	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving benefits	11,396	8,465	1,521	1,335
Terminated plan members entitled to but not yet receiving benefits	1,109	25	231	46
Active plan members	9,820	4,652	9,249	4,195

(Continued)

Significant actuarial assumptions used in preparing the accompanying Systems' financial statements for the year ended June 30, 2005 (the latest date available) are as follows:

	General Retirement System	Policemen and Firemen Retirement System
Valuation Date (latest date available)	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	20 years	12 years closed
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.

Investment loss presented in the Statements of Net Assets in Fiduciary Funds for the Retirement Systems 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	$ 18,472,422	$ 33,856,957
Interest Income	110,870,114	97,801,386
Net Apppreciation	160,852,269	140,792,494
Investment Expense	(13,780,153)	(12,581,933)
Total	$ 276,414,652	$ 259,868,904

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, 2005 is 22,451. 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, 2005, are as follows:

Benefit	City Cost	Retiree Cost	Total Cost
Hospitalization	$ 137,864,782	$ 13,960,235	$ 151,825,017
Dental	5,547,455	—	5,547,455
Eye Care	2,134,951	—	2,134,951
Life Insurance	167,444	—	167,444
Total	$ 145,714,632	$ 13,960,235	$ 159,674,867

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, 2005, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	$ 65,693,555
Supplemental Tipping Fees	16,530,000
Total	$ 82,223,555

NOTE IV. SUBSEQUENT EVENTS

On July 7, 2005, the Mayor signed a Cooperative Endeavor Agreement with the United States Department of Housing and Urban Development (HUD) for the benefit of the Detroit Housing Commission (DHC). The agreement calls for the City to transfer all of DHC's assets, projects, and programs to HUD and for HUD to manage the day-to-day operations and reporting requirements of the DHC. The agreement dissolves the DHC 's Board of Commissioners. The agreement has an initial term of two years, and is renewable in one-year increments thereafter. The Detroit Housing Commission will not be presented in the City's CAFR for the fiscal year ending June 30, 2006.

On September 22, 2005 the Water Supply System issued $25,975,000 SRF Junior Lien Revenue Bonds. The bonds begin to mature October 1, 2007 and will be fully matured in the year 2026.

In November 2005, Standard & Poor's revised the City's Unlimited Tax General Obligation Bond rating from BBB+ to BBB, the City's Limited Tax General Obligation Bond rating from BBB to BBB- and revised the outlook from stable to negative.

In November 2005, Moody's Investors Service revised the City's Unlimited Tax General Obligation Bonds rating from Baa1 to Baa2, the City's Limited Tax General Obligation Bond rating from Baa2 to Baa3 and revised the outlook from negative to stable.

In November 2005, a general election referendum was passed which transfers control of the School District of City of Detroit to a newly elected eleven (11) member School Board, effective January 1, 2006. The 11 Board members will consist of 7 members, one from each district, who will serve 2-year terms, and 4 at-large members representing the entire city who will serve 4-year terms. Thus the District will not be presented in the City's CAFR for June 30, 2006.

In December 2005, Fitch Ratings revised the City's Unlimited Tax General Obligation Bond rating from BBB+ to BBB, the City's Limited Tax General Obligation Bond rating from BBB+ to BBB and revised the outlook from stable to negative.

In December 2005, the City issued $82,565,000 Unlimited Tax General Obligation Bonds and Unlimited Tax General Obligation Refunding Bonds. Proceeds of $29.9 million were used to refund previously issued debt, resulting in present value savings of $913,916 or 3.0% of the refunded par amount. The bonds mature beginning April 1, 2006 and will be fully matured in the year 2025.

On March 1, 2006 the City entered into an agreement with the Detroit Zoological Society, a Michigan nonprofit corporation, to manage the operations of the Detroit Zoological Institute through June 30, 2020, a period of fifteen (15) years, with an option to renew of ten (10) years. The City retains ownership of all assets of the Detroit Zoological Institute, which includes the Detroit Zoological Park and the Belle Isle Nature Zoo. The agreement between the City and Zoological Society provides for the payment of capital funds in the amount of Five million dollars ($5,000,000) in fiscal year 2006 and an additional Five million dollars ($5,000,000) in fiscal year 2007. Upon transfer of the $5,000,000 payment in fiscal year 2006, the Zoological Society will transfer ownership of the new Ford Education Center to the City. The City also agreed to pay an operating subsidy for certain operating costs, insurance and security, totaling $900,000 per year for the first 2-years of the agreement, fiscal year 2006 and fiscal year 2007.

On March 22, 2006, the City entered into an agreement with the Detroit Historical Society, a Michigan nonprofit corporation, to manage the operations of the Detroit Historical Museums through June 30, 2015, a period of ten (10) years, with an option to renew of ten years. The City retains ownership of all the assets of the Detroit Historical Museums, which includes the

Detroit Historical Museum, the Dossin Great Lakes Museum and Historic Fort Wayne (including the Collections Resource Center). The City will retain the management of the operations of Historic Fort Wayne. The agreement between the City and Society provides for an annual operating subsidy of five hundred thousand dollars ($500,000) for the first three fiscal years of the agreement, fiscal years 2006, 2007 and 2008. For fiscal year 2006, the City agreed to pay all outstanding contractual obligations for operating services at the time of the transfer. The City also grants the Historical Society access to capital funds through the City's annual capital budget process. Currently, the City has authorization from the electorate to sell up to $20.02 million in general obligation bonds for capital improvements to the Detroit Historical Museum facilities.

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

REQUIRED

SUPPLEMENTARY

INFORMATION-

GENERAL FUND

STATEMENT OF REVENUES AND EXPENDITURES

-BUDGET TO ACTUAL

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Actual Over (Under)
	Original	Final	Amounts	Budget
REVENUES:				
Taxes:				
Property Taxes	$ 215,696,948	$ 215,696,948	$ 178,957,463	$ (36,739,485)
Municipal Income Tax	319,008,000	319,008,000	282,501,875	(36,506,125)
Utility Users' Tax	55,000,000	55,000,000	52,939,839	(2,060,161)
Wagering Taxes	117,600,000	117,600,000	137,970,347	20,370,347
Other Taxes and Assessments	11,569,766	11,569,766	10,962,886	(606,880)
Interest and Penalties on Taxes	9,800,000	9,800,000	11,491,470	1,691,470
Total Taxes, Assessments, Interest and Penalties	728,674,714	728,674,714	674,823,880	(53,850,834)
Licenses, Permits and Inspection Charges:				
Business Licenses	1,595,585	1,839,155	1,892,283	53,128
Permits	1,255,832	1,255,832	1,697,773	441,941
Inspection Charges	9,866,419	9,866,419	7,442,358	(2,424,061)
Other Licenses	96,157	96,157	28,641	(67,516)
Total Licenses, Permits and Inspection Charges	12,813,993	13,057,563	11,061,055	(1,996,508)
Shared Taxes:				
Liquor and Beer License	545,000	545,000	602,582	57,582
State Shared Tax	286,938,418	286,938,418	282,914,217	(4,024,201)
Total Shared Taxes	287,483,418	287,483,418	283,516,799	(3,966,619)
Intergovernmental:				
Federal	5,402,963	5,029,661	26,522,887	21,493,226
State	54,495,391	12,735,431	23,511,241	10,775,810
State Equity Grant	1,170,400	1,170,400	1,076,931	(93,469)
Other Grants	3,739,549	179,117,798	16,346,773	(162,771,025)
Total Grants	64,808,303	198,053,290	67,457,832	(130,595,458)
Sales and Charges for Services:				
Maintenance and Construction	1,234,846	1,234,846	1,509,134	274,288
Other Labor and Materials	300,000	300,000	347,868	47,868
Electrical	47,840,000	47,840,000	40,506,888	(7,333,112)
Steam	955,000	955,000	851,310	(103,690)
Sanitation Charges	823,897	823,897	662,841	(161,056)
Recreation Fees	7,020,797	7,020,797	5,175,375	(1,845,422)
Collection Fees	7,284,190	7,314,190	7,076,021	(238,169)
Other Fees	39,440,796	42,990,796	40,107,965	(2,882,831)
Personal Services	61,801,228	62,138,133	57,761,903	(4,376,230)
Other Departmental Sales	30,047,894	37,317,941	24,109,898	(13,208,043)
Total Sales and Charges for Services	196,748,648	207,935,600	178,109,203	(29,826,397)
Ordinance Fines	29,504,878	27,219,663	23,273,726	(3,945,937)
Revenue from Use of Assets:				
Earnings on Investments	3,087,000	2,801,531	2,380,653	(420,878)
Real Estate Rentals	9,160,886	9,160,886	7,414,207	(1,746,679)
Concessions	5,054,456	5,054,456	2,837,924	(2,216,532)
Sale of Real Property	33,410,000	33,410,000	6,013,792	(27,396,208)
Total Revenue from Use of Assets	50,712,342	50,426,873	18,646,576	(31,780,297)
Other Revenue	40,813,259	60,388,979	100,134,090	39,745,111
Total Revenues	1,411,559,555	1,573,240,100	1,357,023,161	(216,216,939)

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Actual Over (Under)
	Original	Final	Amounts	Budget
EXPENDITURES:				
Public Protection:				
Consumer Affairs	1,314,854	1,556,813	1,210,811	(346,002)
Fire	207,441,391	209,926,211	202,172,068	(7,754,143)
Human Rights	2,359,312	2,352,587	2,081,368	(271,219)
Ombudsperson	1,457,978	1,452,093	1,457,015	4,922
Parking Enforcement	9,793,095	9,700,247	9,074,181	(626,066)
Police	475,234,439	507,793,222	454,600,253	(53,192,969)
Detroit Office of Homeland Security	620,254	8,664,317	677,940	(7,986,377)
36th District Court	49,470,064	49,511,893	45,454,181	(4,057,712)
Total Public Protection	747,691,387	790,957,383	716,727,817	(74,229,566)
Department of Health	97,473,647	100,732,152	87,862,830	(12,869,322)
Recreation and Culture:				
Culture, Arts and Tourism	1,681,885	2,398,072	1,152,913	(1,245,159)
Historical	3,579,640	3,566,321	2,995,693	(570,628)
Recreation	50,042,927	47,416,336	49,924,914	2,508,578
Senior Citizens	1,294,920	2,138,068	932,042	(1,206,026)
Zoological Institute	14,029,400	14,357,011	12,492,833	(1,864,178)
Total Recreation and Culture	70,628,772	69,875,808	67,498,395	(2,377,413)
Economic Development — Civic Center	26,863,409	25,310,350	23,541,123	(1,769,227)
Housing Supply and Conditions:				
Planning and Development	11,433,365	23,773,549	12,486,977	(11,286,572)
Total Housing Supply and Conditions	11,433,365	23,773,549	12,486,977	(11,286,572)
Physical Environment:				
Environmental Affairs	2,594,658	4,503,223	2,319,583	(2,183,640)
Public Lighting	65,907,104	65,462,349	69,060,774	3,598,425
Public Works	183,411,745	183,717,019	185,239,556	1,522,537
Total Physical Environment	251,913,507	253,682,591	256,619,913	2,937,322
Development and Management:				
Auditor General	3,299,800	3,298,236	2,669,338	(628,898)
Budget	3,426,505	3,423,757	3,084,852	(338,905)
City Clerk	4,417,596	4,373,775	3,770,777	(602,998)
City Council	18,019,661	18,083,380	14,780,744	(3,302,636)
Communications & Creative Services	2,906,588	2,899,883	2,467,503	(432,380)
Elections	10,773,348	10,704,128	10,551,156	(152,972)
Finance	48,900,999	49,876,483	40,501,832	(9,374,651)
Law	27,121,937	28,396,285	26,884,967	(1,511,318)
Mayor's Office	11,356,692	11,595,397	9,653,665	(1,941,732)
Human Resources	32,330,117	32,291,316	25,904,262	(6,387,054)
Information Technology Services	31,361,734	31,385,622	24,294,443	(7,091,179)
Board of Zoning Appeals	973,677	971,884	844,025	(127,859)
Detroit Workforce Development Department	2,000	605,311	1,124	(604,187)
Dept. of Administrative Hearings	2,265,667	2,266,167	898,772	(1,367,395)
Non Departmental	14,164,289	171,392,092	31,501,316	(139,890,776)
Total Development and Management	211,320,610	371,563,716	197,808,776	(173,754,940)
Capital Outlay	69,436,133	97,531,721	124,712,800	27,181,079

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Actual Over (Under)
	Original	Final	Amounts	Budget
Debt Service:				
Bond Issuance Costs	24,000	24,000	5,192,701	5,168,701
Total Debt Service	24,000	24,000	5,192,701	5,168,701
Total Expenditures	1,486,784,830	1,733,451,270	1,492,451,332	(240,999,938)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,225,275)	(160,211,170)	(135,428,171)	24,782,999
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers from Other Funds:				
Transfers In	119,091,664	121,743,983	33,051,546	(88,692,437)
Proceeds of Capital Leases	315,351	315,351	315,351	-
Premium on Capital Related Debt	5,974,832	5,974,832	5,974,832	-
Sale of General Obligation Bonds	141,215,335	223,167,013	242,150,000	18,982,987
Total Other Financing Sources	266,597,182	351,201,179	281,491,729	(69,709,450)
Uses:				
Transfers to Other Funds:				
Transfers Out	182,677,300	182,377,868	136,651,053	(45,726,815)
Principal Paid to Bond Agent for Refunded Bonds	57,357,145	57,357,145	92,640,000	35,282,855
Interest Paid On Refunded Bonds	4,213,845	4,131,379	4,213,845	82,466
Total Other Financing Uses	244,248,290	243,866,392	233,504,898	(10,361,494)
Total Other Financing Sources and Uses	22,348,892	107,334,787	47,986,831	(59,347,956)
Net Change in Fund Balance	(52,876,383)	(52,876,383)	(87,441,340)	(34,564,957)
Fund Balance at Beginning of Year	52,876,383	52,876,383	69,216,269	16,339,886
Increase (Decrease) in Inventories	-	-	(15,369,363)	(15,369,363)
Fund Balance at End of Year	$ -	$ -	$ (33,594,434)	$ (33,594,434)

See accompanying independent auditors' report

REQUIRED

SUPPLEMENTARY

INFORMATION-

HISTORIC PENSION DATA

REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC PENSION DATA - UNAUDITED

Schedule of Employer Contributions (In millions):

General Retirement System				Policemen and Firemen Retirement System			
Year Ended June 30	Annual Required Contributions	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Required Contributions	Percentage Contributed	Net Pension Asset
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	100		2004	69.5	100	
2005	106.4	754	$695.6	2005	98.8	702	$595.1

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
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
2004	2,470.2	3,383.9	73.0	913.7	444.6	205.5
2005	3,222.4	3,347.4	96.3	125.0	390.6	32.0

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
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
2004	3,074.5	3,857.5	79.7	783.0	258.7	302.7
2005	3,757.9	3,780.4	99.0	22.6	250.5	9.0

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

See accompanying independent auditors' report.

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.
Detroit Workforce Development Department	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.
General Retirement Systems Service Corporation	To account for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.
Police and Fire Retirement Systems Service Corporation	To account for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005.
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.

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City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Bequest Fund	Total
ASSETS					
Current Assets					
Cash	$ 20,607,161	$ 7,688	$ 2,221,942	$ 47,344	$ 22,884,135
Investments	88,647,226	1,200,865	136,063,006	1,097,814	227,008,911
Accounts and Contracts Receivable:					
Due from Other Funds	4,651,893	-	1,977,302	-	6,629,195
Due from Other Governmental Agencies	29,968,385	-	567,116	-	30,535,501
General Taxes Receivable on Real and Personal Property (Net)	-	20,478,737	-	-	20,478,737
Other Receivables	881,466	-	354,558	-	1,236,024
Total Accounts and Contracts Receivable	35,501,744	20,478,737	2,898,976	-	58,879,457
Allowance for Uncollectible Accounts	(428,532)	(16,475,000)	(188,000)	-	(17,091,532)
Total Accounts and Contracts Receivable - Net	35,073,212	4,003,737	2,710,976	-	41,787,925
Taxes, Interest and Penalties--Net	-	2,005,000	-	-	2,005,000
Current Special Assessments Receivable	-	-	347,225	-	347,225
Prepaid Expenditures	127,636	-	-	-	127,636
Inventory--Forfeited Property	250,875	-	-	-	250,875
Other Inventory	677,208	-	-	-	677,208
Total Current Assets	145,383,318	7,217,290	141,343,149	1,145,158	295,088,915
Restricted Assets:					
Cash	1,001,831	32,203,497	30,234,856	108,465	63,548,649
Total Assets	$ 146,385,149	$ 39,420,787	$ 171,578,005	$ 1,253,623	$ 358,637,564
Liabilities:					
Accounts and Contracts Payable	$ 17,001,472	$ -	$ 26,352,524	$ -	$ 43,353,996
Due to Other Funds	9,902,480	2,328,825	4,183,436	-	16,414,741
Advances from Other Funds	145,674	-	850,000	-	995,674
Due to Other Governmental Agencies	5,196,450	704,821	-	-	5,901,271
Deposits from Vendors and Customers	2,847,640	-	-	-	2,847,640
Accrued Salaries and Wages Payable	1,937,814	-	-	-	1,937,814
Accrued Liabilities	13,564,749	-	-	-	13,564,749
Other Liabilities	1,547,110	-	124,113	-	1,671,223
Deferred Revenue	2,398,483	7,325,737	255,050	-	9,979,270
Total Liabilities	54,541,872	10,359,383	31,765,123	-	96,666,378
Fund Balances:					
Reserved for Inventory	928,083	-	-	-	928,083
Reserved for Encumbrances	14,018,549	-	-	-	14,018,549
Reserved for Endowments and Trusts	-	-	-	1,253,623	1,253,623
Reserved for Debt Service	-	29,061,404	-	-	29,061,404
Reserved for Capital Projects	-	-	139,812,882	-	139,812,882
Undesignated	76,896,645	-	-	-	76,896,645
Total Fund Balances	91,843,277	29,061,404	139,812,882	1,253,623	261,971,186
Total Liabilities and Fund Balances	$ 146,385,149	$ 39,420,787	$ 171,578,005	$ 1,253,623	$ 358,637,564

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Bequest Fund	Total
REVENUES:					
Taxes:					
Property Taxes	$ -	$ 59,813,679	$ -	$ -	$ 59,813,679
Other Taxes and Assessments	-	2,602,232	-	-	2,602,232
State Hotel and Liquor Tax	-	16,310,767	-	-	16,310,767
Licenses, Permits and Inspection Charges	23,945,463	-	-	-	23,945,463
Intergovernmental:					
Federal	225,212,352	-	24,637,235	-	249,849,587
State	13,356,134	-	-	-	13,356,134
Gas and Weight Tax	63,476,425	-	-	-	63,476,425
Sales and Charges for Services	5,185,630	-	-	-	5,185,630
Ordinance Fines	4,207,916	-	-	-	4,207,916
Revenue from Use of Assets	-	516,134	-	-	516,134
Earnings on Investments	1,028,610	1,276,054	9,673,567	20,803	11,999,034
Other Revenue	3,337,774	2,065,164	26,120,864	-	31,523,802
Total Revenues	339,750,304	82,584,030	60,431,666	20,803	482,786,803
EXPENDITURES:					
Current:					
Public Protection	38,159,175	-	-	-	38,159,175
Health	81,781,875	-	-	-	81,781,875
Economic Development	68,937,989	4,165,500	-	-	73,103,489
Educational Development	73,837,899	-	-	-	73,837,899
Housing and Conditions	5,795,925	-	-	-	5,795,925
Transportation	46,272,594	-	-	-	46,272,594
Debt Service:					
Principal	-	73,544,336	-	-	73,544,336
Interest	-	51,462,415	-	-	51,462,415
Bond Issuance Costs	-	-	2,299,818	-	2,299,818
Capital Outlay	-	-	157,832,908	-	157,832,908
Total Expenditures	314,785,457	129,172,251	160,132,726	-	604,090,434
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,964,847	(46,588,221)	(99,701,060)	20,803	(121,303,631)
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In:					
General Fund	8,234,889	38,830,859	-	-	47,065,748
General Debt Service Fund	-	-	37,469,125	-	37,469,125
Special Revenue Funds	19,668,260	3,821,110	-	-	23,489,370
Total Transfers In	27,903,149	42,651,969	37,469,125	-	108,024,243
Proceeds of Federal Note	7,789,000	-	-	-	7,789,000
Proceeds from Capital Related Debt Issuance	-	-	111,680,000	-	111,680,000
Premium on General Obligation Bonds Issued	-	-	7,039,843	-	7,039,843
Total Other Financing Sources	35,692,149	42,651,969	156,188,968	-	234,533,086
Uses:					
Transfers Out:					
General Fund	33,051,547	-	-	-	33,051,547
Capital Projects Fund	-	37,469,125	-	-	37,469,125
Debt Service Fund	3,821,110	-	-	-	3,821,110
Special Revenue Funds	19,668,260	-	-	-	19,668,260
Total Transfers Out	56,540,917	37,469,125	-	-	94,010,042
Principal Paid to Bond Agent for Refunded Bonds	-	-	69,160,000	-	69,160,000
Interest Paid to Bond Agent for Refunded Bonds	-	-	6,651,575	-	6,651,575
Total Other Financing Uses	56,540,917	37,469,125	75,811,575	-	169,821,617
Total Other Financing Sources (Uses)	(20,848,768)	5,182,844	80,377,393	-	64,711,469
Net Change in Fund Balances	4,116,079	(41,405,377)	(19,323,667)	20,803	(56,592,162)
Fund Balances at Beginning of Year	87,812,776	70,466,781	159,136,549	1,232,820	318,648,926
Decrease in Inventories	(85,578)	-	-	-	(85,578)
Fund Balances at End of Year	$ 91,843,277	$ 29,061,404	$ 139,812,882	$ 1,253,623	$ 261,971,186

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2005

ASSETS	Community Development Block Grant Funds	Construction Code Fund	Detroit Building Authority Fund	Drug Law Enforcement Fund
Current Assets:				
Cash	$ 1,388,485	$ 3,002,515	$ 2,146,303	$ 355,187
Investments	-	-	-	17,147,226
Accounts and Contracts Receivable:				
Due from Other Funds	2,087,629	348,209	179,985	-
Due from Other Governmental Agencies	7,522,442	58,077	-	-
Other Receivables	401,667	419,357	-	-
Total Accounts and Contracts Receivable	10,011,738	825,643	179,985	-
Allowance for Uncollectible Accounts	(37,608)	(345,200)	-	-
Total Accounts and Contracts Receivable - Net	9,974,130	480,443	179,985	-
Prepaid Expenditures	-	-	-	-
Inventory--Forfeited Property	-	-	-	250,875
Other Inventory	-	48,009	-	-
Total Current Assets	11,362,615	3,530,967	2,326,288	17,753,288
Restricted Assets:				
Cash	1,001,831	-	-	-
Total Assets	12,364,446	3,530,967	2,326,288	17,753,288
LIABILITIES, AND FUND BALANCES				
Liabilities:				
Accounts and Contracts Payable	2,056,612	34,212	341,170	496,565
Due to Other Funds	4,757,090	1,233,248	912,027	31,670
Advances from Other Funds	-	-	-	-
Due to Other Governmental Agencies	-	-	-	-
Deposits from Vendors and Customers	-	4,487	-	2,843,153
Accrued Salaries and Wages Payable	571,927	622,145	-	21,199
Accrued Liabilities	3,654,544	1,378,968		300,246
Other Liabilities	1,324,273	-	222,837	-
Deferred Revenue	-	-	-	-
Total Liabilities	12,364,446	3,273,060	1,476,034	3,692,833
Fund Balances:				
Reserved for Inventory	-	48,009	-	250,875
Reserved for Encumbrances	-	208,969	-	13,809,580
Undesignated	-	929	850,254	-
Total Fund Balances	-	257,907	850,254	14,060,455
Total Liabilities and Fund Balances	$ 12,364,446	$ 3,530,967	$ 2,326,288	$ 17,753,288

See accompanying independent auditors' report.

Empowerment Zone Fund	Detroit Workforce Development Department	Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
$ 1,157,520	$ 5,472,405	$ 5,613,144	$ 1,371,702	$ 99,900	$ -	$ 20,607,161
-	-	-	39,000,000	-	32,500,000	88,647,226
61,189	206,080	1,674,934	93,867	-	-	4,651,893
4,802,196	5,183,204	-	11,936,751	465,715	-	29,968,385
-	-	-	60,442	-	-	881,466
4,863,385	5,389,284	1,674,934	12,091,060	465,715	-	35,501,744
-	-	-	(45,724)	-	-	(428,532)
4,863,385	5,389,284	1,674,934	12,045,336	465,715	-	35,073,212
-	127,636	-	-	-	-	127,636
-	-	-	-	-	-	250,875
-	-	-	629,199	-	-	677,208
6,020,905	10,989,325	7,288,078	53,046,237	565,615	32,500,000	145,383,318
-	-	-	-		-	1,001,831
6,020,905	10,989,325	7,288,078	53,046,237	565,615	32,500,000	146,385,149
68,898	7,765,575	2,980,772	3,101,578	156,090	-	17,001,472
953,677	863,213	628,102	499,743	23,710	-	9,902,480
-	145,674	-	-	-	-	145,674
-	1,363,974	427,962	3,404,514	-	-	5,196,450
-	-	-	-	-	-	2,847,640
29,397	412,607	280,539	-	-	-	1,937,814
4,968,933	438,282	572,220	1,865,741	385,815	-	13,564,749
-	-	-	-	-	-	1,547,110
-	-	2,398,483	-	-	-	2,398,483
6,020,905	10,989,325	7,288,078	8,871,576	565,615	-	54,541,872
-	-	-	629,199	-	-	928,083
-	-	-	-	-	-	14,018,549
-	-	-	43,545,462	-	32,500,000	76,896,645
-	-	-	44,174,661	-	32,500,000	91,843,277
$ 6,020,905	$ 10,989,325	$ 7,288,078	$ 53,046,237	$ 565,615	$ 32,500,000	$ 146,385,149

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, 2005

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority	Drug Law Enforcement Fund
REVENUES:				
Licenses, Permits and Inspection Charges	$ -	$ 23,945,463	$ -	$ -
Intergovernmental:				
Federal	59,785,281	-	-	-
State	-	-	-	-
Gas and Weight Tax	-	-	-	-
Sales and Charges for Services	5,112,710	72,920	-	-
Ordinance Fines and Forfeitures	-	504,880	-	3,703,036
Earnings on Investments	-	-	-	306,083
Other Revenue	-	-	2,189,455	224,273
Total Revenues	64,897,991	24,523,263	2,189,455	4,233,392
EXPENDITURES:				
Current:				
Public Protection	-	35,413,572	-	2,745,603
Health	-	-	-	-
Economic Development	55,495,894	-	1,977,530	-
Educational Development	-	-	-	-
Housing and Conditions	-	-	-	-
Transportation Facilitation	-	-	-	-
Total Expenditures	55,495,894	35,413,572	1,977,530	2,745,603
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,402,097	(10,890,309)	211,925	1,487,789
Other Financing Sources:				
Proceeds of Federal Note	7,789,000	-	-	-
Transfers in:				
General Fund	-	461,106	1,006,096	-
Community Development Block Grant Fund		10,668,260	-	-
Major Street Fund	-	-	-	-
Total Transfers In	-	11,129,366	1,006,096	-
Total Other Financing Sources	7,789,000	11,129,366	1,006,096	-
Other Financing Uses:				
Transfers Out:				
Construction Code Fund	10,668,260	-	-	-
General Fund	2,701,727	-	-	-
General Debt Service Funds	3,821,110	-	-	-
Local Street Fund	-	-	-	-
Total Transfers Out	17,191,097	-	-	-
Total Other Financing Uses	17,191,097	-	-	-
Total Other Financing Sources (Uses)	(9,402,097)	11,129,366	1,006,096	-
Net Change in Fund Balances	-	239,057	1,218,021	1,487,789
Fund Balances (Deficits) at Beginning of Year	-	-	(367,767)	12,894,359
Increase (Decrease) in Inventory	-	18,850	-	(321,693)
Fund Balances at End of Year	$ -	$ 257,907	$ 850,254	$ 14,060,455

See accompanying independent auditors' report.

Empowerment Zone Fund	Detroit Workforce Development Department	Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 23,945,463
11,464,565	73,837,899	74,328,682	-	5,795,925	-	225,212,352
-	-	2,885,506	10,470,628	-	-	13,356,134
-	-	-	63,476,425	-	-	63,476,425
-	-	-	-	-	-	5,185,630
-	-	-	-	-	-	4,207,916
-	-	-	722,527	-	-	1,028,610
-	-	300,000	624,046	-	-	3,337,774
11,464,565	73,837,899	77,514,188	75,293,626	5,795,925	-	339,750,304
-	-	-	-	-	-	38,159,175
-	-	81,781,875	-	-	-	81,781,875
11,464,565	-	-	-	-	-	68,937,989
-	73,837,899	-	-	-	-	73,837,899
-	-	-	-	5,795,925	-	5,795,925
-	-	-	46,272,594	-	-	46,272,594
11,464,565	73,837,899	81,781,875	46,272,594	5,795,925	-	314,785,457
-	-	(4,267,687)	29,021,032	-	-	24,964,847
-	-	-	-	-	-	7,789,000
-	-	4,267,687	-	-	2,500,000	8,234,889
-	-	-	-	-	-	10,668,260
-	-	-	9,000,000	-	-	9,000,000
-	-	4,267,687	9,000,000	-	2,500,000	27,903,149
-	-	4,267,687	9,000,000	-	2,500,000	35,692,149
-	-	-	-	-	-	10,668,260
-	-	-	30,349,820	-	-	33,051,547
-	-	-	-	-	-	3,821,110
-	-	-	9,000,000	-	-	9,000,000
-	-	-	39,349,820	-	-	56,540,917
-	-	-	39,349,820	-	-	56,540,917
-	-	4,267,687	(30,349,820)	-	2,500,000	(20,848,768)
-	-	-	(1,328,788)	-	2,500,000	4,116,079
-	-	-	45,286,184	-	30,000,000	87,812,776
-	-	-	217,265	-	-	(85,578)
$ -	$ -	$ -	$ 44,174,661	$ -	$ 32,500,000	$ 91,843,277

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2005

	Capital Projects	Urban Renewal	Total
ASSETS			
Cash	$ 1,111,215	$ 1,110,727	$ 2,221,942
Investments	120,122,776	15,940,230	136,063,006
Accounts and Contracts Receivable:			
Due from Other Funds	1,973,651	3,651	1,977,302
Due from Other Governmental Agencies	567,116	-	567,116
Other Receivables - Trade	354,558	-	354,558
Total Accounts and Contracts Receivable -	2,895,325	3,651	2,898,976
Allowance for Uncollectible Accounts	(188,000)	-	(188,000)
Total Accounts and Contracts Receivable - Net	2,707,325	3,651	2,710,976
Current Special Assessments Receivable	347,225	-	347,225
Restricted Cash and Cash Equivalents	30,234,856	-	30,234,856
Total Assets	$ 154,523,397	$ 17,054,608	$ 171,578,005
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	$ 25,845,179	$ 507,345	$ 26,352,524
Due to Other Funds	3,261,705	921,731	4,183,436
Advance from General Fund	850,000	-	850,000
Other Liabilities	34,376	89,737	124,113
Deferred Revenue	243,335	11,715	255,050
Total Liabilities	30,234,595	1,530,528	31,765,123
Fund Balances:			
Undesignated Fund Balance	124,288,802	15,524,080	139,812,882
Total Fund Balances	124,288,802	15,524,080	139,812,882
Total Liabilities and Fund Balances	$ 154,523,397	$ 17,054,608	$ 171,578,005

See accompanying independent auditors' report.

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, 2005

	Capital Projects	Urban Renewal	Total
Revenues:			
Grants	$ 967,891	$ 23,669,344	$ 24,637,235
Earnings on Investments	1,808,745	7,864,822	9,673,567
Other Revenues	26,120,864	-	26,120,864
Total Revenues	28,897,500	31,534,166	60,431,666
Expenditures:			
Bond Issuance Cost	2,299,818	-	2,299,818
Capital Outlay	123,390,637	34,442,271	157,832,908
Total Expenditures	125,690,455	34,442,271	160,132,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,792,955)	(2,908,105)	(99,701,060)
Other Financing Sources:			
Transfers in:			
General Debt Service Fund	37,469,125	-	37,469,125
Proceeds from Bonds	111,680,000	-	111,680,000
Premium on Bonds Issued	7,039,843	-	7,039,843
Total Other Financing Sources	156,188,968	-	156,188,968
Other Financing Uses:			
Principal Paid to Bond Agent for Refunded Bonds	69,160,000	-	69,160,000
Interest Paid to Bond Agent for Refunded Bonds	6,651,575	-	6,651,575
Total Other Financing Uses	75,811,575	-	75,811,575
Total Other Financing Sources (Uses)	80,377,393	-	80,377,393
Net Change in Fund Balance	(16,415,562)	(2,908,105)	(19,323,667)
Fund Balances at Beginning of Year	140,704,364	18,432,185	159,136,549
Fund Balances at End of Year	$ 124,288,802	$ 15,524,080	$ 139,812,882

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR PERMANENT FUNDS
BEQUEST FUNDS
June 30, 2005

	Permanent Funds		
	Bequest Funds		
	Other Trust	Cemetery Trust	Total
ASSETS			
Cash	$ -	$ 47,344	$ 47,344
Restricted Cash	-	108,465	108,465
Investments	42,958	1,054,856	1,097,814
Total Assets	$ 42,958	$ 1,210,665	$ 1,253,623
LIABILITIES, AND FUND BALANCES			
Liabilities:			
Total Liabilities	$ -	$ -	$ -
Fund Balances:			
Reserved for Restricted Assets	42,958	1,210,665	1,253,623
Total Fund Balances	42,958	1,210,665	1,253,623
Total Liabilities and Fund Balances	$ 42,958	$ 1,210,665	$ 1,253,623

See accompanying independent auditors' report.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR PERMANENT FUNDS
BEQUEST FUNDS
For the Year Ended June 30, 2005

	Permanent Funds		
	Bequest Funds		
	Other Trust	Cemetery Trust	Total
Revenues:			
Investment Income	$ 814	$ 19,989	$ 20,803
Total Revenues	814	19,989	20,803
Expenditures:			
Total Expenditures	-	-	-
Total Revenues Over Expenditures	814	19,989	20,803
Fund Balance, Beginning	42,144	1,190,676	1,232,820
Fund Balance, Ending	$ 42,958	$ 1,210,665	$ 1,253,623

See accompanying independent auditors' report.

City of Detroit
COMBINING STATEMENT OF NET ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

	Condemnation Awards Fund	Fire Insurance Escrow Fund	Other Agency Funds	Total
ASSETS				
Cash	$ 1,425,578	$ 351,826	$ 733,223	$ 2,510,628
Investments	-	8,639,787	-	8,639,787
Due from Other Funds	-	185,281	-	185,281
Total Assets	$ 1,425,578	$ 9,176,894	$ 733,223	$ 11,335,695
LIABILITIES				
Accounts Payable	$ -	$ 62,743	$ -	$ 62,743
Awards Payable	1,425,578	-	-	1,425,578
Advances from Outside Sources	-	8,875,746	-	8,875,746
Escrow Payable	-	-	733,223	733,223
Due to Other Funds	-	238,405	-	238,405
Total Liabilities	$ 1,425,578	$ 9,176,895	$ 733,223	$ 11,335,695

See accompanying independent auditors' report.

City of Detroit
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Condemnation Award Fund				
Assets				
Cash	$ 1,464,630	$ -	$ 39,052	$ 1,425,578
Total Assets	$ 1,464,630	$ -	$ 39,052	$ 1,425,578
Liabilities				
Accounts and Contracts Payable	$ 1,464,630	$ -	$ 39,052	$ 1,425,578
Total Liabilities	$ 1,464,630	$ -	$ 39,052	$ 1,425,578
Fire Insurance Escrow Fund				
Assets				
Cash	$ 203,890	$ 4,596,809	$ 4,448,873	$ 351,826
Investments	7,108,506	2,816,281	1,285,000	8,639,787
Due from Other Funds	185,281	-	-	185,281
Total Assets	$ 7,497,677	$ 7,413,090	$ 5,733,873	$ 9,176,894
Liabilities				
Accounts and Contracts Payable	$ 294,185	$ 1,737,667	1,969,109	$ 62,743
Due to Other Funds	117,215	167,377	46,186	238,405
Other Liabilities	7,086,276	3,538,731	1,749,261	8,875,746
Total Liabilities	$ 7,497,676	$ 5,443,775	3,764,556	$ 9,176,895
Other Agency Funds				
Assets				
Cash	$ 730,208	$ 3,014	$ -	$ 733,222
Total Assets	$ 730,208	$ 3,014	$ -	$ 733,222
Liabilities				
Other Liabilities	$ 730,208	$ 3,014	$ -	$ 733,222
Total Liabilities	$ 730,208	$ 3,014	$ -	$ 733,222
Total Agency Funds				
Assets				
Cash	$ 2,398,728	$ 4,599,823	$ 4,487,924	$ 2,510,627
Investments	7,108,506	2,816,281	1,285,000	8,639,787
Due from Other Funds	185,281	-	-	185,281
Total Assets	$ 9,692,515	$ 7,416,104	$ 5,772,924	$ 11,335,695
Liabilities				
Accounts and Contracts Payable	$ 1,758,815	$ 1,737,667	$ 2,008,161	1,488,321
Due to Other Funds	117,215	167,377	46,186	238,405
Other Liabilities	7,816,484	3,541,745	1,749,261	9,608,968
Total Liabilities	$ 9,692,514	$ 5,446,789	$ 3,803,608	11,335,695

See accompanying independent auditors' report.

In preparation for the Major League All-Star Game in July, emergency responders participate in a **homeland security** emergency response exercise in May at Comerica Park.

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**

kids cops clean

Shoppers marvel at the breathtaking array of flowers at Eastern Market's **Flower Day** in May. Flower Day is a much-anticipated annual rite of spring for thousands of metro Detroiters.

Runners speed to the finish line at the **Heat the Streets Run and Walk for Warmth** last February to raise money to assist low-income residents with their utility costs.

Table 1

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

Revenue Classification (2)	2005	2004	2003	2002	2001
Taxes, Assessments, Interest and Penalties	$ 826,722	$ 817,511	$ 728,223	$ 748,723	$ 716,014
Licenses, Permits, and Inspection Charges	35,007	29,464	24,881	24,857	28,824
Shared Taxes and Grants	618,949	642,535	737,126	759,365	747,085
Sales and Charges for Services	183,295	190,928	174,533	203,322	185,732
Ordinance Fines	27,482	28,238	24,147	28,374	22,151
Revenues from Use of Assets	16,782	33,196	37,574	39,918	60,541
Other Revenues	131,658	124,788	102,386	142,977	79,140
Total Revenues	$ 1,839,895	$ 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. 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 2

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

Expenditure Classification (2)	2005	2004	2003	2002	2001
Public Protection	$ 1,423,582	$ 738,331	$ 609,580	$ 601,014	$ 598,723
Health	197,473	172,301	194,570	177,826	170,703
Recreation and Culture	99,296	73,770	78,478	79,787	67,393
Economic Development	99,656	96,272	96,998	80,957	40,949
Educational Development	77,259	95,579	85,854	85,516	96,271
Housing Supply and Conditions	27,863	21,150	18,535	16,747	96,393
Physical Environment	301,785	232,269	252,006	292,579	275,369
Transportation	46,273	49,858	44,218	21,087	15,787
Development and Management	495,349	387,713	399,418	354,175	250,912
Debt Service	169,268	140,118	132,184	124,583	126,981
Capital Outlay	282,546	162,594	69,605	117,575	145,426
Total Expenditures	$ 3,220,350	$ 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
$ 720,077	$ 636,191	$ 622,937	$ 592,515	$ 580,149
29,829	24,426	23,727	20,722	17,960
747,033	687,086	640,242	617,385	615,803
176,948	150,482	148,217	141,088	131,684
23,573	20,032	19,885	17,314	18,356
45,220	39,487	48,476	43,186	42,647
60,261	74,701	90,673	97,715	73,345
$ 1,802,941	$ 1,632,405	$ 1,594,157	$ 1,529,925	$ 1,479,944

Table 2

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

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
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
2005 (3).....	254,533	238,059	93.53	8,942

(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
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)
2005 (2).....	254,533	-	(3,977)

(1) includes General, Library and Debt Service Funds
(2) Fiscal Years 2002-2005 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
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
247,001	97.04	(6,088)	81,565	32.04

Table 4

Net Taxes Receivable	Collections to June 30, 2005	
	Amount	Ratio to Adjusted Tax Levy
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
250,556	238,059	95.01

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
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
2006	11,645,064	7,168,723	23,290,128	1,611,481	1,581,107	3,222,962	13,256,545	8,749,830	26,513,090

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
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
2006.....	30.0201	4.6307	30.6236	12.0950	6.0000	83.3694

Fiscal Year	Tax Levies					
	City (Note A)	Library	School	County (Note B)	State	Total
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
2006.....	262,670	40,518	267,951	105,829	52,499	729,467

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
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
2005*	27,796,423	-	176,851	1,574,915	26,044,657
Total	$ 85,108,609	$ 29,584,047	$ 1,795,817	$ 3,809,225	$ 109,107,615

*General Fund	$ 25,697,432
Capital Projects Fund	347,225
Total Special Assessments	$ 26,044,657

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
1996 (C).....	$ 1,120,872	$ 5,887,324	19.04	1,000,272	$ 1,121
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	7,204,381	13.02	951,270	986.13
2002 (C).....	962,133	7,639,805	12.59	951,270	1,011.42
2003 (C).....	909,624	7,976,048	11.40	951,270	956.22
2004 (C).....	1,104,034	7,844,210	14.07	951,270	1,160.60
2005 (C).....	1,209,104	8,335,790	14.50	951,270	1,271.05

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 2005 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, 2005
Unaudited

		Net Debt	Legal Limitation: Percent of Assessed Value	Legal Limitation: Amount	Legal Debt Margin
Assessed Value Fiscal Year 2004-05 (State Equalized)	$ 12,713,648,477				
Add: Allowance under Act 198, Mich. 1974	361,731,928				
Allowance under Act 228, Mich. 1975	718,498,590				
Allowance under Act 147, Mich. 1992	26,933,794				
Allowance under Act 147, Mich. 1996	86,672,803				
Total Assessed Value Fiscal Year 2004-05	$ 13,907,485,592		10.00%	$ 1,390,748,559	
Net Direct Debt Subject to General Debt Limitation:					
General Obligation Bonds (Note A)		$ 579,850,000			
General Bonds - Limited Tax		139,460,000			
Limited Obligation Economic Development Bonds - District Court, Madison Center Project		8,918,510			
Total Net Direct Debt Subject to General Debt Limitation		$ 728,228,510		$ 1,390,748,559	$ 662,520,049
Net Direct Debt Not Subject to General Debt Limitation (Note B):					
Direct Debt:					
General Obligations:					
General Detroit Resource Recovery Bonds		$ 156,900,986			
Limited Obligation Economic Development Bonds- Resource Recovery Project		63,980,000			
Self-Insurance Bonds - Limited Tax		98,895,000			
Revenue Bonds:					
Convention Facility - Cobo Center Expansion		95,003,208			
Detroit Building Authority - Parking and Arena System		52,606,236			
Local Development Finance Authority Tax Increment Bonds- Jefferson/Conner Revitalization Project		78,929,502			
Sewage Disposal System		2,489,065,975			
Tax Increment Finance Authority Bonds - DDA		142,828,501			
Water Supply System		1,845,116,314			
Downtown Development Authority - Trapper's Alley Project		2,800,000			
Federal Note - Caraco Pharmaceutical Project		4,266,000			
Federal Note - Ferry Street		2,815,000			
Federal Note - Garfield Project		1,840,000			
Federal Note - Riverbend Project		1,070,000			
Federal Note - Stuberstone Project		315,000			
Federal Note - Mexicantown Welcome Center		7,789,000			
Federal Note - New Amsterdam Project		9,700,000			
Revenue Anticipation Notes, Series 2005		54,445,000			
Total Not Subject to General Debt Limitation		$ 5,053,920,722			

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, 2005
Unaudited

	Gross Debt	Less Redemption Funds	Net Debt	% Applicable To Detroit	Detroit Share
Direct Debt:					
General Obligation:					
General Bonds - Unlimited Tax	$ 579,850,000	$ -	$ 579,850,000		
General Bonds - Limited Tax	399,455,000	-	399,455,000		
Detroit Building Authority Bonds - Madison Center Project	9,921,954	1,003,444	8,918,510		
Greater Detroit Resource Recovery Authority Bonds	183,000,000	26,099,014	156,900,986		
Limited Obligation Economic Development Bonds - Resource Recovery Project	63,980,000	-	63,980,000		
Total General Obligation	1,236,206,954	27,102,458	1,209,104,496	100.00%	$ 1,209,104,496
Revenue Bonds:					
Convention Facility - Cobo Center Expansion	125,013,138	30,009,930	95,003,208		
Detroit Building Authority - Parking and Arena System	60,845,000	8,238,764	52,606,236		
Local Development Finance Authority Tax Increment Bonds - Jefferson/Conner Revitalization Project	86,210,000	7,280,498	78,929,502		
Sewage Disposal System (Note C)	2,656,426,573	167,360,598	2,489,065,975		
Tax Increment Finance Authority Bonds - DDA	166,473,198	23,644,697	142,828,501		
Water Supply System (Note C)	1,991,615,000	146,498,686	1,845,116,314		
Total Revenue Bonds	5,086,582,909	383,033,173	4,703,549,736	100.00%	4,703,549,736
Total Direct Debt	6,322,789,863	410,135,631	5,912,654,232		
Overlapping Debt:					
School District of the City of Detroit General Obligation Bonds and Notes	1,477,035,000	1,466,816,577	10,218,423	100.00%	10,218,423
Wayne County Bonds (Note A)	122,525,993	20,789,666	101,736,327	18.10%	18,414,275
Wayne County Community College Bonds (Note A)	76,105,000	19,779,228	56,325,772	28.87%	16,261,251
Total Overlapping Debt	1,675,665,993	1,507,385,471	168,280,522		44,893,951
Debt Not Pledging the Faith and Credit of the City:					
Federal Note - Caraco Pharmaceutical Project (Note A)	4,266,000	-	4,266,000		
Federal Note - Ferry Street (Note A)	2,815,000	-	2,815,000		
Federal Note - Garfield Project (Note A)	1,840,000	-	1,840,000		
Federal Note - Riverbend Project (Note A)	1,070,000	-	1,070,000		
Federal Note - Mexicantown Welcome Center (Note A)	7,789,000		7,789,000		
Federal Note - Stuberstone Project (Note A)	315,000	-	315,000		
Federal Note - New Amsterdam Project (Note A)	9,700,000		9,700,000		
Revenue Anticipation Notes, Series 2005	54,445,000		54,445,000		
Loans Payable to GE Capital - Schedule-009	1,892,181	-	1,892,181		
Loans Payable to GE Capital - Schedule-010	141,246	-	141,246		
Loans Payable to GE Capital - Schedule-011	7,459,520	-	7,459,520		
Loans Payable to GE Capital - Schedule-012	384,501	-	384,501		
Loans Payable to GE Capital - Schedule-013	1,186,746	-	1,186,746		
Loans Payable to GE Capital - Schedule-014	438,896	-	438,896		
Loans Payable to GE Capital - Schedule-015	121,556	-	121,556		
Loans Payable to GE Capital - Schedule-016	11,333,268	-	11,333,268		
Loans Payable to GE Capital - Schedule-017	14,796,211	-	14,796,211		
Loans Payable to GE Capital - Schedule-018	6,925,886	-	6,925,886		
Loans Payable to GE Capital - Schedule-019	5,037,008	-	5,037,008		
Loans Payable to GE Capital - Schedule-021	153,181	-	153,181		
Total Debt Not Pledging the Faith and Credit of the City	132,110,200	-	132,110,200		
Total Debt	$ 8,130,566,056	$ 1,917,521,102	$ 6,213,044,954		$ 5,957,548,183

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
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%
2005.....	73,544	51,462	5,193	130,199	2,072,153	6.28%

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.....	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
	2005	13,627,651	16,005,392	(2,377,741)	6,615,000	4,185,120	10,800,120	(0.22)
Sewerage.....	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
	2005	313,588,275	163,400,354	150,187,921	32,590,000	82,510,501	115,100,501	1.30
Water.....	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
	2005	260,613,085	156,953,698	103,659,387	22,440,000	85,928,089	108,368,089	0.96

(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

				New Construction (Note 2)				Alterations/Additions (Note 2)				
				Residential		Non-Residential		Residential		Non-Residential		
Fiscal Year	Real Property Value (Note 1) Residential	Commercial	Exempt	No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	Commercial Bank Deposits (Note 3)
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
2005.....	4,943	2,304	N/A	411	81.36	268	243.39	5,418	92.24	975	398.09	N/A

Note 1 Source: City of Detroit 2004-2005 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, 2005
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	$ 128,767,660	1.89 %	$ 610,099,600	40.48 %	$ 738,867,260	8.86 %
Detroit Edison	Utility	51,269,238	0.75	308,229,060	20.45	359,498,298	4.31
General Motors Corporation	Automotive	49,134,783	0.72	129,078,070	8.56	178,212,853	2.14
Michigan Consolidated Gas	Utility	1,655,473	0.02	145,681,702	9.67	147,337,175	1.77
Riverfront Holdings Inc.	Real Estate	123,150,856	1.80	-	0.00	123,150,856	1.48
American Axle	Auto Supplier	16,901,259	0.25	75,052,600	4.98	91,953,859	1.10
One Detroit Center LP	Real Estate	53,207,221	0.78	108,030	0.01	53,315,251	0.64
Cingular Wireless LLC	Utility	-	0.00	47,738,424	3.17	47,738,424	0.57
Greektown Casino LLC	Gaming	28,426,871	0.42	11,949,480	0.79	40,376,351	0.48
Detroit Entertainment LLC	Casino	16,854,374	0.25	20,290,190	1.35	37,144,564	0.45
Total		$ 469,367,735	6.87 %	$ 1,348,227,156	89.45 %	$ 1,817,594,891	21.80 %
Total City Taxable Value Fiscal Year 2004-05		$ 6,828,590,407		$ 1,507,199,386		$ 8,335,789,793	

Table 15

City of Detroit, Michigan
LARGEST PRIVATE EMPLOYERS
June 30, 2005
Unaudited

Company	Detroit Employment
Detroit Medical Center	10,617
DaimlerChrysler AG	9,900
Henry Ford Health System	7,404
General Motors Corporation	6,311
St. John Health System	4,821
American Axle & Manufacturing Holdings Inc	4,309
DTE Energy Co	3,987
Compuware Corp	3,946
Motor City Casino	2,800
Blue Cross and Blue Shield of Michigan	2,694

SOURCE: Crain's Book of Lists, 2006 Edition, December 2005.

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Table 16

City of Detroit, Michigan
MISCELLANEOUS STATISTICS
June 30, 2005
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		7,233	
Estimated Cost of Construction	$	815,077,078	
Election of November 2005:			
Number of Registered Voters		637,870	
Number of Ballots Cast		328,530	
Percentage of Registered Voters Voting		51.50	%
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 (2003)		14.8	
Death Rate per Thousand (2003)		9.5	
Infant Mortality Rate per Thousand Live Births (2003)		16.3	
Libraries:			
Number of Libraries (Including Two Bookmobiles)		27	
Estimated Number of Books		3,497,342	
Circulation		981,689	
Number of City Owned Vehicles (Excluding 548 Transportation Department Revenue Vehicles)			
Fire Department Vehicles (Includes 48 EMS Vehicles)		276	
Police Department Vehicles		2,342	
Transportation Department non- revenue vehicles		213	
All Other Departments (Passenger Vehicles, Commercial Vehicles and Trucks)		833	
Police Department:			
Number of Stations (Including 16 Mini-Stations)		28	
Number of Employees (Uniform)		4,673	
Number of Traffic Violations Issued (including 507,573 Parking Tickets)		736,131	
Number of Traffic Ordinance Violations Issued		45,121	
Number of Arrests (Traffic 16,415) + (Other 48,124)		79,852	
Public Works Department:			
Number of Employees		1,316	
Miles of Streets (Paved 2,769) + (Unpaved 15)		2,784	
Miles of Alleys (Paved 598.12) + (Unpaved 685.46)		1,284	
Miles of Sidewalks		4,265	

(Continued)

Table 16

Public Lighting:		
Electric Plant:		
Number of Street Lights		87,500
Number of Revenue Customers		179
Size of Generating Station in Kilowatts		184,000
Kilowatt Hours Generated (Net)		308,391,000
Kilowatt Hours Delivered to System		567,529,080
Steam Heating Plants - Steam Produced in Pounds		71,852,887
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		17
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 1,125) + (Lateral 2,258) Sewers		3,383
Transportation Department:		
Number of Employees		1,750
Number of Revenue Vehicles		561
Seating Capacity		22,065
Number of Route Miles		1,198
Total Number of Passengers (Estimated)		36,000,000
Regular Fare	$	1.50
Tickets		5 for $6.50
Transfers	$	0.25
Water System:		
Number of Customer Accounts		281,104
Average Pumpage - Millions of Gallons per Day		640.0
Greatest Pumpage for a Single Day During Fiscal Year (6-30-04) - July 31, 2003 Gallons		1,060,500,000
Greatest Pumpage for a Single Hour During Fiscal Year (6-30-04) - July 31, 2003 9 pm Gallons		52,208,000
Filtration Plant Rated Capacity - Millions of Gallons per Day		1,670.0
Number of Miles of Water Mains		3,840
Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet	$	11.49
Employees on Payroll on June 30, 2005:		
Classified (Tax Supported 5,420) + (Revenue Supported 4,243)		9,663
Elective (Tax Supported 41) + (Revenue Supported 0)		41
Appointive (Tax Supported 320) + (Revenue Supported 6)		326
Uniform Police (Tax Supported 5,237) + (Revenue Supported 0)		5,237
Total Employees (Tax Supported 11,018) + (Revenue Supported 4,249)		15,267
Total Pensioners as of June 30, 2005		20,290

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

Honorable Detroit City Council President Maryann Mahaffey Retires

Detroit Council President Maryann Mahaffey, A.C.S.W in September 2005 announced that she would not run for another term to begin January 2006. Mahaffey was elected to Detroit City Council in 1974. She served as Council President Pro Tem (1978-1982 and 1998-2001) and as President (1990-1998) and (2002-2005). She is a Professor Emeritus at the School of Social Work, Wayne State University where she taught from 1965 to 1990. Maryann served 8 terms on City Council.

A native of Burlington, Iowa, she received her undergraduate degree from Cornell College, Iowa, and her Masters of Social Work degree from the University of Southern California. She has been awarded an honorary Doctor of Humane Letters Degree from Cornell College.

As a Detroit City Council member, Maryann designed the first Rape Crisis Center in the Police Department and chaired the City Council Housing Task Force with an emphasis on housing for low-income people. Some of the ordinances she is responsible for include: Emergency Homeless Shelter Licensing Ordinance, Family Child Care Zoning Laws, Home Rental Registration, Repair to Own Home Ordinance, Handgun Safety Training Ordinance, Sexual Harassment Ordinance, and an ordinance barring smoking in city-owned buildings. She authored the Policy on Homelessness for New Detroit, Inc. and the American Orthopsychiatric Association.

The City of Detroit sincerely thanks Councilmember Maryann Mahaffey for her many contributions and untiring years of faithfully serving the citizens of Detroit.

Our Special Thanks To:

City of Detroit, Michigan

www.ci.detroit.mi.us

Finance Department

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and Staff
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Wolinski and Company, CPA's
and Staff

General Accounting Section

and Staff
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Saied S. Rouhani, Manager I
David Capobres Jr. Manager I
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