

CITY OF DETROIT, MICHIGAN



# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



**Dave Bing**  
Mayor

**Chris Brown**  
Chief Operating Officer



**City of Detroit**

**Comprehensive Annual Financial Report**

**for the Fiscal Year Ended June 30, 2011**

---

Dave Bing, Mayor



*"We hope for  
better things."*

*"It shall rise again  
from the ashes."*

**FOUNDED 1701**  
**INCORPORATED 1806**  
**AREA (Square Miles) 137.9**  
**POPULATION 713,777**

## TABLE OF CONTENTS

	Page
<b>I. INTRODUCTORY SECTION</b>	
LETTER OF TRANSMITTAL	I-1
AUDITOR GENERAL’S LETTER	I-5
LIST OF CITY OF DETROIT PRINCIPAL OFFICIALS	I-6
CITY OF DETROIT ORGANIZATION CHART	I-9
<b>II. FINANCIAL SECTION</b>	
INDEPENDENT AUDITORS’ REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)	7
BASIC FINANCIAL STATEMENTS:	
A. GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	37
Statement of Activities	38
B. FUND FINANCIAL STATEMENTS:	
Governmental Funds Financial Statements:	
Balance Sheet	40
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	42
Statement of Revenues, Expenditures, and Changes in Fund Balances	43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	44
Proprietary Funds Financial Statements:	
Statement of Net Assets	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets	50
Statement of Cash Flows	52
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	56
Statement of Changes in Fiduciary Net Assets	57
Component Units Financial Statements:	
Combining Statement of Net Assets	58
Combining Statement of Activities	60
C. NOTES TO BASIC FINANCIAL STATEMENTS	64
REQUIRED SUPPLEMENTARY INFORMATION:	
A. BUDGET TO ACTUAL COMPARISON - GENERAL FUND:	
Notes to Budget to Actual Comparison	132
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	133
B. EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS:	
Schedules of Funding Progress	138
Schedules of Employer Contributions	139

## TABLE OF CONTENTS

	<b>Page</b>
<b>OTHER SUPPLEMENTARY INFORMATION SECTION:</b>	
<b>A. COMBINING NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:</b>	
Other Governmental Funds:	
Combining Balance Sheet	144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	145
Special Revenue Funds:	
Combining Balance Sheet	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	148
Street Funds:	
Combining Balance Sheet	150
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	151
Permanent Funds:	
Combining Balance Sheet	152
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	153
<b>B. OTHER GOVERNMENTAL FUNDS BUDGETARY COMPARISON SCHEDULES:</b>	
Special Revenue Funds	154
Debt Service Fund	166
Capital Projects Fund	167
<b>C. FIDUCIARY FUNDS:</b>	
Combining Statement of Fiduciary Net Assets	170
Combining Statement of Changes in Fiduciary Net Assets	172
<b>D. AGENCY FUNDS:</b>	
Combining Statement of Assets and Liabilities	173
Combining Statement of Changes in Assets and Liabilities	174
 <b>III. STATISTICAL SECTION (UNAUDITED)</b>	
Description of Statistical Section	177
Schedule 1 - Net Assets by Component, Last Ten Fiscal Years	178
Schedule 2 - Changes in Net Assets, Last Ten Fiscal Years	180
Schedule 3 - Fund Balances, Governmental Funds, Last Ten Fiscal Years	184
Schedule 4 - Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	186
Schedule 5 – Assessed and Actual Value of Taxable Property, Last Ten Fiscal Years	188
Schedule 6 - Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	190
Schedule 7 - Principal Property Tax Payers, Current Year and Nine Years Ago	192
Schedule 8 - Property Tax Levies and Collections, Last Ten Fiscal Years	194
Schedule 9 - Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	196
Schedule 10 - Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	198
Schedule 11 - Direct and Overlapping Governmental Activities Debt as of June 30, 2011	201
Schedule 12 - Legal Debt Margin Information, Last Ten Fiscal Years	202
Schedule 13 - Pledged Revenue Coverage, Last Ten Fiscal Years	205
Schedule 14 - Demographic and Economic Statistics, Last Ten Calendar Years	207
Schedule 15 - Principal Employers, Current Year and Nine Years Ago	208
Schedule 16 - Full-time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years	211
Schedule 17 - Miscellaneous Operating Indicators by Function/Program, Last Ten Fiscal Years	212

### PHOTO CREDITS

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December 22, 2011

The City of Detroit  
The Honorable Mayor Dave Bing, and  
The Honorable City Council

The management and staff of the Finance Department are pleased to submit the City of Detroit's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 along with the Independent Auditors' Report.

### **INTRODUCTION TO THE REPORT**

*Responsibility:* The Finance Department prepares the City's CAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including the disclosures. To the best of our knowledge and belief, the information contained in the City's CAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the City's primary government and component units for which it is financially accountable. All disclosures necessary to enable the reader to gain a reasonable understanding of the City's financial affairs have been included.

*Adherence to Generally Accepted Accounting Principles:* We have prepared the financial statements contained in the City's CAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the City's Finance Department in accordance with the financial reporting principles and standards of the Governmental Accounting Standards Board (GASB). The City also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

*Report:* The City's CAFR is divided into three major sections: introductory, financial and statistical:

- The introductory section includes this letter, the Auditor General's letter, the list of principal officials and the City's organization chart.
- The financial section includes: the independent auditors' report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis to the Basic Financial

Statements; the Basic Financial Statements, which present the government-wide financial statements and the fund financial statements for government funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information on employer Contributions and funding progress related to the City's pension and postretirement health plans; and the supplemental financial data which includes the combining financial statements and schedules.

- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

*Independent Auditors:* 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 auditors' report on the financial statements is included in the financial section of this report. Also, 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*.

## **PROFILE OF THE GOVERNMENT**

*Background and Overviews:* 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.

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

*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.

*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.



## 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Cheryl R. Johnson". The signature is fluid and cursive, with the first name "Cheryl" and last name "Johnson" clearly distinguishable.

Cheryl R. Johnson, CPA  
Group Executive/Finance Director

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## Fire and Ice

DPW working hard to keep the winter streets clear

Crews conduct a controlled burn on Belle Isle to control Phragmites and other invasive plant species that covered more than 2/3rds of the shoreline of Belle Isle's rivers, lakes and canals



City of Detroit, Michigan



**City of Detroit**  
**OFFICE OF THE AUDITOR GENERAL**  
COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVENUE, SUITE 208  
DETROIT, MICHIGAN 48226  
PHONE: (313) 224-3101  
FAX: (313) 224-4091  
WWW.CI.DETROIT.MI.US

LOREN E. MONROE, CPA  
AUDITOR GENERAL

**AUDITOR GENERAL'S LETTER**

December 22, 2011

The Honorable Mayor Dave Bing  
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, 2011, were audited by KPMG LLP., under contract with the City of Detroit's, Office of the Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

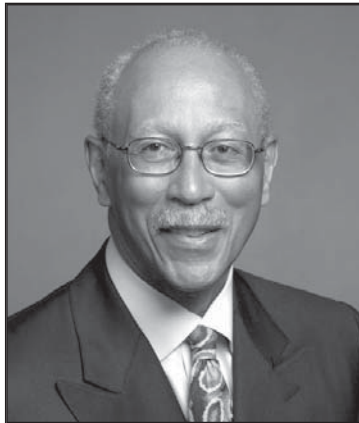
Respectfully,

A handwritten signature in cursive script that reads "Loren E. Monroe".

Loren E. Monroe, CPA  
Auditor General

# PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

## Executive (Elected)



**Mayor**  
DAVE BING

## Legislative (Elected)

### City Council



CHARLES PUGH  
President



GARY BROWN  
President Pro Tem



SAUNTEEL JENKINS



KENNETH V. COCKREL JR.



BRENDA JONES



ANDRE SPIVEY



JAMES TATE



KWAME KENYETTA



JOANN WATSON

# PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

## Legislative (Elected)



**City Clerk**  
JANICE WINFREY

## Executive Official (Appointed)

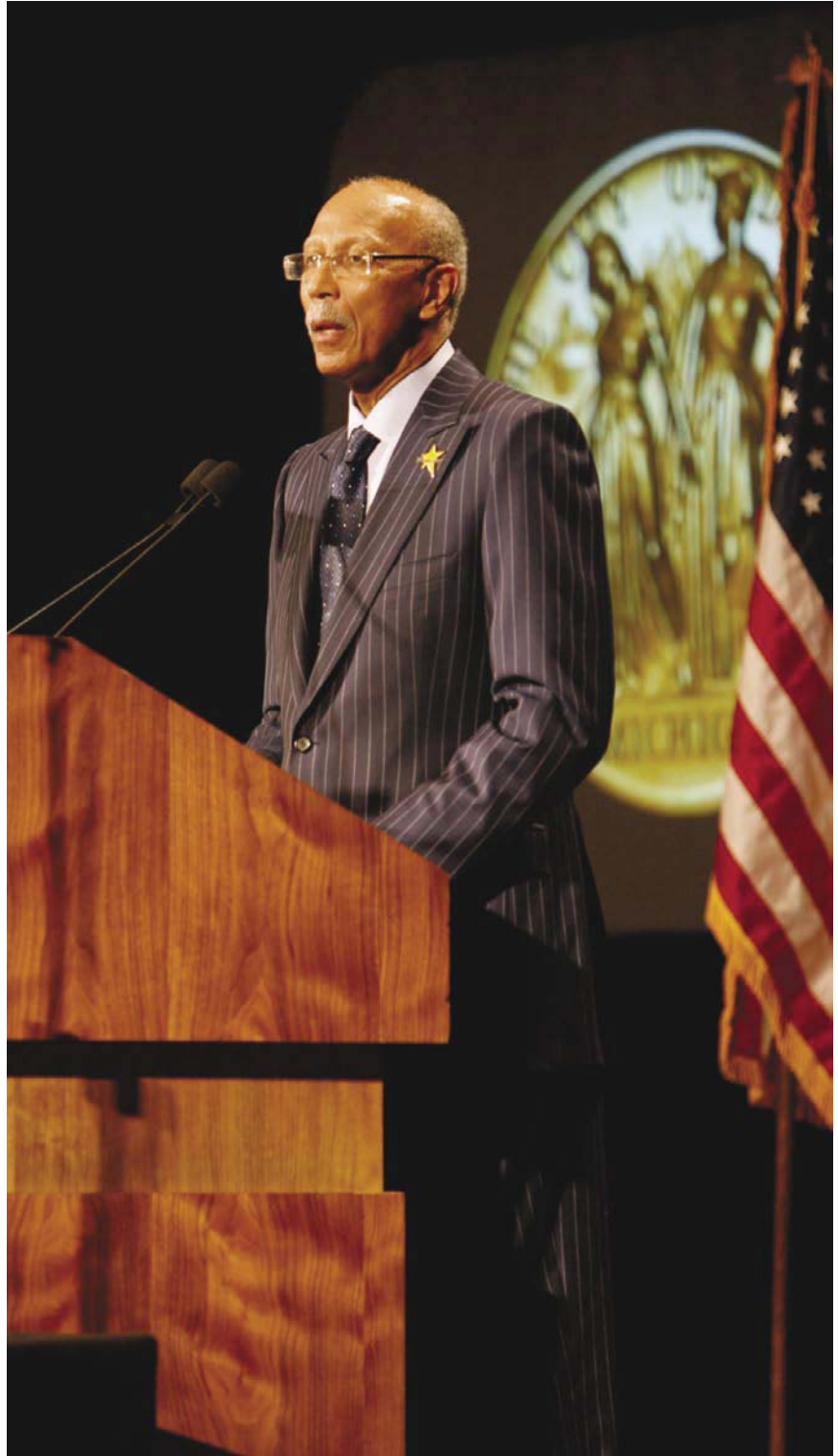


CHRIS BROWN  
**Chief Operating Officer**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

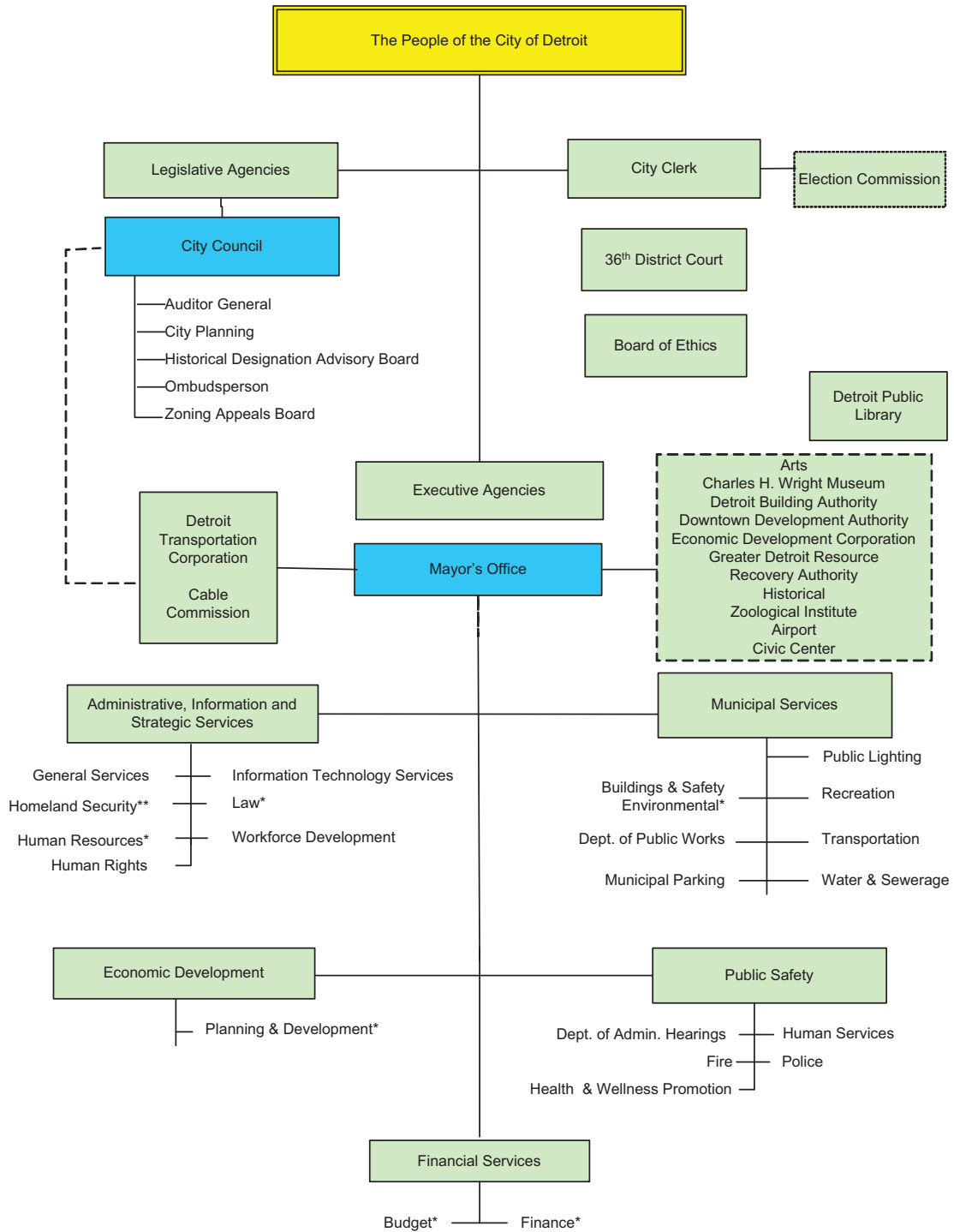
## State of the City

Mayor Bing shares his vision for Detroit during the State of the City address on February 22, 2011.



City of Detroit, Michigan

# Organization of City of Detroit Agencies, proposed for FY 2010-11



\* Charter-mandated staff department  
 \*\* Does not have departmental status

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## Adopt-A-Park

Children enjoy new play equipment at Delores Bennett Park. The park renovations were a part of the City of Detroit Adopt-A-Park program.



City of Detroit, Michigan



# FINANCIAL

*The Financial Section Contains:*

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

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# INDEPENDENT AUDITORS' REPORT



KPMG LLP  
Suite 1900  
150 West Jefferson  
Detroit, MI 48226

## Independent Auditors' Report

The Honorable Mayor Dave Bing and  
the Honorable 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, 2011, 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 management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units listed in note I(a) which represent 100% of the assets and expenses of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System, the Police and Fire Retirement System (together, the Retirement Systems) and the Detroit Building Authority, which represent 96% and 46% of the assets and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included in the aggregate discretely presented component units and aggregate remaining fund information, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Retirement Systems and certain discretely presented component units identified in note I(a) were not audited in accordance with *Government Auditing Standards*. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2011, 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.



The City has an accumulated unassigned deficit in the General Fund of \$196.6 million as of June 30, 2011 which has resulted from operating deficits over the last several years. Liquidity risks and management's plans are discussed in note II.A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, 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, other supplementary information section, and statistical section listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and 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 or the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan  
December 22, 2011

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NSO

Mayor Bing and Neighborhood Service Organization officials attend the groundbreaking for a \$50 million NSO renovation project to help house Detroit's homeless at the former Michigan Bell Telephone Co. building at 882 Oakman Blvd. in Detroit.



City of Detroit, Michigan

**MANAGEMENT'S**

**DISCUSSION**

**AND ANALYSIS**

**(MD&A)**

**(UNAUDITED)**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## Project 14 House

Project 14 provides Detroit police officers funds to acquire and rehabilitate homes as well as down payment and closing cost assistance. Officer Booker Reid is excited about the new home he received as part of the Project 14 program.



City of Detroit, Michigan



The following Management's Discussion and Analysis is a required supplement to the City of Detroit's (the City) basic financial statements. It describes and analyzes the financial position of the City, providing an overview of the City's activities for the year ended June 30, 2011. We encourage readers to consider the information we present here in conjunction with the information presented in the City's financial statements and notes, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The Unassigned General Fund Balance (page 41) had a \$196.6 million cumulative deficit at June 30, 2011, a \$40.9 million increase from the \$155.7 million deficit at the end of fiscal year 2010. The City has issued a deficit elimination plan (page 32) for the General Fund, which includes staffing reductions and furlough days for union employees and continuation of furlough days for non-union employees, reduction of pension and health care costs, increased efficiencies in various departments, reduced subsidies, and enhanced procedures for the collection of revenues.
- At June 30, 2011, the General Fund had a total fund balance deficit of \$148.1 million, an increase of \$57.0 million from the prior year. The fund balance deficit and unassigned fund balance deficit differs due to the other fund balance classifications (e.g., nonspendable, restricted, assigned, and committed, which are described below) which totaled \$48.5 million at June 30, 2011. Adversely impacting the City's deficit reduction efforts were the: (1) \$23.8 million decline in State revenue sharing due to State budget cuts; (2) \$71.4 million increase in pension costs mainly police and fire due to higher contribution rates resulting from poor market performance of pension funds assets; (3) \$21.7 million liability for the Department of Transportation's default on employee benefit obligations; (4) \$13.5 million increase in the Public Lighting Department's purchased power (electricity) due to the closing of the Mistersky Power Plant; (5) \$12.4 million decrease in electrical revenue mainly due to the inability to collect from the Detroit Public Schools; (6) \$7.5 million subsidy to the Construction Code Fund to offset a deficit in the fund; and (7) \$10.7 million increase in claims and damages.
- City deficit reduction efforts resulted in the following positive financial results for the General Fund when compared to the year ended June 30, 2010: (1) \$15.3 million net decrease in salaries and wages costs from layoffs and furlough days even though Police and Fire salaries and wages were up \$13.3 million; (2) collection of \$20.0 million other revenue from the Greater Detroit Resource Recovery Authority (GDRRA); (3) reduction of \$18.0 million in development and management expenses through the Tax Increment Financing Authority (TIFA) settlement (see below for details); (4) \$4.8 million reduction in interest expense as there was no new short-term borrowing in 2011; and (5) \$15.0 million decrease in contractual costs.

- On December 2, 2011, the State of Michigan's Treasurer ordered a preliminary review of the City's finances in accordance with Public Act 4 of 2011 (Local Government and School District Fiscal Accountability Act). Public Act 4 authorizes the State Treasurer to intervene in municipalities or school districts that experience severe financial stress or financial emergencies. The State Treasurer cited the City's liquidity risks and large debt including unfunded retiree health care costs to justify a preliminary financial review. On December 21, 2011, the preliminary review team issued a report to the Governor recommending appointment of a financial review team to conduct a more detailed review of the financial condition of the City. A review team has 60 days to complete its work and file its report. The review team can negotiate a consent agreement between the State and City to provide for remedial measures to address the City's financial problems. A consent agreement must provide that in the event of a material uncured breach of the consent agreement, the State Treasurer is authorized to place the City into receivership.

Upon receipt of the review team's report, the Governor must make one of the following determinations: (1) that the City is not in a condition of severe financial stress; (2) that the City is in a condition of severe financial stress, but a consent agreement containing a plan to resolve the financial stress has been adopted; (3) that the City's financial emergency exists and no satisfactory plan exists to resolve the emergency; and (4) that the City entered into a consent agreement, but materially breached the consent agreement.

If the Governor confirms the existence of a financial emergency, the Governor then is required to declare the City to be in receivership and to appoint an emergency manager. An emergency manager has broad statutory authority in receivership to rectify a financial emergency and to assure fiscal accountability of the City and the capacity of the City to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare. An emergency manager acts for and in the place and stead of the Mayor and City Council. If, in the judgment of an emergency manager, no reasonable alternative to rectifying the financial emergency exists, then the emergency manager may recommend to the Governor and the State Treasurer that the City may be authorized to proceed under Title 11 of the United States Code. The effect of instituting bankruptcy proceedings would be to make the City a debtor under the United States Bankruptcy Code.

- The City issued \$100.0 million in general obligation bonds in 2011 to finance the renovation of the old MGM Casino into a Public Safety headquarters and to finance other capital projects. The Public Safety headquarters will house the Police, Fire and Information Technology departments.
- The City received \$20.0 million in 2011 from the GDRRA for funds held in escrow by Detroit Edison to repay debt owed to the City. This increased Governmental Fund other revenue by \$20.0 million in 2011.

- The City favorably settled the TIFA issue in May 2011. A State audit had determined that the City overcaptured \$22.5 million in school taxes for the Central Industrial Park Project for tax years 2001-2005. The City engaged a consulting firm to verify the allowability and accuracy of the eligible obligations included in the TIFA capture reports for tax years 2001-2008. The consultant determined the City overcaptured \$18.0 million of school property taxes for tax years 2001-2008. The consultant also determined that the City had overpaid Hamtramck \$7.1 million for its share of captured taxes for those years. The City withheld shared revenue payments to Hamtramck for fiscal years 2008-2010 to recover the overpayment. A settlement was made with the State of Michigan and City of Hamtramck in 2011 which included the following: (1) the City of Hamtramck through the 2009-10 fiscal years was underpaid \$3.2 million, which the City of Detroit will pay the City of Hamtramck; (2) the City of Hamtramck will pay the City of Detroit the water and sewer \$3.2 million of revenue which was held in escrow; (3) the agreement settles claims and counterclaims in lawsuits of both cities in the matter and each city withdraws its claims against the other; (4) the agreement terminates the TIFA as of June 30, 2009; (5) tax increment revenue captured from all taxing jurisdictions is deemed materially correct for the City of Detroit TIFA for all years through June 30, 2009; and (6) the preliminary finding of \$14.9 million overcapture of school taxes by the City for fiscal years 2002-2009 is negated. (“The capture of K-12 tax revenue for those years is materially correct, and is divided per the stipulated interlocal agreement formula.”) The City paid Hamtramck the \$3.2 million per the agreement in May 2011. The impact of the settlement was to reduce Governmental Fund expenses and payables by \$18.0 million in 2011.
  
- In May 2011, the City also settled the disagreement with the Detroit Regional Convention Facility Authority (Authority) on the proper disposition and control of the (1) Project Fund), (2) Project Fund (2003), and (3) Renewal and Replacement Fund created under the Bond Resolution (commonly referred to as the Disputed Funds). These funds held a total of \$13.9 million as of the settlement date. The City and the Authority settlement included: (1) the Chief Financial Officer of the City, from time to time shall direct the payment of up to \$4.0 million in aggregate of the Disputed Bond Funds to pay for or reimburse the City for the cost of City Improvements to Cobo Hall and expenses incurred for the amendments to the services agreement; and (2) all Disputed Bond Funds in excess of \$4.0 million allocated to the City, which totaled \$9.9 million, shall be applied by the Trustee at the sole and exclusive direction of the Authority. A special item of \$9.9 million was recorded for this transaction in the Capital Project Fund and reduced the net assets of the Governmental Funds for the year ended June 30, 2011.
  
- For the year ended June 30, 2011, the City recorded \$88.4 million in liabilities due to Wayne County for estimated charge-backs/recoveries of uncollectable delinquent taxes. Wayne County has been providing the City with payments for the purchase of current year delinquent taxes every year since 2004. In the current year, the County will charge-back to the City prior year taxes purchased that it determines to be uncollectable. For the year ended June 30, 2010, the liability totaled \$91.2 million. The \$2.8 million decrease in the liability for the year ended June 30, 2011 was due to a change in methodology to include an estimate for auction proceeds related to the sale of foreclosed properties.

- The City's General Fund had an additional \$21.7 million liability because the Department of Transportation's (DDOT) inability to pay its employee benefit costs. Due to the DDOT's cash flow problems and \$35.9 deficit for the year ended June 30, 2011, it was unable to pay its employee benefit costs. The General Fund had to provide an additional subsidy of \$21.7 million to DDOT and pay the benefit liability for the year ended June 30, 2011. This reduced DDOT's deficit to \$14.2 million for the year ended June 30, 2011.
- The issuance of the fiscal stabilization bonds in 2010 enabled the City to eliminate the need for short-term borrowing in 2011. The General Fund's cash and investments totaled \$73.7 million at June 30, 2011 compared to \$48.7 million at June 30, 2010. Contributing to the increase in cash was Wayne County's delay in purchasing delinquent property taxes for the year ended June 30, 2010, which was not made until October of 2010. In addition, the County's purchase of delinquent property taxes for the year ended June 30, 2011 was made in June, which improved the City's cash position.
- The Police and Fire Retirement System granted the General Fund a \$25.0 million credit for the required pension contribution for the year ended June 30, 2010. However, there was no credit for the year ended June 30, 2011. In addition, contribution rates were up 8.95% to 35.22% in 2011 due to the increase in unfunded liabilities because of the large market drop related to pension assets in 2009. This contributed to the \$71.4 million increase in General Fund pension costs for the year ended June 30, 2011. General Fund Pension Costs were \$177.4 million for the year ended June 30, 2011 compared to \$106.0 million for the prior year.
- The City's pension obligations, retiree benefits, debt service and derivatives associated with the pension obligation certificates (POCs), present a substantial financial challenge for the City and were a contributing factor in the State's decision to order a preliminary review of the City's finances. A total of \$236.2 million of the fair value of derivatives are interest rate swaps associated with the City's POCs. The POCs totaling \$1.5 billion were issued during the year ended June 30, 2005 to provide full funding for the City's two pension plans' obligations. The City has a \$1.5 billion long term obligation at June 30, 2011 for the POCs. The City's two pension plans' obligations for retiree pensions total \$7.7 billion at June 30, 2010 (the most recent valuation date) of which \$615.7 million is unfunded. In addition, the City had a \$5.0 billion unfunded obligation for other post-employment benefits at June 30, 2009 (the most recent valuation date). The primary government's pension, retiree benefits, and other pension related costs totaled \$503.8 million for the year ended June 30, 2011.

- The City's business-type activities had net assets of \$509.1 million at June 30, 2011, a decrease of \$223.9 million from the \$733.0 million for the year ended June 30, 2010. The business-type activities cumulative unrestricted net assets was a deficit totaling \$230.1 million, a \$103.6 million decrease from the \$333.7 million deficit at June 30, 2010. The Sewage Disposal Fund's net assets decreased by \$191.8 million and the Water Fund net assets decreased by \$12.9 million for the year ended June 30, 2011. The Sewage Disposal fund sold the Macomb-Oakland Interceptor to Macomb and Oakland counties during the year and recognized a loss on sale of \$91.5 million. Interest expenses of \$119.7 million for the year ended June 30, 2011 also contributed to the decrease in net assets of the Sewage Disposal Fund. Also, interest expenses of \$111.7 for the Water Fund contributed to its \$12.9 million decrease in net assets.
- The City's total bonded debt decreased by \$73.0 million during the fiscal year ended June 30, 2011. This was primarily due to the retirement of debt offset by the issuance of the \$100.0 million in general obligation bonds for the Public Safety headquarters and other capital projects. The Governmental Funds retired \$77.1 million of general obligation bonds. The Sewage Disposal, Water, and Parking Funds retired \$36.8 million, \$35.1 million, and \$27.5 million of revenue bonds for the year ended June 30, 2011, respectively.
- Total long-term obligations were \$8.7 billion for the fiscal year ended June 30, 2011 an increase of \$27.0 million from the \$8.7 billion for the fiscal year ended June 30, 2010. The long-term obligations increased mainly due to the \$161.9 million increase in other postemployment benefits liability. This increase was partially offset by the retirement of debt. The POC long-term obligation decreased \$11.0 million from the \$1.5 billion at June 30, 2010 due to retirement of debt. Legal claims were also down \$14.1 million from the prior year.
- The Federal Government, through the American Reinvestment and Recovery Act (ARRA), has provided stimulus funds totaling \$100.7 million to the City to spur economic recovery from inception in 2009 through June 30, 2011. The stimulus funding has increased local employment and created new small businesses, resulting in higher income tax collections. ARRA funding includes: (1) \$30.7 million for Human Services programs including weatherization of City homes (\$16.6 million) and Headstart programs (\$3.0 million); (2) \$10.9 million for Block Grant programs; (3) \$18.4 million for buses and other transportation projects; (4) \$29.2 million for Detroit Workforce Development Department (DWDD) training and employment programs; (5) \$6.8 million for Police Department hiring of additional officers and other programs; and (6) \$4.7 million to General Services Department for energy grants.

- During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved are replaced with five new classifications of nonspendable, restricted, committed, assigned, and unassigned. The Statement had no impact on the City's enterprise or fiduciary financial statements nor on the government-wide financial statements. The main impact of GASB Statement No. 54 on the City's financial statements at June 30, 2011 was to provide more detailed classification of the City's governmental fund balances. Also, the City reclassified the Urban Renewal Funds from the Capital Projects Funds to Special Revenue Funds and reclassified the Detroit Building Authority Fund from Special Revenue Funds to Capital Projects Funds. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

Government-wide financial statements (pages 37-39) are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The financial statements include the Statement of Net Assets and the Statement of Activities. These statements are prepared using the economic resources measurement focus and accrual basis of accounting. They take into account all revenues and expenses connected with the fiscal year, regardless of when the City received or paid the cash. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities that should help answer this question: How has the City's financial position, as a whole, changed as a result of this year's activities? These statements include all non-fiduciary assets and liabilities.

The Statement of Net Assets (page 37) presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the City's financial position is improving or eroding.

The Statement of Activities (pages 38 and 39) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- **Governmental Activities** - Most of the City's basic services such as public protection (police) and public works are reported under this category. Taxes and intergovernmental revenues generally fund these services.
- **Business-type Activities** - The City charges fees to customers to help it cover all or most of the cost of services it provides such as water and transportation.
- **Discretely Presented Component Units** - Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. There are ten legally separate organizations including the Economic Development Corporation and the Museum of African American History that are reported as discretely presented component units of the City.

### **Fund Financial Statements**

The fund financial statements begin on page 40 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund, General Retirement System Service Corporation, Police and Fire Retirement System Corporation, and Other Governmental Funds.

- *Proprietary funds* - When the City charges customers for services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary (e.g., Enterprise) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public (e.g., Transportation Fund).
- *Fiduciary funds* - The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets (pages 56 and 57). These funds, which include pension (and other employee benefit) and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the City to finance its operations.

#### **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 64 of the report.

#### **Additional Required Supplementary Information**

The Required Supplementary Information that follows the basic financial statements further explains and supports the information in the financial statements.

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

#### **Government-wide Net Assets**

Net assets (assets less liabilities) serve as a useful indicator of a government's financial position. The City's liabilities exceeded assets by \$29.0 million at June 30, 2011. The net assets decreased \$294.1 million from the \$265.1 million for the fiscal year ended June 30, 2010.



**City of Detroit, Michigan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**  
**(UNAUDITED)**

Summary of Net Assets  
June 30, 2011 and 2010  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other non-current assets and deferred outflows of resources	\$ 1,769,406	\$ 1,812,283	\$ 1,408,188	\$ 1,532,536	\$ 3,177,594	\$ 3,344,819
Capital assets	1,464,566	1,443,774	5,387,953	5,583,118	6,852,519	7,026,892
Total assets and deferred outflows of resources	<u>3,233,972</u>	<u>3,256,057</u>	<u>6,796,141</u>	<u>7,115,654</u>	<u>10,030,113</u>	<u>10,371,711</u>
Current and other liabilities	653,526	708,362	725,157	744,882	1,378,683	1,453,244
Long-term obligations	<u>3,118,517</u>	<u>3,015,564</u>	<u>5,561,921</u>	<u>5,637,788</u>	<u>8,680,438</u>	<u>8,653,352</u>
Total liabilities	<u>3,772,043</u>	<u>3,723,926</u>	<u>6,287,078</u>	<u>6,382,670</u>	<u>10,059,121</u>	<u>10,106,596</u>
Net assets:						
Invested in capital assets, net of related debt	711,987	717,589	435,962	781,976	1,147,949	1,499,565
Restricted	110,223	93,497	303,236	284,696	413,459	378,193
Unrestricted (deficit)	<u>(1,360,281)</u>	<u>(1,278,955)</u>	<u>(230,135)</u>	<u>(333,688)</u>	<u>(1,590,416)</u>	<u>(1,612,643)</u>
Total net assets	<u>\$ (538,071)</u>	<u>\$ (467,869)</u>	<u>\$ 509,063</u>	<u>\$ 732,984</u>	<u>\$ (29,008)</u>	<u>\$ 265,115</u>

### Total Primary Government

The largest portion of the City's net assets at June 30, 2011 is its \$1.1 billion investment in capital assets (e.g., land, buildings, equipment, infrastructure, and others), net of any related debt outstanding that was needed to acquire or construct the assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net assets totaling \$413.5 million are resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City presents restricted net assets in 2010-11 for Highway and Street Improvement (\$30.1 million), Capital Projects and Acquisitions (\$104.1 million), Debt Service (\$277.6 million), and Endowments and Trusts (\$1.7 million). The restricted net assets increased by \$35.3 million from the prior year mainly due to issuance of \$100.0 million of bonds for the public safety headquarters and other capital acquisitions.

The remaining balance is an unrestricted accumulated deficit of \$1.6 billion. A deficit represents a shortage of assets available to meet all the City's obligations if they were immediately due and payable. The unrestricted accumulated deficit decreased by \$22.2 million from the \$1.6 billion at June 30, 2010. The decreased deficit is primarily attributable to the reduction in the Sewage Disposal Fund investment in capital assets due to the sale of the Macomb-Oakland Interceptor.

### **Governmental Activities**

At June 30, 2011, the City's governmental activities had a net assets deficit (liabilities exceeded assets) of \$538.1 million, an increase of \$70.2 million from the deficit at June 30, 2010. Other post-employment benefits payable accounted for \$120.6 million of the governmental activities increases in the net assets deficit. In addition, the weak economy in 2010-11 and resulting high unemployment and depressed property values slowed revenue growth and contributed to the increase in the deficit. Expenses were down \$66.5 million and revenues were up \$32.1 million from the prior year, but expenses, net transfers and the special item (page 9) were still \$70.2 million higher than revenues.

Net assets invested in capital assets totaled \$712.0 million; a decrease of \$5.6 million from the prior fiscal year. Restricted net assets totaled \$110.2 million. The remaining unrestricted net assets deficit totaled \$1.4 billion at June 30, 2011, an \$81.3 million increase from the \$1.3 billion deficit at June 30, 2010.

### **Business-type Activities**

The business-type activities net assets totaled \$509.1 million at June 30, 2011 a decrease of \$223.9 million from the \$733.0 million at June 30, 2010. The unrestricted net assets deficit of \$230.1 million at June 30, 2011 decreased \$103.6 million from the \$333.7 million deficit at June 30, 2010. As mentioned previously, the \$91.5 million loss on sale of the Macomb-Oakland Interceptor from the Sewage Disposal Fund was a major contributor overall to the decrease in net assets. Also, the interest expenses for the Water and Sewer Disposal Funds added to the overall decrease in net assets. The Transportation Fund had a \$14.2 million decrease in net assets due to its inability to control costs, primarily other postemployment benefits (\$15.1 million increase from the prior year). As discussed previously, the Transportation Fund deficit would have been \$21.7 million higher had the General Fund not subsidized the Fund's employee benefits costs.

**City of Detroit, Michigan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**  
**(UNAUDITED)**

**Government-wide Changes in Net Assets**

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

Summary of Changes in Net Assets							
June 30, 2011 and 2010							
(In Thousands)							
	Governmental		Business-type		Total		
	Activities		Activities		Primary Government		
	2011	2010	2011	2010	2011	2010	
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 300,767	\$ 316,489	\$ 763,075	\$ 693,578	\$ 1,063,842	\$ 1,010,067	
Operating Grants and Contributions	370,730	356,347	77,553	75,344	448,283	431,691	
Capital Grants and Contributions	44,339	28,305	29,794	47,947	74,133	76,252	
<b>General Revenues:</b>							
Property Taxes	235,857	218,008	-	-	235,857	218,008	
Municipal Income Tax	228,304	216,522	-	-	228,304	216,522	
Utility Users Tax	44,640	44,190	-	-	44,640	44,190	
Wagering Tax	177,046	183,466	-	-	177,046	183,466	
Hotel and Liquor Tax	-	2,969	-	-	-	2,969	
Other Local Taxes	17,374	15,405	-	-	17,374	15,405	
State Shared Taxes	239,342	239,047	-	-	239,342	239,047	
Investment Earnings	8,607	8,833	9,837	(42,429)	18,444	(33,596)	
Miscellaneous	10,623	15,926	(85,166)	789	(74,543)	16,715	
<b>Total Revenues</b>	<b>1,677,629</b>	<b>1,645,507</b>	<b>795,093</b>	<b>775,229</b>	<b>2,472,722</b>	<b>2,420,736</b>	
<b>Expenses:</b>							
Public Protection	816,929	779,613	-	-	816,929	779,613	
Health	170,235	170,844	-	-	170,235	170,844	
Recreation and Culture	31,398	17,963	-	-	31,398	17,963	
Economic Development	87,938	61,907	-	-	87,938	61,907	
Educational Development	58,840	90,451	-	-	58,840	90,451	
Housing Supply and Conditions	6,329	8,382	-	-	6,329	8,382	
Physical Environment	125,325	119,714	-	-	125,325	119,714	
Transportation Facilitation	33,721	84,040	-	-	33,721	84,040	
Development and Management	201,032	268,716	-	-	201,032	268,716	
Interest on Long-term Debt	132,827	129,459	-	-	132,827	129,459	
Sewage Disposal	-	-	517,645	431,575	517,645	431,575	
Transportation	-	-	215,881	207,620	215,881	207,620	
Water	-	-	345,181	346,638	345,181	346,638	
Automobile Parking	-	-	11,305	18,190	11,305	18,190	
Airport	-	-	2,393	2,438	2,393	2,438	
<b>Total Expenses</b>	<b>1,664,574</b>	<b>1,731,089</b>	<b>1,092,405</b>	<b>1,006,461</b>	<b>2,756,979</b>	<b>2,737,550</b>	
<b>Excess (Deficiency) Before</b>							
Transfers and Special Item	13,055	(85,582)	(297,312)	(231,232)	(284,257)	(316,814)	
Transfers, Net	(73,391)	(74,579)	73,391	74,579	-	-	
Special Item	(9,866)	49,980	-	-	(9,866)	49,980	
<b>Decrease in Net Assets</b>	<b>(70,202)</b>	<b>(110,181)</b>	<b>(223,921)</b>	<b>(156,653)</b>	<b>(294,123)</b>	<b>(266,834)</b>	
<b>Net Assets, July 1</b>	<b>(467,869)</b>	<b>(182,379)</b>	<b>732,984</b>	<b>1,082,462</b>	<b>265,115</b>	<b>900,083</b>	
GASB Statement 53 Adjustment	-	(175,309)	-	(192,825)	-	(368,134)	
<b>Restated Net Assets, July 1</b>	<b>(467,869)</b>	<b>(357,688)</b>	<b>732,984</b>	<b>889,637</b>	<b>265,115</b>	<b>531,949</b>	
<b>Net Assets, June 30</b>	<b>\$ (538,071)</b>	<b>\$ (467,869)</b>	<b>\$ 509,063</b>	<b>\$ 732,984</b>	<b>\$ (29,008)</b>	<b>\$ 265,115</b>	

## **Total Primary Government**

Total revenues for the fiscal year ended June 30, 2011 were \$2.5 billion; an increase of \$52.0 million from the prior fiscal year. Investment earnings increased \$52.0 million mainly due to derivative (GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*) adjustments for the decrease in the derivative liabilities. Charges for services increased \$53.8 million mainly due to water and sewer rate increases. Sewer and water revenues from customer charges for services increased \$47.0 million and \$35.7 million respectively from the prior year. Total tax revenues increased by \$22.6 million from the prior year. The main reason for the increase was the \$22.1 million adjustments to property tax and charge-back liabilities that were overstated in prior years (see below for more details). Income tax revenues were up \$11.8 million in 2011 as the economy and employment improved. Wagering tax revenues were down \$6.4 million for the year ended June 30, 2011 mainly due to the \$9.6 million settlement from the Greektown Casino that inflated the revenue for the year ended June 30, 2010. Also, the transfer of Cobo Hall to the new authority included the transfer of hotel and liquor taxes which was the reason for the \$3.0 million decrease in hotel and liquor tax revenues. Grant revenues increased \$14.5 million for the year ended June 30, 2011.

Total expenses were \$2.8 billion, an increase of \$19.4 million from the prior fiscal year. The increase is mainly attributable to the \$91.5 million loss on sale of the Macomb-Oakland Interceptor from the Sewage Disposal Fund. The Sewage Disposal Fund expenses were \$86.1 million higher for the year ended June 30, 2011 compared to the \$431.6 million of the prior year. Also, the postemployment benefits other than pensions added \$161.9 million in expenses.

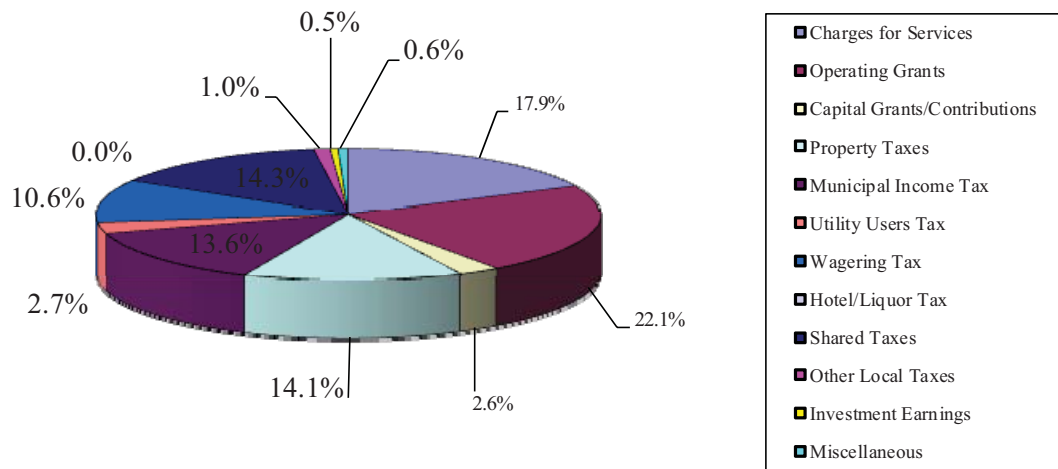
Public protection expenses increased \$37.3 million primarily due to higher pension costs. Economic development expenses were up \$26.0 million for the year ended June 30, 2011 mainly due to grant funding of demolitions in the City and other stimulus grants. Educational Development expenses were down \$31.7 million for the year ended June 30, 2011 because grant funding for workforce investment was cut significantly during the year. Transportation facilitation (Streets) expenses were down \$50.3 million for the year ended June 30, 2011 due to reclassifying transportation expenses as capital outlay expenses to account for prior year capital outlays that were picked up in the capital asset system in 2011. Development and management expenses decreased \$67.7 million from the prior fiscal year primarily due to: (1) \$18.0 million decrease for the TIFA settlement (see above for details) which actually had a net impact of \$36.0 million as it was an expense of \$18.0 million for the year ended June 30, 2010; (2) \$16.9 million decrease in miscellaneous expenses for adjustments to interfund receivables and payables such as the \$7.7 million reduction of the Library payable, mainly for property taxes, which was found to be overstated; and (3) \$17.7 million reduction in salaries and wages due to layoffs and furloughs.

A special item of \$9.9 million, which decreased net assets, was recorded for the settlement of the Cobo Hall "Disputed Bond Funds" with the new authority (see above for details). These were funds held by a trustee which were to be applied for Cobo Hall maintenance and improvements.

## Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2011:

**Revenues by Source - Governmental Activities**

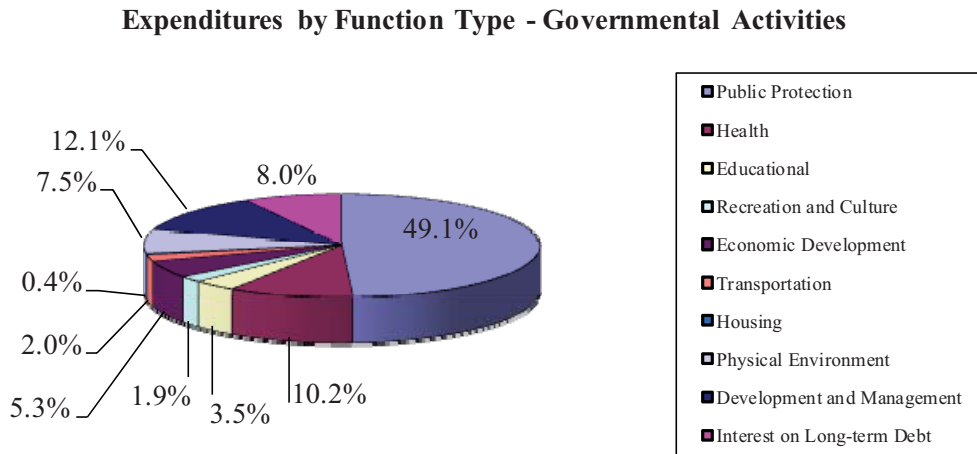


The governmental activities revenues totaled \$1.7 billion for the fiscal year ended June 30, 2011, a \$32.1 million increase from the year ended June 30, 2010. The amount that taxpayers paid for these activities through City taxes was \$703.2 million. Property taxes were the largest category of taxes collected and totaled \$235.9 million, a \$17.8 million increase from the prior year mainly resulting from the \$22.1 million adjustments to property tax and charge-back liabilities that were estimates. Also, Wayne County paid the City \$5.8 million for the prior year delinquent property taxes which were recognized as property tax revenue for the year ended June 30, 2011. Actual General Fund property tax collections/revenues were \$12.4 million less for the year ended June 30, 2011 than in the prior year. Municipal income taxes were the second largest category of taxes collected and totaled \$228.3 million, an \$11.8 million increase from the prior year mainly due to the improved employment after the recession in 2009 and 2010. Wagering (casino) tax revenues decreased \$6.4 million from the prior year mainly due to the \$9.6 million settlement of taxes owed by the Greektown Casino for the year ended June 30, 2010, which inflated the revenues for that year. Other funding for governmental activities was provided from the following sources for the year ended June 30, 2011:

- Charges for services paid by those who directly benefited totaled \$300.8 million or 17.9% of total revenues. These services included permits, parking fines, licenses, and solid waste fees. Charges for services were \$15.7 million less than the \$316.5 million for the year ended June 30, 2010. Charges for services decreased mainly due to recording the \$20.0 million revenue from GDRRA on the government-wide statements for the year ended June 30, 2009, which negated the actual receipt of the funds for the year ended June 30, 2011. Also, in 2011 solid waste (trash disposal) fee revenues increased \$4.2 million from the prior year.

- Other governments and organizations subsidized programs such as health related activities and community development projects with grants and contributions totaling \$415.1 million. This was \$30.4 million greater than the \$384.7 million for the year ended June 30, 2010. A major reason for the increase was the ARRA stimulus funding.
- Other revenues such as state aid (revenue sharing), interest, and miscellaneous income funded the “public benefit” portion of various programs and totaled \$258.6 million. This was \$5.2 million less than the \$263.8 million for the year ended June 30, 2010 mainly due to less City-owned property sales.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2012:



The governmental activities expenses totaled \$1.7 billion, a \$66.5 million decrease from the \$1.7 billion for the year ended June 30, 2010. The expenditures are primarily for public protection (police and fire) and development and management (human resources, finance, information technology, general services, mayor, city council, etc.). Detailed below is an explanation of the expenses by function type and reasons for changes from the year ended June 30, 2010.

Public protection (police and fire protection) was the largest component of current expenses, accounting for 49.1% of total expenses. Public protection expense increased by \$37.3 million from the \$779.6 million for the year ended June 30, 2010 mainly due to a \$60.4 million increase in pension costs for police and fire uniform employees. Also, salaries and wages expenses were up \$13.3 million. Depreciation expenses declined \$12.6 million in 2011.

Development and management expense was the next largest component at 12.1% of total expenses. Development and management expenses totaled \$201.0 million for the year ended June 30, 2011 and declined by \$67.7 million from the \$268.7 million for the fiscal year ended June 30, 2010. Development and management expenses decreased from the prior fiscal year primarily due to: (1) \$18.0 million decrease for the TIFA settlement (see above for details) which actually had a net impact of \$36.0 million as it was an expense of \$18.0 million for the year ended June 30, 2010; (2) \$16.9 million decrease in miscellaneous expenses for adjustments to interfund receivables and payables such as the \$7.7 million reduction of the Library payable; (3) \$17.7 million reduction in salaries and wages due to layoffs and furloughs; (4) \$7.8 million decrease in hospitalization costs due to the lower number of employees; and (5) \$4.3 million reduction in contractual expenses. These decreases were offset by increases for: (1) \$9.1 million increase in pension costs due to increased contribution rates; and (2) \$13.0 million increase in risk management fund claims, mainly workers compensation and other claims, for the year ended June 30, 2011.

Health expenses were 10.2% of total expenses and decreased \$.6 million from the prior year. Health expenses are incurred by the Health and Human Service Departments. The Health Department governmental activities expenses decreased by \$13.4 million for the year ended June 30, 2011 mainly due to less grant funding for medical contractors and a \$2.1 million reduction in salaries and wages due to budget cuts and furlough days. The Human Services Department governmental activities expenses increased \$12.2 million for the year ended June 30, 2011. This was due to increases in grants, primarily ARRA/stimulus funds.

Physical environment expenses were 7.5% of total expenses and increased by \$5.6 million from the prior fiscal year. Tipping fees for solid waste disposal were up \$4.3 million. In addition, the Public Lighting Department's purchased power (electricity) expenses were up \$13.5 million for the year ended June 30, 2011 due to the closure of the Mistersky power plant. These increases were offset by decreases for: natural gas - \$3.4 million, litigation - \$4.3 million, and salaries and wages - \$3.7 million.

Economic development expenses were 5.3% of total expenses and increased by \$26.0 million for the year ended June 30, 2011. The increase was mainly due to grant funding of demolitions in the City and other stimulus grants.

Educational development expenses were 3.5% of total expenses and decreased by \$31.7 million for the year ended June 30, 2011 compared to the prior year. Grant funding for workforce investment was cut significantly during the year.

Transportation facilitation expenses were 2.0% of total expenses and decreased by \$50.3 million to \$33.7 million for the year ended June 30, 2011. This was due to reclassifying transportation expenses as capital outlay expenses to account for capital outlays that were picked up in the capital asset system in 2011. Without the capital outlay adjustment, transportation expenses would have been higher in 2011 than in the prior year.

Recreation and culture expenses were 1.9% of total expenses. Recreation and culture expenses increased \$13.4 million for the year ended June 30, 2011 compared to the prior year. The primary reason for the increase was that in the prior year, a \$15.1 million decrease in depreciation expenses occurred causing expenses to be lower. Depreciation expenses were \$13.3 million higher for the year ended June 30, 2011 as there were no significant adjustments.

Interest expense on long-term debt was 8.0% of total expenses. Interest expense on long-term debt increased \$3.4 million from the \$129.5 million for the year ended June 30, 2010. This was mainly due to the issuance in the past two years of fiscal stabilization bonds and general obligation bonds, which have increased the amount of outstanding debt and resulting interest payments.

### **Business-type Activities**

The net assets of the business-type activities had a decrease of \$223.9 million to \$509.1 million for the fiscal year ended June 30, 2011. Detailed below are the results for the major business-type funds:

#### **Water Fund**

The Water Fund had a decrease in net assets of \$12.9 million for the year ended June 30, 2011. The \$111.7 million interest expense partly attributable to financing major infrastructure additions and improvements contributed to the decrease in net assets as revenues were insufficient to cover these non-operating expenses. Water sales revenues from Detroit and suburban customers increased \$35.7 million to \$311.9 million for the year ended June 30, 2011 compared to \$276.2 million for the year ended June 30, 2010. The Water Fund also benefited from a \$21.2 million favorable adjustment decline of its derivative liabilities at June 30, 2011.

#### **Sewage Disposal Fund**

The Sewage Disposal Fund had a decrease in net assets of \$191.8 million for the year ended June 30, 2011. As discussed previously, the \$91.5 million loss on the sale of the Macomb-Oakland Interceptor contributed to the decline in net assets. In addition, the \$119.7 million of interest expense partly attributable to financing major infrastructure additions and improvements contributed to the decrease in net assets as revenues were insufficient to cover these non-operating expenses. Sewage Disposal Fund revenues from Detroit and suburban customers totaled \$403.4 million during the fiscal year ended June 30, 2011, an increase of \$47.0 million from the \$356.4 million during the fiscal year ended June 30, 2010.



**Transportation Fund**

The Transportation Fund had a decrease in net assets of \$14.2 million at June 30, 2011 mainly due to other postemployment benefits, which increased \$15.1 million for the year ended June 30, 2011. The Fund had a \$1.2 million increase in farebox revenue from riders. The City's contribution to the Transportation Fund for the year ended June 30, 2011 was \$72.6 million or \$1.2 million less than the \$73.8 million contribution made in 2010. As mentioned previously, the Transportation Fund deficit would have been \$21.7 million higher had the General Fund not subsidized the Fund's employee benefits costs for the year ended June 30, 2011. Fuel costs for the year ended June 30, 2011 were \$5.6 million higher compared to \$7.0 million for the prior fiscal year. Federal and State capital contributions decreased \$17.2 million for the year, as less ARRA stimulus funding was received than in 2010.

**Automobile Parking Fund**

The Automobile Parking Fund recorded a decrease in net assets of \$4.1 million for the year ended June 30, 2011. Fund operating revenues totaled \$8.1 million for the fiscal year ended June 30, 2011 compared to \$15.0 million for the fiscal year ended June 30, 2010. The Fund operating expenses decreased by \$5.8 million for the year ended June 30, 2011. The decrease in fund parking revenues and expenses is mainly due to the transfer of the Cobo Hall arena parking garages to the Detroit Regional Convention Facility Authority (Authority). In accordance with the lease agreement with the Authority, the Fund transferred three parking garages associated with the Cobo Center to the Authority in exchange for a \$20.0 million cash payment on December 2, 2010. The \$20.0 million payment was used to defease the Fund's parking and arena revenue bonds associated with those three garages, as well as terminate an associated interest rate swap. The Fund recognized a \$2.0 million gain on defeasance of debt. The related adjustment for the write off of the derivative deferral account decreased the Fund's net assets by \$5.5 million for the year ended June 30, 2011.

**Airport Fund (Other Enterprise Fund)**

The Airport Fund had a \$.8 million decrease in net assets for the year ended June 30, 2011. Airport revenues were \$.8 million for the year ended June 30, 2011 compared to \$1.0 million for the prior year. Airport operating expenses were \$2.4 million approximately the same amount as the year ended June 30, 2010. The General Fund contribution to the Airport was \$.8 million for the year ended June 30, 2011, which was approximately the same as the prior year.

**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS**

The City's governmental funds (statements begin on page 40) reported combined ending fund balances of \$103.9 million at June 30, 2011, an \$18.9 million increase from the \$85.0 million fund balance at June 30, 2010. Per the new GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*, the fund balances include an unassigned deficit of \$196.6 million, a \$40.9 million increase from the prior fiscal year. In addition, the remaining fund balances totaling \$300.4 million are classified as follows: (1) nonspendable - \$47.5 million; (2) restricted - \$221.5 million; (3) assigned - \$4.6 million; and (4) committed - \$26.8 million. Nonspendable fund balances include inventory, long-term receivables, and permanent fund principal from endowments. Restricted fund balances include highway and street improvements, police (drug law enforcement), endowments and trusts, capital acquisitions, local business growth (targeted business development), rubbish collection and disposal, and grants. Assigned fund balances include debt service. Committed fund balances include the risk management fund (workers' compensation, legal, and other damage claims).

**General Fund**

The General Fund is the chief operating fund of the City. The fund had a \$148.1 million deficit at June 30, 2011, a \$57.0 million increase from the \$91.1 million deficit at June 30, 2010. The fund balance includes an unassigned deficit of \$196.6 million, a \$40.9 million increase from the \$155.7 million deficit at June 30, 2010. The remaining General Fund balance includes: (1) nonspendable (inventory and long-term receivables) - \$20.7 million; (2) restricted (capital acquisitions) - \$1.0 million; and (3) committed (risk management fund) - \$26.8 million.

General Fund Balance Sheet  
 June 30, 2011 and 2010  
 (in millions)

	2011	2010
Assets	\$ 290.2	\$ 395.9
Liabilities	438.2	487.0
Fund Balance		
Nonspendable	20.7	25.4
Restricted	1.0	-
Assigned	-	-
Committed	26.8	39.2
Unassigned for:		
General Fund Deficit	(196.6)	(155.7)
Total Fund Balance (Deficit)	(148.1)	(91.1)
Total Liabilities and Fund Balance (Deficit)	\$ 290.2	\$ 395.9

Adversely impacting the City's deficit reduction efforts were the: (1) \$23.8 million decline in State revenue sharing due to State Budget cuts; (2) \$71.4 million increase in pension costs, mainly police and fire, due to higher contribution rates resulting from poor market performance of pension funds' assets; (3) \$21.7 million liability for the Department of Transportation's default on employee benefit obligations; (4) \$13.5 million increase in the Public Lighting Department's purchased power (electricity) due to the closing of the Mistersky power plant; (5) \$12.4 million decrease in electrical revenue mainly due to the inability to collect from the Detroit Public Schools; and (6) \$10.7 million increase in claims and damages.

City deficit reduction efforts resulted in the following positive financial results for the General Fund when compared to the year ended June 30, 2010: (1) \$15.3 million net decrease in salaries and wages costs from layoffs and furlough days even though Police and Fire salaries and wages were up \$13.3 million; (2) collection of \$20.0 million other revenue from GDRRA; (3) reduction of \$18.0 million in development and management expenses through the TIFA settlement (see above for details); (4) review of property tax and charge-back liability accounts found unsupported and overstated amounts and resulted in \$26.9 million reduction in liabilities and increase in net assets; (5) \$4.8 million reduction in interest expense as there was no new short-term borrowing in 2011; and (6) \$15.0 million decrease in contractual costs mainly due to the reduction of health grants for medical contracts and \$4.2 million reduction in audit costs as the City's accounting and CAFR preparation has improved.

### **General Fund Budgetary Highlights**

The City's 2011 General Fund budget (pages 133-135) is \$1.7 billion. The City's 2011 General Fund budget contains no additions or material changes to existing taxes. Within the 2010-2011 adopted budget, the City Council appropriated \$117.4 million to reduce the prior years' deficit. The City's 2011 budget was approved by the City Council in June 2010.

The estimated revenues in the budget exceeded actual revenues by \$429.9 million for the fiscal year ended June 30, 2011. The revenue shortfall is mainly attributable to actual grant revenues, other revenues, and sales and charges for services being \$187.0 million, \$235.1 million, and \$46.0 million, respectively, less than the final budget (see explanation below for grants revenues). Other revenues were less than budget partially due to the elimination of intra-fund transactions such as the Risk Management Fund premium of \$40.4 million, which reduced the actual amount of other revenues and contributed to the budget variance. Sales and charges for services revenues were less than budget primarily due to less electrical revenue (\$12.4 million) because the Detroit Public Schools (DPS) failed to pay timely. Tax revenues exceeded budget by \$43.1 million mainly for property tax (\$34.8 million over budget) due to adjustments for overstated property tax liabilities and charge-backs. Income taxes were \$13.3 million over budget due to improved employment.

**City of Detroit, Michigan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**  
**(UNAUDITED)**

Actual expenditures were less than budgeted expenditures by \$488.7 million for the fiscal year ended June 30, 2011 due to grant expenditures being less than budgeted (see explanation below), appropriation of \$117.4 million for the prior year deficit, elimination of intra-fund transactions, and unfilled positions. Public protection expenses were \$8.5 million less than the budgeted appropriations mainly due to unfilled police positions. Development and management expenditures were \$225.6 million under the budgeted appropriations mainly due to the \$117.4 million carry-forward of the prior years' deficit, elimination of intra-fund billings such as the Risk Management Fund premium, and unfilled positions.

The City's budget for grant revenues and expenditures is greater than the actual revenues and expenditures because: (1) the City budgets grant awards for the total amount of the award even if the grant award is for more than one year, whereas actual revenues only represent one year's activity; (2) the City's fiscal year (July 1 - June 30) is different from most grant fiscal years (October 1-September 30) and more or less grant activity may occur depending on the timing; and (3) the City also carries forward previous year unspent grant awards into the current year's budget.

Differences between the original budget and the final amended budget consisted of a total net increase in estimated revenues of \$288.4 million and a total net increase in appropriations of \$184.1 million. The difference was offset by a total net decrease in other financing sources and uses of \$104.3 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

#### Total Government

At the end of the fiscal year 2011, the City had invested \$6.9 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). This was a decrease of \$174.4 million from the prior fiscal year, mainly due to the sale of the Oakland Macomb Interceptor (sewer lines) by the Sewage Disposal Fund.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land and Land Rights	\$ 413,828	\$ 412,818	\$ 47,837	\$ 65,714	\$ 461,665	\$ 478,532
Land Improvements	-	-	135,259	270,524	135,259	270,524
Building, Improvements and Structures	645,876	651,814	2,336,572	2,344,903	2,982,448	2,996,717
Sewer and Water Lines	-	-	925,805	1,154,565	925,805	1,154,565
Machinery, Equipment, Fixtures, and Vehicles	113,347	136,379	1,323,601	1,242,626	1,436,948	1,379,005
Works of Art	29,805	29,815	-	-	29,805	29,815
Infrastructure	240,831	196,671	-	-	240,831	196,671
Construction in Progress	20,879	16,277	618,879	504,786	639,758	521,063
Total	<u>\$ 1,464,566</u>	<u>\$ 1,443,774</u>	<u>\$ 5,387,953</u>	<u>\$ 5,583,118</u>	<u>\$ 6,852,519</u>	<u>\$ 7,026,892</u>

### **Governmental Activities**

Governmental Activities capital assets at June 30, 2011 were \$20.8 million more than the \$1.4 billion at June 30, 2010. The City acquired \$102.4 million in new assets and \$5.7 million of construction in progress (CIP) was completed for the year ended June 30, 2011. Depreciation expenses totaled \$81.1 million for the year ended June 30, 2011 a decrease of \$7.0 million from the prior year.

At June 30, 2011, the City governmental activities had commitments for future capital asset construction contracts of \$120.4 million.

Major capital assets acquired and projects completed or in progress during the year ended June 30, 2011 included the following:

- The Street Fund expended \$62.8 million on traffic light modernization and replacement as well as road construction and resurfacing.
- The Recreation Department expended \$10.0 million on development of parks, recreational facilities, and Eastern Market.
- The City expended \$6.6 million to acquire the land and former MGM Grand Casino building for construction of the new public safety headquarters.
- The City expended \$1.3 million for 46 police cars.
- Construction-in-progress includes \$5.0 million for energy efficiency projects
- Construction-in-progress also included \$1.5 million for the public safety headquarters.

### **Business-type Activities**

Business-type activities capital assets at June 30, 2011 were \$5.4 billion, a decrease of \$195.2 million from the balance at June 30, 2010. The Sewage Disposal Fund sold the Macomb-Oakland Interceptor to Macomb and Oakland counties, which was the main cause of the decrease in the business-type net capital assets. As a result, of negotiations with Macomb County for the sale, the fund recognized a loss on sale for the asset of approximately \$91.5 million.

Construction work in progress, major capital assets acquired, and projects completed during the year ended June 30, 2011 included the following:

- The Transportation Fund expended \$18.1 million on construction-in-progress for facility improvements.

**City of Detroit, Michigan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**  
**(UNAUDITED)**

- The Water Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program. The total cost of this program is anticipated to be approximately \$723.0 million through fiscal year 2016. The program is being financed from revenues of the fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2011 was approximately \$1.0 million. Projects that will be completed as part of the Water Program include the replacement of water distribution mains, installation of the automated meters reading system, and improvements to water plants, booster stations and transmission mains. The City received loans from the State of Michigan Drinking Water Revolving Loan Fund totaling \$3.1 million during the year ended June 30, 2011. The proceeds of the loan were used to pay costs of acquiring and constructing certain repairs, extensions, and improvements to the water supply system.
- The Sewage Disposal Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program. The total cost of this program is anticipated to be approximately \$608.0 million through fiscal year 2016. The program is being financed primarily from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2011 was approximately \$1.0 million. Projects that will be completed as part of the Sewage Program include the design and construction of combined sewage overflow facilities, rehabilitation of pumping stations, improvements at the wastewater facility, and relining of lateral sewers. The City received loans from the State of Michigan Revolving Loan Fund totaling \$34.8 million during the year ended June 30, 2011. The proceeds of the loans were used to pay costs of acquiring and constructing certain repairs, extensions, and improvements to the sewerage disposal system.

See note V to the basic financial statements for more information regarding governmental and business-type activities capital assets.

**Long-term Debt**

Outstanding Bonded Debt as of June 30, 2011 and 2010 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 1,033,233	\$ 1,010,303	\$ 6,272	\$ 6,272	\$ 1,039,505	\$ 1,016,575
Revenue bonds	-	-	4,603,462	4,699,101	4,603,462	4,699,101
Total	<u>\$ 1,033,233</u>	<u>\$ 1,010,303</u>	<u>\$ 4,609,734</u>	<u>\$ 4,705,373</u>	<u>\$ 5,642,967</u>	<u>\$ 5,715,676</u>

At the end of the current fiscal year, the City had total bonded debt of \$5.6 billion outstanding. Of this amount, \$1.0 billion are general obligation bonds backed by the full faith and credit of the City and \$4.6 billion are revenue bonds of the City's business enterprises.

The City's total governmental activities general obligation bonded debt increased by \$22.9 million during fiscal year 2011 mainly due to the issuance of \$100.0 million in general obligation bonds to fund the new public safety headquarters and other projects. The governmental activities retired \$77.1 million of general obligation bonds. Business-type activities' debt decreased by \$95.9 million. The Sewage Disposal, Water, and Parking Funds retired \$36.8 million, \$35.1 million, and \$27.5 million of revenue bonds in 2011, respectively.

In addition to the bonded debt, the City's governmental activities had a total debt of \$2.1 billion at June 30, 2011 for: pension obligation certificates (\$1.2 billion); notes payable (\$88.9 million); loans payable (\$36.6 million); other postemployment benefits (\$481.5 million); and other debt (\$254.4 million) such as accrued pollution remediation, accrued compensated absences, workers compensation and claims and judgments. The pension obligation certificates decreased \$8.9 million for the year ended June 30, 2011.

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 percent of the assessed value of all the real and personal property in the City; or (b) 15 percent 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 percent is, or has been, used solely for the construction or renovation of hospital facilities. Not all the general bonded debt is subject to the general debt limitation. The City's legal debt limitation at June 30, 2011 was \$1.2 billion, of which \$184.9 million is available for use.

The City's ratings on uninsured general obligation bonds as of June 30, 2010 were:

<b>Moody's Investors Service, Inc.</b>	<b>Ba3</b>
<b>Standard and Poor's Corporation</b>	<b>BB</b>
<b>Fitch IBCA, Inc.</b>	<b>BB-</b>

In June 2011, Fitch's Rating Service downgraded Detroit's Unlimited Tax General Obligation Bonds rating from "BB+" to "BB-".

The most significant impact of the City's credit ratings below investment grade status comes in the form of greater limitations on the access to capital. Secondly, with the deterioration in the economy and its direct effect on the debt/credit ratings of the City and certain bond insurers, the City faces potential higher borrowing costs.

In December 2011, the City's Water Fund issued \$500,675,000 in revenue bonds. A portion of the proceeds were used to refund several outstanding revenue bonds as well as terminate all the Water Fund's interest rate swaps. The amount paid to terminate the interest rate swaps was \$221,921,429.

The termination events under the amended POC swap (derivative) agreement includes a provision for the counterparties to terminate the amended swap agreement if POCs ratings are withdrawn, suspended, or downgraded below "Ba3" (or equivalent). Also, the appointment of an emergency manager by the State of Michigan to manage the City's finances would terminate the amended swap agreement. Should such termination events occur in connection with these swap agreements, and not be cured, the City's obligations to the counterparties could increase significantly and the City would not be able to meet the cash demands under the terms of the amended swap agreements. At June 30, 2011, the fair value of the POC swap liabilities was \$191.4 million for the governmental activities and totaled \$236.2 million for the primary government (see Note VIII (b) for more details).

Additional information on the City's long-term debt can be found in Notes VII. Long-Term Obligations; VIII. Derivatives; IX. Pension Plans, and X. Other Postemployment Benefits.

**ECONOMIC CONDITION, NEXT YEAR'S BUDGET,  
AND DEFICIT ELIMINATION PLAN**

The City of Detroit is the largest City in Michigan and the 18th largest City in the United States. However, as documented in the 2010 Census, the City's population continues to decline, which contributes to the declining property and income tax base. In addition, the City faces continued high unemployment (19.2 percent in October 2011), which hinders personal income tax collections. Resident home foreclosures and delinquent property tax levels are another financial concern. The weak economy has had an adverse impact on the State's budget resulting in cuts of revenue sharing to local governments. The City's revenue sharing for the year ended June 30, 2011 was \$239.3 million or \$23.8 million less than the year ended June 30, 2010.

Although the City's current economic condition is poor, the future outlook for recovery and improvement is positive. The City in 2011 had an increase in the issuance of building permits for new construction. Quicken loans and Blue Cross Blue Shield transferred a total of 4,700 employees from suburban cities to the City of Detroit in 2011.

On December 14, 2011, the City announced it was canceling the Woodward Light Rail System project due to lack of funds to operate the system and the potential to use Federal and State transit funding in a more cost effective manner to develop a regional rapid transit bus system, which would provide greater transit benefits than a light rail system. The City is partnering with the State and Federal Government to work towards developing a rapid transit bus system operating in dedicated lanes on routes from downtown to and through the suburbs along Gratiot, Woodward, and Michigan avenues. The Transportation Fund had \$9.1 million of construction work in progress for the Woodward Light Rail System project at June 30, 2011. Since June 30, 2011 to the date of this report, the Transportation Fund incurred an additional \$3.0 million of construction work in progress for the project to bring the total to \$12.1 million. The total amount of any potential impairment has not yet been determined as a portion of the costs incurred may be used toward the development of the rapid transit bus system. The amount of any impairment in construction work in progress for the Woodward Light Rail system will be expensed in the Transportation Fund during the year ending June 30, 2012.



A second bridge between Canada and Detroit, as currently proposed, would contribute to the improvement of the City's economy. Construction would provide jobs for residents and improve commerce.

### **Next Year's Budget**

The 2011-2012 budget includes:

- Appropriations totaling \$208.9 million to reduce the accumulated deficit.
- Reduction of \$27.8 million in salaries and wages and a net decrease of 472 positions from the 2010-2011 budget.
- Revenue sharing reduction of \$68.7 million.
- City income tax increase of \$35.0 million.
- Wagering tax increase of \$24.4 million.
- Increase in property tax rate for debt service due to decline in property valuation and increase in delinquency rate.
- \$5.0 million loan purchase for Emergency Medical Services (EMS) vehicles.
- Department of Transportation subsidy reduced by \$12.0 million to \$43.3 million.
- No subsidy for Detroit People Mover.
- \$1.5 million subsidy for the Charles H. Wright Museum of African American History, \$0.6 million subsidy for the Detroit Zoo, \$0.4 million subsidy to the Detroit Institute of Arts, and \$.3 million subsidy to the Historical Museum.
- \$2.7 million in block grant allocation for the Demolition Program in Buildings and Safety Engineering Department.
- Bond sale of \$300.0 million for the Water Department.
- Fire Apparatus maintenance is transferred to the Fire Department from the General Services Department.
- \$10.0 million increase for parking fine revenue related to the proposed reduction of the threshold for vehicle immobilization from six parking tickets to three parking tickets and vehicle registration hold initiatives.

**City of Detroit, Michigan**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2011**  
**(UNAUDITED)**

The 2010-2011 budget has 472 less positions than the budget for the fiscal year ended June 30, 2011 as follows:

<u>Description</u>	<u>Positions FY 2011-12</u>	<u>Positions FY 2010-11</u>	<u>Variance</u>
General City	7,859	8,166	(307)
Enterprise Agencies	4,805	4,970	(165)
Total Budgeted	<u>12,664</u>	<u>13,136</u>	<u>(472)</u>

**Deficit Elimination Plan**

State law requires that a local unit of government ending its fiscal year in a deficit condition shall formulate and file a deficit elimination plan (DEP) with the Michigan Department of Treasury within 90 days after the beginning of the fiscal year to correct the deficit. The DEP was developed by the City administration and filed with the Michigan Department of Treasury in April 2011. The DEP was updated on September 19, 2011. As of the date of the independent auditors' report, the Michigan Department of Treasury has not approved the DEP. The DEP eliminates the accumulated deficit by June 30, 2014. The success of the plan is dependent on substantial reductions in employee pension and medical costs, which will require commitments from the City's unions. Pension initiatives to reduce pension costs include establishing a defined contribution plan for all new employees, increased vesting period, and reduced multiplier for employees in the defined benefit plan. Medical benefit initiatives include increased employee contributions to the various benefit plans.

The DEP also has an income tax initiative to improve income tax collections. The City will access federal and state tax returns to cross-check filers with City zip codes with City of Detroit returns. Also, the City will work to improve withholdings of Detroit income tax by City and suburban employers. Other initiatives to increase revenues and cut costs include enhanced procedures for the collection of revenues, staff reductions/layoffs, days off without pay for certain employees, reduced subsidies, department consolidation, and increased efficiencies.

On December 12, 2011 the Mayor outlined his plan to the State of Michigan Treasurer to save the City \$102.0 million for the year ended June 30, 2012. This plan includes the following:

- Increasing revenues
- Garnering union concessions on wages, medical, pension and work rules
- Reducing the operating subsidy of the Transportation Fund
- Improving the efficiency of public lighting
- Vendor concessions
- Headcount rationalization

## **New City Charter**

In November 2011, City residents approved a new City Charter. The new Charter includes three major groups of revisions. The first group involves ethics and corruption. The Charter adopts an aggressive Ethical Standards of Conduct that includes removal of elected officials, appointees, and employees for serious violations. Also, the Charter creates the Office of the Inspector General, an office designed to identify and investigate waste, abuse, and fraud/corruption in city government and report any illegal activity to the prosecutor. A second group of major revisions focus on economic and community growth. The Charter takes measures to focus the City's resources on growth in the areas of: (1) community planning; (2) business development and attraction; (3) international trade and emerging industries opportunities; (4) recycling; and (5) green initiatives and technologies revolution. Lastly, the proposed Charter focuses on quality of life issues. The Charter requires that city officials systematically explore supporting or sponsoring an automobile and property insurance program for residents. Other proposed revisions seek to improve government operations, achieve fiscal efficiency, and provide greater and meaningful citizen influence and participation in city government policy-making. The new Charter becomes effective on January 1, 2012.

### **CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Additional copies of this report and other financial information can be obtained by visiting the Finance Department's website at [www.ci.detroit.mi.us](http://www.ci.detroit.mi.us). You can also contact the office by phone at (313) 224-2937.

The City's component units issue their own audited financial statements. These statements may be obtained by directly contacting the component unit. A list of contact numbers is provided on page 66 of this report.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## Mayor Bing 3,000th House Demolition

Mayor Bing and the community celebrate the 3,000th house demolished during his administration.



City of Detroit, Michigan

**BASIC**  
**FINANCIAL**  
**STATEMENTS**

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**City of Detroit, Michigan**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 123,099,965	\$ 33,309,996	\$ 156,409,961	\$ 50,073,463
Investments	208,790,277	632,871,874	841,662,151	176,993,643
Accounts and Contracts Receivable - Net	35,479,549	239,999,077	275,478,626	4,333,766
Internal Balances	21,396,171	(21,396,171)	—	—
Due from Primary Government	—	—	—	7,372,209
Due from Component Units	4,462,438	—	4,462,438	—
Due from Other Governmental Agencies	154,780,057	18,838,129	173,618,186	13,752,692
Inventory	12,215,415	18,330,295	30,545,710	4,205,341
Prepaid Expenses	—	5,126,758	5,126,758	909,456
Long-Term Receivable	—	650,000	650,000	—
Loans and Notes Receivable	—	—	—	42,408,911
Advance to Component Unit/Library	24,295,379	—	24,295,379	—
Other Assets	8,981	—	8,981	31,622,542
Net Pension Asset	1,086,561,285	285,287,670	1,371,848,955	25,250,623
Fair Value of Derivatives	—	42,102,143	42,102,143	—
Deferred Charges	66,426,319	84,824,890	151,251,209	3,586,376
Capital Assets:				
Non-Depreciable	464,511,594	666,715,888	1,131,227,482	25,753,220
Depreciable, Net	1,000,054,220	4,721,236,637	5,721,290,857	145,709,141
Total Capital Assets - Net	<u>1,464,565,814</u>	<u>5,387,952,525</u>	<u>6,852,518,339</u>	<u>171,462,361</u>
Deferred Outflows of Resources	31,890,199	68,244,212	100,134,411	—
Total Assets and Deferred Outflows	<u>3,233,971,849</u>	<u>6,796,141,398</u>	<u>10,030,113,247</u>	<u>531,971,383</u>
<b>LIABILITIES</b>				
Accounts and Contracts Payable	156,283,525	122,555,564	278,839,089	10,872,345
Accrued Liabilities	88,235,766	—	88,235,766	—
Accrued Salaries and Wages	21,266,976	2,892,069	24,159,045	1,512,727
Accrued Interest Payable	17,536,391	120,095,502	137,631,893	4,782,665
Due to Other Governmental Agencies	124,159,014	35,535	124,194,549	27,578,860
Due to Primary Government	—	—	—	4,462,438
Due to Fiduciary Funds	—	—	—	1,668,115
Due to Component Units	7,372,209	—	7,372,209	—
Deposits and Refunds	20,511,150	—	20,511,150	—
Deferred Revenue	12,831,865	20,082,804	32,914,669	617,737
Derivative Instruments - Swap Liability	191,356,428	420,710,677	612,067,105	—
Other Liabilities	13,972,889	38,784,759	52,757,648	38,556,491
Long-Term Obligations:				
Advance Payable to Primary Government	—	—	—	24,295,379
Due within one year	164,064,839	149,879,929	313,944,768	13,213,171
Due in more than one year	2,954,452,185	5,412,041,528	8,366,493,713	174,409,373
Total Liabilities	<u>3,772,043,237</u>	<u>6,287,078,367</u>	<u>10,059,121,604</u>	<u>301,969,301</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in Capital Assets, Net of Related Debt	711,987,330	435,962,058	1,147,949,388	167,874,800
Restricted for:				
Highway and Street Improvement	30,072,037	—	30,072,037	—
Endowments and Trust (Expendable)	748,159	—	748,159	10,513,438
Endowments and Trust (Non-Expendable)	937,861	—	937,861	2,622,363
Capital Projects and Acquisitions	49,608,186	54,481,310	104,089,496	59,290,533
Debt Service	28,857,129	248,754,373	277,611,502	32,635,636
Unrestricted (Deficit)	<u>(1,360,282,090)</u>	<u>(230,134,710)</u>	<u>(1,590,416,800)</u>	<u>(42,934,688)</u>
Total Net Assets (Deficit)	<u>\$ (538,071,388)</u>	<u>\$ 509,063,031</u>	<u>\$ (29,008,357)</u>	<u>\$ 230,002,082</u>

**City of Detroit, Michigan**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Protection	\$ 816,928,579	\$ 89,521,773	\$ 23,613,335	\$ —
Health	170,235,039	5,090,487	148,450,456	—
Recreation and Culture	31,397,867	17,796,165	437,260	—
Economic Development	87,938,305	1,358,479	66,848,738	—
Educational Development	58,840,456	499,058	58,645,350	—
Housing Supply and Conditions	6,328,619	3,566,331	8,176,060	—
Physical Environment	125,325,346	80,905,220	152,376	—
Transportation Facilitation	33,720,569	46,986	58,623,860	44,338,905
Development and Management	201,031,612	101,982,537	5,782,882	—
Interest on Long-Term Debt	132,827,437	—	—	—
Total Governmental Activities	<u>1,664,573,829</u>	<u>300,767,036</u>	<u>370,730,317</u>	<u>44,338,905</u>
Business-type Activities:				
Sewage Disposal	517,645,238	410,719,075	—	5,523,194
Transportation	215,880,853	27,418,297	77,553,273	24,059,048
Water	345,180,580	316,002,201	—	211,745
Automobile Parking	11,305,474	8,136,744	—	—
Airport	2,392,911	799,122	—	—
Total Business-type Activities	<u>1,092,405,056</u>	<u>763,075,439</u>	<u>77,553,273</u>	<u>29,793,987</u>
Total Primary Government	<u>\$ 2,756,978,885</u>	<u>\$ 1,063,842,475</u>	<u>\$ 448,283,590</u>	<u>\$ 74,132,892</u>
<b>Component Units:</b>				
Detroit Brownfield Redevelopment Authority	\$ 2,399,429	\$ 150,000	\$ 209,599	\$ —
Detroit Public Library	44,507,566	768,786	1,366,179	—
Detroit Transportation Corporation	18,935,560	911,739	7,815,145	—
Downtown Development Authority	28,438,817	4,170,588	—	—
Eastern Market Corporation	2,618,915	915,845	697,895	—
Economic Development Corporation	12,497,367	—	13,624,432	—
Greater Detroit Resource Recovery Authority	12,050,348	31,483	—	—
Local Development Finance Authority	4,125,568	—	—	—
Museum of African American History	5,052,227	1,229,974	2,072,169	—
Detroit Land Bank Authority	1,742,843	—	2,832,942	—
Total Component Units	<u>\$ 132,368,640</u>	<u>\$ 8,178,415</u>	<u>\$ 28,618,361</u>	<u>\$ —</u>
General Revenues:				
Taxes:				
Property Taxes				
Municipal Income Tax				
Utility Users' Tax				
Wagering Tax				
Other Taxes and Assessments				
State Shared Taxes				
Interest and Penalties on Taxes				
Tipping Fees				
Contributions				
Investment Earnings				
Miscellaneous Revenues				
Loss on Disposal of Capital Assets				
Special Item - See Note I (t)				
Transfers				
Total General Revenues, Special Item, and Transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of Year				
Net Assets (Deficit) - End of Year				



**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	<b>Component Units</b>
\$ (703,793,471)	\$ —	\$ (703,793,471)	\$ —
(16,694,096)	—	(16,694,096)	—
(13,164,442)	—	(13,164,442)	—
(19,731,088)	—	(19,731,088)	—
303,952	—	303,952	—
5,413,772	—	5,413,772	—
(44,267,750)	—	(44,267,750)	—
69,289,182	—	69,289,182	—
(93,266,193)	—	(93,266,193)	—
(132,827,437)	—	(132,827,437)	—
<u>(948,737,571)</u>	<u>—</u>	<u>(948,737,571)</u>	<u>—</u>
—	(101,402,969)	(101,402,969)	—
—	(86,850,235)	(86,850,235)	—
—	(28,966,634)	(28,966,634)	—
—	(3,168,730)	(3,168,730)	—
—	(1,593,789)	(1,593,789)	—
<u>—</u>	<u>(221,982,357)</u>	<u>(221,982,357)</u>	<u>—</u>
<u>(948,737,571)</u>	<u>(221,982,357)</u>	<u>(1,170,719,928)</u>	<u>—</u>
—	—	—	(2,039,830)
—	—	—	(42,372,601)
—	—	—	(10,208,676)
—	—	—	(24,268,229)
—	—	—	(1,005,175)
—	—	—	1,127,065
—	—	—	(12,018,865)
—	—	—	(4,125,568)
—	—	—	(1,750,084)
—	—	—	1,090,099
<u>—</u>	<u>—</u>	<u>—</u>	<u>(95,571,864)</u>
235,857,331	—	235,857,331	59,076,182
228,303,884	—	228,303,884	—
44,640,365	—	44,640,365	—
177,046,311	—	177,046,311	—
17,373,679	—	17,373,679	1,149,745
239,342,109	—	239,342,109	782,035
7,554,054	—	7,554,054	—
—	—	—	10,796,107
—	—	—	7,226,650
8,606,985	9,837,046	18,444,031	2,755,104
3,595,798	6,310,694	9,906,492	2,051,668
(528,568)	(91,476,801)	(92,005,369)	—
(9,865,937)	—	(9,865,937)	—
(73,390,635)	73,390,635	—	—
<u>878,535,376</u>	<u>(1,938,426)</u>	<u>876,596,950</u>	<u>83,837,491</u>
(70,202,195)	(223,920,783)	(294,122,978)	(11,734,373)
(467,869,193)	732,983,814	265,114,621	241,736,455
<u>\$ (538,071,388)</u>	<u>\$ 509,063,031</u>	<u>\$ (29,008,357)</u>	<u>\$ 230,002,082</u>

**City of Detroit, Michigan**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	General	General Retirement System Service	Police and Fire Retirement System Service	Other Governmental	Totals
	Fund	Corporation	Corporation	Funds	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 12,362,630	\$ 10,000	\$ 10,000	\$ 110,717,335	\$ 123,099,965
Investments	61,299,631	626,289	534,042	146,330,315	208,790,277
Accounts and Contracts Receivable:					
Estimated Withheld Income Taxes Receivable	21,012,368	—	—	—	21,012,368
Utility Users' Taxes Receivable	3,198,503	—	—	—	3,198,503
Property Taxes Receivable	151,685,929	—	—	46,037,214	197,723,143
Land Contracts Receivable	—	—	—	—	—
Income Tax Assessments	38,910,608	—	—	—	38,910,608
Special Assessments	28,136,178	—	—	541,890	28,678,068
Loans Receivable	—	—	—	18,000,000	18,000,000
Trade Receivables	160,712,703	—	—	20,294,159	181,006,862
Total Accounts and Contracts Receivable	403,656,289	—	—	84,873,263	488,529,552
Allowance for Uncollectible Accounts	(390,323,476)	—	—	(66,896,710)	(457,220,186)
Total Accounts and Contracts Receivable - Net	13,332,813	—	—	17,976,553	31,309,366
Due from Other Funds	46,009,174	—	—	39,164,035	85,173,209
Due from Fiduciary Funds	4,170,183	—	—	—	4,170,183
Due from Component Units	4,172,667	—	—	289,771	4,462,438
Due from Other Governmental Agencies	128,129,191	—	—	26,650,866	154,780,057
Inventory	10,617,546	—	—	1,597,869	12,215,415
Working Capital Advances to Other Funds	10,075,006	—	—	—	10,075,006
Advances to Component Units	—	24,295,379	—	—	24,295,379
Other Assets	8,981	—	—	—	8,981
Total Assets	\$ 290,177,822	\$ 24,931,668	\$ 544,042	\$ 342,726,744	\$ 658,380,276
<b>LIABILITIES</b>					
Accounts and Contracts Payable	\$ 23,180,962	\$ —	\$ —	\$ 22,960,914	\$ 46,141,876
Accrued Liabilities	53,609,052	—	—	34,626,714	88,235,766
Accrued Salaries and Wages	20,120,711	—	—	1,146,265	21,266,976
Due to Other Funds	55,939,304	625,943	544,042	15,892,755	73,002,044
Due to Fiduciary Funds	110,141,649	—	—	—	110,141,649
Loans and Other Advances from Other Funds	—	—	—	850,000	850,000
Due to Other Governmental Agencies	92,671,748	—	—	31,487,266	124,159,014
Due to Component Units	7,361,863	10,346	—	—	7,372,209
Income Tax Refunds Payable	8,132,198	—	—	—	8,132,198
Deposits from Vendors and Customers	11,580,795	—	—	798,157	12,378,952
Deferred Revenue - Unavailable	34,302,830	—	—	3,635,749	37,938,579
Revenue and Tax Anticipation Notes Payable	—	—	—	—	—
Other Liabilities	10,405,262	—	—	3,567,627	13,972,889
Accrued Interest Payable	—	—	—	—	—
Accrued Compensated Absences	—	—	—	129,718	129,718
Claims and Judgments	10,803,122	—	—	—	10,803,122
Total Liabilities	\$ 438,249,496	\$ 636,289	\$ 544,042	\$ 115,095,165	\$ 554,524,992

**City of Detroit, Michigan**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<b>General</b>	<b>General</b>	<b>Police and Fire</b>	<b>Other</b>	<b>Totals</b>
	<b>General</b>	<b>Retirement</b>	<b>Retirement</b>	<b>Governmental</b>	
	<b>Fund</b>	<b>System Service</b>	<b>System Service</b>	<b>Funds</b>	<b>Totals</b>
	<b>Fund</b>	<b>Corporation</b>	<b>Corporation</b>	<b>Funds</b>	<b>Totals</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Inventory	\$ 10,617,546	\$ —	\$ —	\$ 1,597,869	\$ 12,215,415
Long-Term Receivables	10,075,006	24,295,379	—	—	34,370,385
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	—	—	—	28,474,168	28,474,168
Police	—	—	—	13,965,768	13,965,768
Endowments and Trusts	—	—	—	748,159	748,159
Capital Acquisitions	979,826	—	—	148,878,121	149,857,947
Local Business Growth	—	—	—	5,681,085	5,681,085
Rubbish Collection and Disposal	—	—	—	6,226,770	6,226,770
Grants	—	—	—	16,560,028	16,560,028
Committed for:					
Risk Management Operations	26,833,858	—	—	—	26,833,858
Assigned for:					
Debt Service	—	—	—	4,561,750	4,561,750
Unassigned:					
General Fund (Deficit)	(196,577,910)	—	—	—	(196,577,910)
Total Fund Balances (Deficit)	(148,071,674)	24,295,379	—	227,631,579	103,855,284
Total Liabilities and Fund Balances (Deficit)	\$ 290,177,822	\$ 24,931,668	\$ 544,042	\$ 342,726,744	\$ 658,380,276

**City of Detroit, Michigan**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

Fund Balances - Total Governmental Funds \$ 103,855,284

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 funds:

Governmental capital assets	\$ 3,146,587,210	
Less accumulated depreciation	<u>(1,682,021,396)</u>	1,464,565,814

Other assets/liabilities used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in the governmental funds		25,106,714
--	--	------------

Net pension asset		1,086,561,285
-------------------	--	---------------

Bond and pension obligation certificate issuance costs	108,472,555	
Less accumulated amortization	<u>(42,046,236)</u>	66,426,319

Deferred outflows of resources	31,890,199	
Derivative instruments - swap liability	<u>(191,356,428)</u>	(159,466,229)

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds; interest on long-term debt is not accrued in the governmental funds and is recognized as an expenditure to the extent due; and all liabilities, both current and long-term, are reported in the statement of net assets:

Accrued interest payable	(17,536,391)	
General obligation bonds	(1,033,233,278)	
Notes payable	(88,926,000)	
Loans payable	(36,594,622)	
Unamortized premiums	(15,854,345)	
Swap termination fees	(32,250,872)	
Accrued compensated absences	(106,822,717)	
Accrued workers' compensation	(65,757,000)	
Accrued other postemployment benefits	(481,483,812)	
Claims and judgments	(70,157,138)	
Accrued pollution remediation	(725,571)	
Pension obligation certificates payable	(1,194,003,260)	
Deferred amounts on refunding	<u>18,224,431</u>	<u>(3,125,120,575)</u>

Net Assets (Deficit) of Governmental Activities \$ (538,071,388)

**City of Detroit, Michigan**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>General Retirement System Service Corporation</u>	<u>Police and Fire Retirement System Service Corporation</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ 182,674,686	\$ —	\$ —	\$ 69,345,403	\$ 252,020,089
Municipal Income Tax	228,303,884	—	—	—	228,303,884
Utility Users' Tax	44,640,365	—	—	—	44,640,365
Wagering Tax	176,899,280	—	—	—	176,899,280
Gas and Weight Tax	—	—	—	58,623,860	58,623,860
Other Taxes and Assessments	12,596,707	—	—	4,776,963	17,373,670
State Shared Taxes	239,320,847	—	—	—	239,320,847
Shared Taxes - Liquor and Beer Licenses	21,262	—	—	—	21,262
Interest and Penalties on Taxes	7,554,054	—	—	—	7,554,054
Licenses, Permits, and Inspection Charges	8,564,187	—	—	18,510,150	27,074,337
Intergovernmental:					
Federal	65,442,865	—	—	236,041,993	301,484,858
State	8,648,374	—	—	38,239,280	46,887,654
Other	1,944,009	—	—	6,403,431	8,347,440
Sales and Charges for Services	154,857,679	—	—	46,395,352	201,253,031
Ordinance Fines and Forfeitures	16,457,040	—	—	4,695,732	21,152,772
Revenue from Use of Assets	3,595,798	—	—	—	3,595,798
Investment Earnings	498,079	—	—	187,197	685,276
Other Revenue	68,238,977	1,432,214	—	7,464,033	77,135,224
<b>Total Revenues</b>	<b>1,220,258,093</b>	<b>1,432,214</b>	<b>—</b>	<b>490,683,394</b>	<b>1,712,373,701</b>
<b>EXPENDITURES:</b>					
Current:					
Public Protection	695,457,602	—	—	40,193,024	735,650,626
Health	73,010,337	—	—	96,327,883	169,338,220
Recreation and Culture	18,210,536	—	—	—	18,210,536
Economic Development	—	—	—	79,792,267	79,792,267
Educational Development	—	—	—	58,526,359	58,526,359
Housing Supply and Conditions	5,871,310	—	—	—	5,871,310
Physical Environment	72,241,720	—	—	41,054,928	113,296,648
Transportation Facilitation	—	—	—	26,836,954	26,836,954
Development and Management	180,366,148	—	—	—	180,366,148
Debt Service:					
Principal	—	3,863,500	5,042,039	78,998,986	87,904,525
Interest	2,632,298	29,739,521	39,192,190	59,523,362	131,087,371
Bond Issuance Costs	—	—	—	1,416,768	1,416,768
Capital Outlay	22,390,958	—	—	80,004,501	102,395,459
<b>Total Expenditures</b>	<b>1,070,180,909</b>	<b>33,603,021</b>	<b>44,234,229</b>	<b>562,675,032</b>	<b>1,710,693,191</b>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	150,077,184	(32,170,807)	(44,234,229)	(71,991,638)	1,680,510
<b>OTHER FINANCING SOURCES (USES):</b>					
Sources:					
Transfers In	8,958,641	31,989,830	44,234,229	88,158,182	173,340,882
Proceeds from Bonds and Notes Issuances	—	—	—	100,000,000	100,000,000
Uses:					
Transfers Out	(215,906,246)	(10,000)	(10,000)	(30,805,271)	(246,731,517)
Special Item - Transfer of Cobo Hall	—	—	—	(9,865,937)	(9,865,937)
<b>Total Other Financing Sources (Uses)</b>	<b>(206,947,605)</b>	<b>31,979,830</b>	<b>44,224,229</b>	<b>147,486,974</b>	<b>16,743,428</b>
<b>Net Change in Fund Balances</b>	<b>(56,870,421)</b>	<b>(190,977)</b>	<b>(10,000)</b>	<b>75,495,336</b>	<b>18,423,938</b>
Fund Balances (Deficit) at Beginning of Year	(91,094,688)	24,486,356	10,000	151,586,205	84,987,873
Increase (Decrease) in Inventory	(106,565)	—	—	550,038	443,473
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ (148,071,674)</b>	<b>\$ 24,295,379</b>	<b>\$ —</b>	<b>\$ 227,631,579</b>	<b>\$ 103,855,284</b>

**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, 2011**

Change in Fund Balances - Total Governmental Funds	\$	18,423,938
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds		(42,138,636)
Change in inventory		443,473
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	\$ 102,395,459	
Less current year depreciation	<u>(81,074,895)</u>	21,320,564
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net assets		(528,568)
Payments to the pension systems increased the net pension asset		20,425,478
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets		(100,000,000)
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		87,904,526
Amortization of deferred outflows of resources related to derivatives is not reported in the governmental funds		7,921,709
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:		
Amortization of issuance costs, net of new issuance amounts	(2,972,727)	
Change in accrued interest payable	728,832	
Amortization of bond discounts	(822)	
Amortization of bond premiums	1,879,375	
Amortization of swap termination fees	1,343,787	
Amortization of deferred amounts on refunding	(1,301,745)	
Change in accrued compensated absences	15,764,924	
Change in accrued workers' compensation claims	402,000	
Change in accrued claims and judgments	21,374,408	
Change in accrued pollution remediation	(282,030)	
Change in accrued other postemployment benefits	<u>(120,910,681)</u>	<u>(83,974,679)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(70,202,195)</u></u>

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**City of Detroit, Michigan**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**June 30, 2011**

	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,292,173	\$ 688,244
Investments	125,640,610	14,239
Accounts and Contracts Receivable:		
Other Receivables - Trade	212,914,512	882,459
Allowance for Uncollectible Accounts	<u>(57,467,793)</u>	<u>(54,490)</u>
Total Accounts and Contracts Receivable - Net	<u>155,446,719</u>	<u>827,969</u>
Due from Other Funds	30,251,006	1,380,546
Due from Fiduciary Funds	—	—
Due from Other Governmental Agencies	—	18,838,129
Inventory	6,977,146	5,413,164
Prepaid Expenses	3,441,704	120,902
Restricted:		
Cash and Cash Equivalents	3,015,785	—
Investments	143,315,183	—
Due from Other Funds	<u>12,570,717</u>	<u>—</u>
Total Current Assets	<u>485,951,043</u>	<u>27,283,193</u>
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents	2,556,843	—
Investments	84,171,807	—
Other Receivables	—	650,000
Net Pension Asset	86,874,832	109,938,285
Fair Value of Derivatives	14,408,688	—
Deferred Charges	42,063,997	4,769,975
Capital Assets:		
Land and Land Rights	12,110,899	7,578,462
Land Improvements	67,537,928	—
Buildings and Structures	2,102,529,618	117,929,265
Interceptors and Regulators	222,914,916	—
Mains	—	—
Services and Meters	—	—
Vehicles and Buses	—	153,124,970
Machinery, Equipment, and Fixtures	1,348,107,857	61,435,187
Construction in Progress	<u>387,620,585</u>	<u>33,799,761</u>
Total Capital Assets	4,140,821,803	373,867,645
Less: Accumulated Depreciation	<u>(1,211,687,352)</u>	<u>(192,915,472)</u>
Capital Assets - Net	<u>2,929,134,451</u>	<u>180,952,173</u>
Deferred Outflows of Resources	<u>63,548,517</u>	<u>2,768,676</u>
Total Noncurrent Assets and Deferred Outflows	<u>3,222,759,135</u>	<u>299,079,109</u>
Total Assets and Deferred Outflows	<u>\$ 3,708,710,178</u>	<u>\$ 326,362,302</u>



<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$ 7,357,748	\$ 176,623	\$ 1,307,866	\$ 14,822,654
84,018,134	521	—	209,673,504
107,021,597	4,883,752	1,009,719	326,712,039
(25,387,639)	(2,870,134)	(987,697)	(86,767,753)
81,633,958	2,013,618	22,022	239,944,286
66,690,098	727,724	61,406	99,110,780
—	54,791	—	54,791
—	—	—	18,838,129
5,939,985	—	—	18,330,295
1,510,001	19,428	34,723	5,126,758
8,870,389	—	234,211	12,120,385
134,715,746	15,963,319	—	293,994,248
4,045,774	—	—	16,616,491
394,781,833	18,956,024	1,660,228	928,632,321
3,810,114	—	—	6,366,957
45,032,315	—	—	129,204,122
—	—	—	650,000
88,474,553	—	—	285,287,670
27,693,455	—	—	42,102,143
37,990,918	—	—	84,824,890
6,062,803	4,967,313	17,117,669	47,837,146
101,851,813	214,908	8,020,718	177,625,367
887,692,615	199,987,186	5,853,773	3,313,992,457
—	—	—	222,914,916
984,494,019	—	—	984,494,019
170,265,759	—	—	170,265,759
—	1,367,994	1,352,993	155,845,957
895,442,206	3,370,921	1,825,327	2,310,181,498
197,274,741	71,155	112,500	618,878,742
3,243,083,956	209,979,477	34,282,980	8,002,035,861
(1,070,762,411)	(123,145,506)	(15,572,595)	(2,614,083,336)
2,172,321,545	86,833,971	18,710,385	5,387,952,525
1,927,019	—	—	68,244,212
2,377,249,919	86,833,971	18,710,385	6,004,632,519
\$ 2,772,031,752	\$ 105,789,995	\$ 20,370,613	\$ 6,933,264,840

(Continued)

**City of Detroit, Michigan**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**June 30, 2011**

	<b>Sewage Disposal Fund</b>	<b>Transportation Fund</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts and Contracts Payable	\$ 31,778,466	\$ 20,740,075
Accrued Salaries and Wages	519,646	1,371,588
Due to Other Funds	52,102,832	19,716,312
Due to Fiduciary Funds	8,603,294	6,257,103
Due to Other Governmental Agencies	—	33,302
Accrued Interest	—	565,055
Other Liabilities	16,667,493	—
Deferred Revenue	—	257,347
Bonds, Notes, and Capital Leases	11,577,284	3,910,099
Accrued Compensated Absences	4,120,387	4,139,276
Accrued Workers' Compensation and Claims and Judgments	667,000	1,227,248
Accrued Pollution Remediation	973,113	250,000
Pension Obligation Certificates - Net	1,035,281	1,208,081
Payable from Restricted Assets:		
Bonds, Notes, and Leases	61,397,250	—
Accrued Interest	61,396,780	—
Accounts and Contracts Payable	17,306,833	—
Due to Other Funds	18,797,220	—
	<b>286,942,879</b>	<b>59,675,486</b>
<b>Total Current Liabilities</b>		
<b>Noncurrent Liabilities:</b>		
Advances From Other Funds	—	—
Bonds and Notes Payable - Net	2,821,254,302	6,271,722
Derivative Instruments - Swap Liability	211,651,095	17,176,576
Capital Leases Payable	—	12,678,358
Pension Obligation Certificates Payable (POCs) - Net	90,157,332	105,192,445
Accrued Compensated Absences	3,803,238	603,766
Accrued Workers' Compensation and Claims and Judgments	4,375,000	4,172,735
Accrued Other Postemployment Benefits	43,203,839	59,751,367
	<b>3,174,444,806</b>	<b>205,846,969</b>
<b>Total Noncurrent Liabilities</b>		
<b>Total Liabilities</b>		
	<b>3,461,387,685</b>	<b>265,522,455</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	122,747,952	158,091,993
Restricted for Capital Acquisitions	31,318,712	—
Restricted for Debt Service	145,174,047	—
Unrestricted (Deficit)	(51,918,218)	(97,252,146)
	<b>(51,918,218)</b>	<b>(97,252,146)</b>
<b>Total Net Assets</b>		
	<b>\$ 247,322,493</b>	<b>\$ 60,839,847</b>

<b>Water Fund</b>	<b>Automobile Parking Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
\$ 20,723,955	\$ 141,882	\$ 71,641	\$ 73,456,019
922,524	54,195	24,116	2,892,069
22,792,696	727,634	350,205	95,689,679
8,549,055	42,161	113,199	23,564,812
—	—	2,233	35,535
—	293,870	—	858,925
18,295,619	2,630,577	1,191,070	38,784,759
—	19,600,457	225,000	20,082,804
449,284	1,110,000	—	17,046,667
6,427,622	232,326	32,815	14,952,426
5,399,000	122,000	17,000	7,432,248
—	—	—	1,223,113
913,613	—	—	3,156,975
44,671,250	—	—	106,068,500
57,839,797	—	—	119,236,577
8,227,900	—	—	25,534,733
13,411,537	—	—	32,208,757
<u>208,623,852</u>	<u>24,955,102</u>	<u>2,027,279</u>	<u>582,224,598</u>
—	9,225,006	—	9,225,006
2,114,741,662	10,231,382	—	4,952,499,068
191,883,006	—	—	420,710,677
—	—	—	12,678,358
79,560,644	—	—	274,910,421
4,453,598	—	30,372	8,890,974
8,712,000	646,497	82,000	17,988,232
40,578,926	1,368,171	172,172	145,074,475
<u>2,439,929,836</u>	<u>21,471,056</u>	<u>284,544</u>	<u>5,841,977,211</u>
<u>2,648,553,688</u>	<u>46,426,158</u>	<u>2,311,823</u>	<u>6,424,201,809</u>
62,141,704	74,270,024	18,710,385	435,962,058
22,648,822	513,776	—	54,481,310
101,862,800	1,717,526	—	248,754,373
(63,175,262)	(17,137,489)	(651,595)	(230,134,710)
<u>\$ 123,478,064</u>	<u>\$ 59,363,837</u>	<u>\$ 18,058,790</u>	<u>\$ 509,063,031</u>

**City of Detroit, Michigan**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Operating Revenues:		
Sales and Charges for Services	\$ 403,386,128	\$ 26,179,418
Rentals, Fees, and Surcharges	3,424,043	611,684
Miscellaneous	3,908,904	627,195
	<u>410,719,075</u>	<u>27,418,297</u>
Total Operating Revenues		
Operating Expenses:		
Salaries, Wages, and Benefits	105,626,247	131,541,192
Contractual Services	53,963,104	14,244,372
Operating	38,400,687	20,359,037
Maintenance	18,859,837	—
Materials, Supplies, and Other Expenses	30,399,894	25,907,703
Depreciation	150,660,578	16,925,996
	<u>397,910,347</u>	<u>208,978,300</u>
Total Operating Expenses		
Operating Income (Loss)	<u>12,808,728</u>	<u>(181,560,003)</u>
Non-Operating Revenues (Expenses):		
Investment Earnings	(4,566,115)	5,611
Investment Earnings - Changes in Fair Value of Derivatives	3,397,251	—
Investment Earnings - Decrease Upon Hedge Termination	—	—
Federal and State Grants	—	77,553,273
Interest on Bonds, Notes Payable, and Loans	(119,734,891)	(6,902,553)
Loss on Disposal of Capital Assets	(91,476,801)	—
Gain on Defeasance of Debt	—	—
Amortization of Bond Issuance Costs and Deferrals	—	—
Other Revenues	2,209,701	—
	<u>(210,170,855)</u>	<u>70,656,331</u>
Total Non-Operating Revenues (Expenses), Net		
Net Income (Loss) Before Contributions and Transfers	(197,362,127)	(110,903,672)
Capital Contributions	5,523,194	24,059,048
Transfers In	—	72,611,279
	<u>(191,838,933)</u>	<u>(14,233,345)</u>
Decrease in Net Assets		
Net Assets - Beginning of Year	<u>439,161,426</u>	<u>75,073,192</u>
Net Assets - End of Year	<u>\$ 247,322,493</u>	<u>\$ 60,839,847</u>

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$ 311,910,227	\$ —	\$ 103,209	\$ 741,578,982
—	8,067,566	544,047	12,647,340
4,091,974	69,178	151,866	8,849,117
<u>316,002,201</u>	<u>8,136,744</u>	<u>799,122</u>	<u>763,075,439</u>
75,092,964	1,953,690	656,894	314,870,987
38,876,538	3,168,825	—	110,252,839
41,131,755	886,362	1,286,186	102,064,027
4,552,465	71,346	54,170	23,537,818
1,865,045	857,720	204,947	59,235,309
71,995,060	3,283,042	190,714	243,055,390
<u>233,513,827</u>	<u>10,220,985</u>	<u>2,392,911</u>	<u>853,016,370</u>
<u>82,488,374</u>	<u>(2,084,241)</u>	<u>(1,593,789)</u>	<u>(89,940,931)</u>
(6,736,536)	692	1,690	(11,294,658)
21,216,407	—	—	24,613,658
—	(5,473,746)	—	(5,473,746)
—	—	—	77,553,273
(111,666,753)	(1,084,489)	—	(239,388,686)
—	—	—	(91,476,801)
—	2,039,858	—	2,039,858
—	(48,066)	—	(48,066)
1,588,987	2,512,006	—	6,310,694
<u>(95,597,895)</u>	<u>(2,053,745)</u>	<u>1,690</u>	<u>(237,164,474)</u>
(13,109,521)	(4,137,986)	(1,592,099)	(327,105,405)
211,745	—	—	29,793,987
—	—	779,356	73,390,635
(12,897,776)	(4,137,986)	(812,743)	(223,920,783)
<u>136,375,840</u>	<u>63,501,823</u>	<u>18,871,533</u>	<u>732,983,814</u>
<u>\$ 123,478,064</u>	<u>\$ 59,363,837</u>	<u>\$ 18,058,790</u>	<u>\$ 509,063,031</u>

**City of Detroit, Michigan**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 377,869,525	\$ 27,257,135
Receipts from (to) Other Funds	9,771,848	—
Loans to Other Funds	—	—
Payments to Suppliers	(126,966,284)	(72,236,067)
Payments to Employees	<u>(70,312,932)</u>	<u>(107,083,869)</u>
Net Cash Provided by (Used in) Operating Activities	<u>190,362,157</u>	<u>(152,062,801)</u>
Cash Flows from Non-Capital Financing Activities:		
Interest Paid - Pension Obligation Certificates	(5,035,660)	(6,222,563)
Principal Paid - Pension Obligation Certificates	(672,089)	(784,268)
Grants and Contributions from Other Governments	—	79,974,443
Due to Other Governmental Agencies	—	(121,133)
Transfers from Other Funds	—	76,200,381
Miscellaneous Non-Operating Revenue	<u>2,209,687</u>	<u>—</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(3,498,062)</u>	<u>149,046,860</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	5,523,194	17,191,713
Proceeds from Sales of Capital Assets	89,996,704	—
Acquisition and Construction of Capital Assets	(120,077,930)	(20,431,608)
Proceeds from Bond and Note Issuances	34,821,349	—
Proceeds from Leased Properties	—	—
Principal Paid on Bonds, Notes, and Capital Leases	(87,539,195)	(3,751,531)
Interest Paid on Bonds, Notes, and Leases - Net Swap Termination Payment	<u>(127,752,488)</u>	<u>(1,233,922)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(205,028,366)</u>	<u>(8,225,348)</u>
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	802,888,714	43,105,018
Purchases of Investments	(780,898,860)	(34,015,656)
Derivative settlement payments	(4,566,115)	—
Earnings (Loss) from Investment Securities	<u>(6,953,920)</u>	<u>5,611</u>
Net Cash Provided by Investing Activities	<u>10,469,819</u>	<u>9,094,973</u>
Net Decrease in Cash and Cash Equivalents	(7,694,452)	(2,146,316)
Cash and Cash Equivalents at Beginning of Year	<u>18,559,253</u>	<u>2,834,560</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,864,801</u>	<u>\$ 688,244</u>

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$ 300,205,708	\$ 8,872,456	\$ 933,521	\$ 715,138,345
—	1,055,340	1,232	10,828,420
(19,023,134)	(200,000)	—	(19,223,134)
(65,256,267)	(7,780,036)	(886,633)	(273,125,287)
<u>(61,370,167)</u>	<u>(1,484,146)</u>	<u>(836,067)</u>	<u>(241,087,181)</u>
154,556,140	463,614	(787,947)	192,531,163
(4,979,284)	—	—	(16,237,507)
(593,104)	—	—	(2,049,461)
—	—	—	79,974,443
—	—	—	(121,133)
—	—	779,356	76,979,737
<u>1,681,275</u>	<u>—</u>	<u>—</u>	<u>3,890,962</u>
(3,891,113)	—	779,356	142,437,041
—	—	—	22,714,907
135,042	—	—	90,131,746
(96,605,117)	(238,027)	(451,911)	(237,804,593)
3,136,725	—	—	37,958,074
—	20,000,000	—	20,000,000
(37,415,538)	(27,530,000)	—	(156,236,264)
(110,265,513)	(1,392,670)	—	(240,644,593)
<u>—</u>	<u>(12,468,000)</u>	<u>—</u>	<u>(12,468,000)</u>
(241,014,401)	(21,628,697)	(451,911)	(476,348,723)
855,939,057	47,311,414	—	1,749,244,203
(757,271,383)	(26,509,472)	—	(1,598,695,371)
(6,736,536)	—	—	(11,302,651)
<u>(12,875,784)</u>	<u>692</u>	<u>1,690</u>	<u>(19,821,711)</u>
79,055,354	20,802,634	1,690	119,424,470
(11,294,020)	(362,449)	(458,812)	(21,956,049)
<u>31,332,271</u>	<u>539,072</u>	<u>2,000,889</u>	<u>55,266,045</u>
<u>\$ 20,038,251</u>	<u>\$ 176,623</u>	<u>\$ 1,542,077</u>	<u>\$ 33,309,996</u>

(Continued)

**City of Detroit, Michigan**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 12,808,728	\$ (181,560,003)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	150,660,578	16,925,996
Bad Debt Expense	24,744,629	—
Write-off of Capital Assets, including Construction in Progress	12,858,429	—
Changes in Assets and Liabilities:		
Accounts and Contracts Receivable	(58,677,637)	(94,545)
Grants Receivable	1,083,458	—
Inventory	(415,407)	1,230,456
Net Pension Asset	1,580,367	(2,287,803)
Prepaid Expenses	97,136	2,953
Due from Other Funds	72,189,104	(105,745)
Advances from Other Funds	—	—
Deferred Revenue	—	(66,617)
Accounts and Contracts Payable	16,244,363	(4,500,285)
Due to Other Funds	(62,417,256)	8,378,298
Due to Fiduciary Funds	6,831,000	(3,172,271)
Other Liabilities	323,940	—
Accrued Compensated Absences	364,260	(279,361)
Accrued Workers' Compensation and Claims and Judgments	423,534	(92,038)
Accrued Other Postemployment Benefits	12,751,800	15,083,050
Accrued Salaries and Wages	(1,088,869)	(1,524,886)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 190,362,157</u>	<u>\$ (152,062,801)</u>
Noncash activities:		
Fair value of derivatives	\$ (13,747,199)	\$ (3,305,644)
Deferred outflows of resources - hedging derivatives	9,738,135	2,589,911



<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$ 82,488,374	\$ (2,084,241)	\$ (1,593,789)	\$ (89,940,931)
71,995,060	3,283,042	190,714	243,055,390
8,836,391	—	—	33,581,020
12,057,904	—	—	24,916,333
(24,632,884)	735,712	106,452	(82,562,902)
—	—	—	1,083,458
1,311,857	—	—	2,126,906
(2,948,695)	—	—	(3,656,131)
(236,812)	(12,173)	16,815	(132,081)
51,979,962	720,726	(61,406)	124,722,641
—	(200,000)	—	(200,000)
—	—	—	(66,617)
5,672,355	(3,334,792)	(52,401)	14,029,240
(71,003,096)	334,713	62,638	(124,644,703)
3,492,096	—	—	7,150,825
6,154,232	551,083	722,203	7,751,458
(257,276)	14,118	(41,727)	(199,986)
(1,391,000)	(29,000)	(118,170)	(1,206,674)
12,634,490	486,914	(3,737)	40,952,517
(1,596,818)	(2,488)	(15,539)	(4,228,600)
<u>\$ 154,556,140</u>	<u>\$ 463,614</u>	<u>\$ (787,947)</u>	<u>\$ 192,531,163</u>
\$ (24,332,773)	\$ (12,898,565)	\$ —	\$ (54,284,181)
2,573,360	5,638,739	—	20,540,145

**City of Detroit, Michigan**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,721,965	\$ 1,750,650
Investments at Fair Value:		
Short-Term Investments	164,959,264	—
Money Market Funds	—	22,248,511
Bonds and Stocks	3,811,918,965	—
Mortgage-Backed Securities	91,750,938	—
Mortgage and Construction Loans	213,498,893	—
Equity Interest in Real Estate	690,905,923	—
Real Estate Investment Trusts Held by Custodian	29,288,746	—
Pooled Investments	314,360,482	—
Private Placements	445,973,400	—
Total Investments	5,762,656,611	22,248,511
Accrued Interest Receivable	24,730,879	—
Accounts Receivable:		
Due from Primary Government	133,706,461	—
Due from Component Units	1,668,113	—
From Investment Sales	70,689,214	—
Other Receivables	27,125,699	—
Total Accounts Receivable	233,189,487	—
Cash and Investments Held as Collateral for Securities Lending	383,984,085	—
Capital Assets	2,522,013	—
Total Assets	6,418,805,040	\$ 23,999,161
<b>LIABILITIES</b>		
Accounts and Contracts Payable	2,188,153	440,812
Payables for Investment Purchases	55,066,834	—
Benefits and Claims Payable	5,278,688	—
Due to Primary Government	4,207,069	17,905
Amount Due to Broker for Securities Lending	436,369,073	—
Other Liabilities	75,277,760	23,540,444
Total Liabilities	578,387,577	\$ 23,999,161
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 5,840,417,463	

**City of Detroit, Michigan**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	<b>Pension and Other Employee Benefit Trust Funds</b>
ADDITIONS:	
Employer Contributions	\$ 399,376,524
Plan Member Contributions	63,147,926
Other Income	13,999,113
Total Contributions	476,523,563
Investment Earnings:	
Interest and Dividend Income	152,180,315
Net Appreciation in Fair Value	933,141,161
Investment Expense	(32,692,594)
Securities Lending Income	1,353,639
Net Gain on Collateralized Securities	5,551,052
Other Income	2,677,825
Total Investment Earnings	1,062,211,398
Total Additions	1,538,734,961
DEDUCTIONS:	
Pension and Annuity Benefits	484,930,672
Premiums to Insurers and Damage Claims	312,205,569
Member Refunds and Withdrawals	188,598,255
General and Administrative Expenses	10,387,515
Total Deductions	996,122,011
Net Increase	542,612,950
Net Assets Held in Trust for Pension and Other Employee Benefits, Beginning of Year	5,297,804,513
Net Assets Held in Trust for Pension and Other Employee Benefits, End of Year	\$ 5,840,417,463

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2011**

	<u>Detroit Brownfield Redevelopment Authority</u>	<u>Detroit Public Library</u>	<u>Detroit Transportation Corporation</u>	<u>Downtown Development Authority</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 5,000	\$ 23,043,191	\$ 809,018	\$ 714,896
Investments	3,361,069	16,005,305	11,049,199	82,680,763
Accounts and Contracts Receivable, Taxes, Interest, and Penalties Receivable - Net	1,411,212	16,196	56,152	1,382,814
Due from Primary Government	150,000	1,934,886	—	783,828
Due from Other Governmental Agencies	—	8,440,137	1,562,643	—
Inventory	—	—	4,015,623	—
Prepaid Expenses	8,260	109,303	510,061	210,339
Loans and Notes Receivable	—	—	—	40,752,020
Other Assets	—	12,339	—	30,440,104
Net Pension Asset	—	25,250,623	—	—
Bond and Note Issue Costs	—	1,088,288	—	2,498,088
Capital Assets:				
Non-Depreciable	—	1,831,063	7,108,237	7,544,670
Depreciable, Net	—	26,929,647	54,401,986	41,452,588
Capital Assets, Net	—	28,760,710	61,510,223	48,997,258
Total Assets	4,935,541	104,660,978	79,512,919	208,460,110
<b>LIABILITIES:</b>				
Accounts and Contracts Payable	11,058	834,652	3,402,806	913,852
Accrued Salaries and Wages	—	465,921	921,463	—
Accrued Interest Payable	—	—	—	4,108,931
Due to Primary Government	4,000	839,666	1,352,732	472,119
Due to Fiduciary Funds	—	1,668,115	—	—
Due to Other Governmental Agencies	—	9,932,501	—	17,527,881
Deferred Revenue	—	—	32,400	—
Other Liabilities	3,553,222	199,154	1,034,294	27,382,002
Long-term Obligations:				
Advance Payable to Primary Government for POCs	—	24,295,379	—	—
Due within one year	—	2,195,510	—	4,643,943
Due in more than one year	—	16,776,992	708,062	98,284,319
Total Liabilities	3,568,280	57,207,890	7,451,757	153,333,047
<b>NET ASSETS (DEFICIT):</b>				
Invested in Capital Assets, Net of Related Debt	—	28,760,710	61,510,223	48,997,258
Restricted for:				
Endowments and Trusts (Expendable)	—	10,513,438	—	—
Endowments and Trusts (Non-Expendable)	—	675,622	—	—
Capital Projects	470,309	—	10,601,078	4,894,711
Debt Service	—	—	—	—
Unrestricted (Deficit)	896,952	7,503,318	(50,139)	1,235,094
Total Net Assets (Deficit)	\$ 1,367,261	\$ 47,453,088	\$ 72,061,162	\$ 55,127,063

<u>Eastern Market Corporation</u>	<u>Economic Development Corporation</u>	<u>Greater Detroit Resource Recovery Authority</u>	<u>Local Development Finance Authority</u>	<u>Museum of African American History</u>	<u>Detroit Land Bank Authority</u>	<u>Totals</u>
\$ 922,794	\$ 13,768,755	\$ 8,043,433	\$ 1,074,682	\$ 1,387,797	\$ 303,897	\$ 50,073,463
732,413	23,955,995	2,300,683	35,641,911	1,266,305	—	176,993,643
9,614	218,473	82,321	90,261	77,561	989,162	4,333,766
—	736,480	—	3,767,015	—	—	7,372,209
250,000	3,499,912	—	—	—	—	13,752,692
33,166	—	—	—	156,552	—	4,205,341
16,941	—	—	1,079	50,170	3,303	909,456
—	1,579,154	—	77,737	—	—	42,408,911
—	—	—	—	80,000	1,090,099	31,622,542
—	—	—	—	—	—	25,250,623
—	—	—	—	—	—	3,586,376
177,387	—	8,873,234	—	218,629	—	25,753,220
<u>3,410,174</u>	<u>—</u>	<u>18,574,767</u>	<u>—</u>	<u>911,409</u>	<u>28,570</u>	<u>145,709,141</u>
<u>3,587,561</u>	<u>—</u>	<u>27,448,001</u>	<u>—</u>	<u>1,130,038</u>	<u>28,570</u>	<u>171,462,361</u>
<u>5,552,489</u>	<u>43,758,769</u>	<u>37,874,438</u>	<u>40,652,685</u>	<u>4,148,423</u>	<u>2,415,031</u>	<u>531,971,383</u>
229,577	2,476,744	2,121,876	12,350	571,545	297,885	10,872,345
26,191	—	—	—	81,175	17,977	1,512,727
—	74,183	—	599,551	—	—	4,782,665
—	—	1,793,921	—	—	—	4,462,438
—	—	—	—	—	—	1,668,115
—	118,478	—	—	—	—	27,578,860
199,217	—	—	—	—	386,120	617,737
—	—	—	6,369,550	—	18,269	38,556,491
—	—	—	—	—	—	24,295,379
55,885	262,796	—	5,465,000	—	590,037	13,213,171
<u>—</u>	<u>—</u>	<u>—</u>	<u>58,640,000</u>	<u>—</u>	<u>—</u>	<u>174,409,373</u>
<u>510,870</u>	<u>2,932,201</u>	<u>3,915,797</u>	<u>71,086,451</u>	<u>652,720</u>	<u>1,310,288</u>	<u>301,969,301</u>
—	—	27,448,001	—	1,130,038	28,570	167,874,800
—	—	—	—	—	—	10,513,438
—	—	—	1,034,527	912,214	—	2,622,363
1,399,483	40,671,713	—	—	1,253,239	—	59,290,533
—	—	—	32,635,636	—	—	32,635,636
<u>3,642,136</u>	<u>154,855</u>	<u>6,510,640</u>	<u>(64,103,929)</u>	<u>200,212</u>	<u>1,076,173</u>	<u>(42,934,688)</u>
<u>\$ 5,041,619</u>	<u>\$ 40,826,568</u>	<u>\$ 33,958,641</u>	<u>\$ (30,433,766)</u>	<u>\$ 3,495,703</u>	<u>\$ 1,104,743</u>	<u>\$ 230,002,082</u>

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Year Ended June 30, 2011**

	<u>Detroit Brownfield Redevelopment Authority</u>	<u>Detroit Public Library</u>	<u>Detroit Transportation Corporation</u>	<u>Downtown Development Authority</u>
Expenses	\$ (2,399,429)	\$ (44,507,566)	\$ (18,935,560)	\$ (28,438,817)
Program Revenues:				
Charges for Services	150,000	768,786	911,739	4,170,588
Operating Grants and Contributions	<u>209,599</u>	<u>1,366,179</u>	<u>7,815,145</u>	<u>—</u>
Total Program Revenues	<u>359,599</u>	<u>2,134,965</u>	<u>8,726,884</u>	<u>4,170,588</u>
Net Program (Expenses) Revenues	<u>(2,039,830)</u>	<u>(42,372,601)</u>	<u>(10,208,676)</u>	<u>(24,268,229)</u>
General Revenues:				
Property Taxes	2,297,214	33,683,966	—	15,054,694
Other Taxes	—	1,149,745	—	—
Shared Taxes	—	782,035	—	—
Tipping Fees	—	—	—	—
Contributions	—	—	3,058,267	—
Investment Earnings	396	1,537,318	629,413	—
Miscellaneous Revenues	<u>—</u>	<u>47,682</u>	<u>330,654</u>	<u>1,165,863</u>
Total General Revenues	<u>2,297,610</u>	<u>37,200,746</u>	<u>4,018,334</u>	<u>16,220,557</u>
Change in Net Assets	257,780	(5,171,855)	(6,190,342)	(8,047,672)
Net Assets (Deficit) - Beginning of Year	<u>1,109,481</u>	<u>52,624,943</u>	<u>78,251,504</u>	<u>63,174,735</u>
Net Assets (Deficit) - End of Year	<u>\$ 1,367,261</u>	<u>\$ 47,453,088</u>	<u>\$ 72,061,162</u>	<u>\$ 55,127,063</u>

<u>Eastern Market Corporation</u>	<u>Economic Development Corporation</u>	<u>Greater Detroit Resource Recovery Authority</u>	<u>Local Development Finance Authority</u>	<u>Museum of African American History</u>	<u>Detroit Land Bank Authority</u>	<u>Totals</u>
\$ (2,618,915)	\$ (12,497,367)	\$ (12,050,348)	\$ (4,125,568)	\$ (5,052,227)	\$ (1,742,843)	\$ (132,368,640)
915,845	—	31,483	—	1,229,974	—	8,178,415
697,895	13,624,432	—	—	2,072,169	2,832,942	28,618,361
1,613,740	13,624,432	31,483	—	3,302,143	2,832,942	36,796,776
(1,005,175)	1,127,065	(12,018,865)	(4,125,568)	(1,750,084)	1,090,099	(95,571,864)
—	—	—	8,040,308	—	—	59,076,182
—	—	—	—	—	—	1,149,745
—	—	—	—	—	—	782,035
—	—	10,796,107	—	—	—	10,796,107
1,460,960	1,001,467	—	—	1,705,956	—	7,226,650
92,849	109,447	40,842	264,505	80,334	—	2,755,104
—	—	429,732	77,737	—	—	2,051,668
1,553,809	1,110,914	11,266,681	8,382,550	1,786,290	—	83,837,491
548,634	2,237,979	(752,184)	4,256,982	36,206	1,090,099	(11,734,373)
4,492,985	38,588,589	34,710,825	(34,690,748)	3,459,497	14,644	241,736,455
\$ 5,041,619	\$ 40,826,568	\$ 33,958,641	\$ (30,433,766)	\$ 3,495,703	\$ 1,104,743	\$ 230,002,082

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**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 (MI) 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. 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**

The accompanying financial statements present the City (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 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. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

**Blended Component Units**

*Detroit Building Authority (DBA)* - The DBA is governed by a Board in which the City appoints the voting majority of the DBA's Board Members and is able to impose its will. Although legally separate, the DBA is included in the operations and activities of the City because it was entirely incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining buildings, automobile parking lots or structures, and recreational facilities 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 Detroit Police and Fire Retirement System Service Corporation (DPFRSSC)* - DGRSSC and DPFRSSC are MI nonprofit corporations incorporated by the City pursuant to State Law and are legally separate from the City. The DGRSSC and DPFRSSC were formed to assist the City in maintaining the actuarial integrity of the City's two pension systems. Both Corporations are fiscally dependent upon and provide services entirely to the City. 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 2006, 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 2006 (DRSFT), a grantor trust established and existing under MI 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.

**Discretely Presented Component Units**

*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 MI of 1996. The City appoints the majority of the DBRA's Board Members and is able to impose its will. 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.

*Detroit Public Library (DPL)* - The DPL is a statutory body created by the State, which is legally separate from the City. The DPL was created to provide reference materials, research information, and publications to residents of the City and Wayne County (the County). Funding is provided by an ad valorem tax of 4.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. The City Council is responsible for approving DPL's annual budget. Due to DPL's relationship with the City, it would be misleading to exclude its financial information from the City's financial statements.

*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 a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The DTC is primarily funded by means of grants from the City.

*Downtown Development Authority (DDA)* - The DDA was created to promote and develop economic growth in the City's downtown business district. The DDA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. 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.

*Eastern Market Corporation (EMC)* - The EMC was established to develop, maintain, and promote the Eastern Market district of the City. The EMC manages the market in the City known as Eastern Market. The EMC is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The EMC is primarily funded by means of private grants and contributions.

*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 a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The EDC 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 GDRRA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Operating revenues consist of tipping fees received from the City of Detroit to be used for the hauling and disposal of the municipal solid waste.

*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. The LDFA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Incremental portions of the City and 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 a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The MAAH is primarily funded by means of private grants and grants from the City.

*Detroit Land Bank Authority (DLBA)* - The DLBA was created to stimulate neighborhood stabilization and economic growth through the acquisition, management and disposition of tax-reverted and acquired properties by working collaboratively with community stakeholders, developers, and other governmental agencies in a transparent and fiscally responsible manner to promote conscientious stewardship of land. The DLBA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The DLBA is primarily funded through federal and local grants.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

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*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. The TIFA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Although still in legal existence, TIFA has no activity in the current year and as such is not presented within the City's financial statements.

\* Audit conducted in accordance with *Government Auditing Standards* as promulgated by the Comptroller General of the United States.

**Financial Statements of Component Units**

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

**Blended Component Units:**

Detroit Building Authority  
2800 Cadillac Tower  
65 Cadillac Square  
Detroit, MI 48226  
(313) 224-7238

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

Detroit General Retirement System  
Service Corporation  
Coleman A. Young Municipal Center, Room 1200  
2 Woodward Avenue  
Detroit, MI 48226  
(313) 224-3362

**Discretely Presented Component Units:**

Detroit Brownfield Redevelopment Authority  
500 Griswold, Suite 2200  
Detroit, MI 48226  
(313) 963-2940

Economic Development Corporation  
500 Griswold, Suite 2200  
Detroit, MI 48226  
(313) 237-4616

Detroit Public Library  
5201 Woodward Avenue  
Detroit, MI 48226  
(313) 833-1000

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

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

Local Development Finance Authority  
500 Griswold, Suite 2200  
Detroit, MI 48226  
(313) 237-4616

Downtown Development Authority  
500 Griswold, Suite 2200  
Detroit, MI 48226  
(313) 237-4616

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

Eastern Market Corporation  
2934 Russell Street  
Detroit, MI 48226  
(313) 833-9300

Tax Increment Finance Authority  
500 Griswold, Suite 2200  
Detroit, MI 48226  
(313) 237-4616

Detroit Land Bank Authority  
65 Cadillac Square, Suite 3200  
Detroit, MI 48226  
(313) 974-6869

### **Related Organizations**

The City has in place Memorandums of Understanding (i.e., Contracts) for the operations of certain City-owned assets with the following private nonprofit corporations:

Detroit Historical Society  
Detroit Institute of Arts  
Detroit Zoological Society

The City's accountability for these organizations does not extend beyond these Contracts.

The Mayor is responsible for appointing the members of the board of the Northwest Community Programs, Inc., a private nonprofit corporation, but the City's accountability for this organization does not extend beyond making the appointments.

### **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 an agreement between the City and the County. The DWJBA receives its revenues through a lease agreement with the City and Wayne County, which expires on March 1, 2028. 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. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and holders of the bonds.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The DWJBA is not included in the financial statements of the City. Complete financial statements of the DWJBA may be obtained by writing to the DWJBA at the following address:

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

### **(b) Basis of Presentation**

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

**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 non-exchange 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.

**Fund Financial Statements.** The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate financial 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 other governmental or other enterprise 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 reports the following major funds:

**Governmental Funds:**

**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.

**Detroit General Retirement System Service Corporation Fund** accounts for the debt service payments related to the issuance of the Pension Obligation Certificates.

**Police and Fire Retirement System Service Corporation Fund** accounts for the debt service payments related to the issuance of the Pension Obligation Certificates.

**Proprietary Funds:**

**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 76 other communities in southeastern MI.

**Transportation Fund** accounts for the City's mass transit system with a fleet of 445 coaches. The fund operates an administration building, which includes a heavy repair facility and plant maintenance building, as well as three other satellite terminals with light repair garages and storage bays.

**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 127 other communities in southeastern MI.

**Automobile Parking Fund** accounts for the activity of the City's Auto Parking and Arena System, excluding parking fine revenues.

Additionally, the City reports the following Fiduciary Fund types:

**Fiduciary Funds:**

**Pension and Other Employee Benefit Trust 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 Trust funds account for various health and long-term disability benefits for employees and retirees.

**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.

**(c) Measurement Focus and 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 for which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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 and acquisitions under capital leases are reported as other financing sources. Significant revenue sources that are susceptible to accrual include property taxes, income taxes, utility taxes, state-shared revenue, state gas and weight tax revenue, interest, and certain grants associated with the current fiscal period. All other revenue sources are considered to be measurable and available only when cash is received.

Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (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.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, as well as certificates of deposits with a maturity date of three months or less.

**(e) Investments**

Investments of the City (see Note IX (b) for pension trust) are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The only investments that do not have an established market are certificates of deposit, which are reported at par value plus accrued interest.

**(f) Interfund Transactions**

The City has the following types of interfund transactions:

**Advances** - amounts provided with a requirement for long-term repayment. Interfund advances are reported as advances to other funds in lender funds and advances from other funds in borrower funds.

**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.

**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.

**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.

**(g) Due from/to Other Governmental Agencies**

Due from/to other governmental agencies consists primarily of sales, grant reimbursement, and charges for services to/from the County, the State, and the Federal Government.

**(h) Inventory**

Inventory is stated at the lower of cost or market using the average cost method. Inventory of governmental and enterprise funds are recorded as expenditures when consumed rather than when purchased.

**(i) 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. Purchased capital assets are reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated fair 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 are 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. Capitalized interest for the year ended June 30, 2011 for the Sewage Disposal and Water Funds was \$19,819,217 and \$7,997,888, 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.



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<b>Years</b>
Land improvements	5-67
Buildings and building improvements	5-50
Interceptors and regulators	100
Mains	67
Services and meters	20-87
Improvements other than buildings	5-50
Machinery, equipment, and fixtures	3-20
Vehicles other than buses	3-10
Buses	12
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.

**(j) Deferred Revenue**

Deferred revenue represent revenues 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 is met.

**(k) Bond Premiums, Discounts, Issuance Costs, and Deferred Amounts on Refunding**

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized using the effective interest method. Issuance costs (deferred charges) and gains and losses (deferred amounts) on refunding are deferred and amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts and gains, as well as bond issuance costs are recognized 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.

**(l) Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

For employees other than those of 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 semiannual periods. Any unused furlough time remaining at the end of each semiannual 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.

**(m) Property Taxes**

The City's property taxes are 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 MI Tax Tribunal.

The 2010 taxable valuation of the City totaled approximately \$10.1 billion (a portion of which is abated and a portion of which is captured by the LDFA, TIFA, DDA, and DBRA), on which taxes consisted of 19.952 mills for operating purposes and 8.9157 mills for debt service. This resulted in approximately \$128.0 million for operations and approximately \$60.6 million for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

The Wayne County Treasurer (Treasurer) is required by the General Property Tax Law, as amended, to collect delinquent real property taxes levied by the City. Under the Act, the Treasurer pays the City in full for delinquent real property taxes owed according to the delinquent tax roll transferred to the County Treasurer. Taxes eligible for payment include all delinquent taxes, except taxes on personal property, due and payable to the City. The Treasurer is then responsible for the collection of the outstanding delinquent taxes. The County retains all interest and penalties generated by the delinquent taxes to offset its tax collection costs. Real property taxes not collected within two years after the sale to the County are charged back to the City.

For accounting purposes, the transfer of delinquent property taxes receivable is recognized as a sale, with a corresponding liability recorded for the estimated amount that will be charged back to the City. During the year ended June 30, 2011, approximately \$152 million of delinquent property taxes receivable was transferred (sold) to the County, and \$101 million was charged back to the City from prior year sales. As of June 30, 2011, the City has recorded an approximate liability of \$88 million (\$36 million in the General Fund, \$30 million in the Non-Major Governmental Funds, and \$22 million in the Water and Sewage Disposal Funds) for the estimated amount of property tax receivables sold to the County that will be charged back in future years.

**(n) Municipal Income Taxes**

The City levies an annual income tax. The rate for the calendar year 2010 consists of an annualized tax of 2.50 percent on the income of resident individuals, 1.25 percent on income earned in the City by non-residents, and 1.00 percent for corporations. 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 assessments receivable represent estimated additional taxes assessed as a result of tax return audits or failure to file a return.

**(o) Fund Balances**

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use of a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the City will consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the City will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

**(p) Net Assets**

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

- **Invested in Capital Assets, Net of Related Debt** - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This consists of net assets that are restricted by outside parties or by law through constitutional provisions or enabling legislation. 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.

**(h) Unrestricted** - This consists of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt."

**(q) Unbilled Revenue**

The Water and Sewage Disposal Funds record unbilled revenues for services provided prior to year end by accruing actual revenues billed in the subsequent month.

**(r) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

**(s) Upcoming Accounting Pronouncements**

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements (SCA) which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2012.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. This pronouncement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2012.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretation, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2012.

The GASB has recently issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The pronouncement clarified when a replacement of a swap counterparty's credit support provider results in continuing effective hedging relationships versus a required termination. The City is evaluating the impact this standard may have on its financial statements when adopted as required in fiscal year 2012.

**(t) Special Item**

The City transferred control via a long-term lease the Cobo Hall Convention Facility (Cobo Center) to the Detroit Regional Convention Facility Authority (the Authority) on September 15, 2009, eliminating the City's funding of the Cobo Hall operations. The Authority assumed the City's obligations on the Convention Facility Limited Tax Revenue Bonds, Series 2003. The Authority also assumed all funds and accounts, as defined by the Bond Resolution, with the exception of the accounts noted in the following paragraph.

In May 2011, the City settled the disagreement with the Authority on the proper disposition and control of the (1) Project Fund, (2) Project Fund (2003), and (3) Renewal and Replacement Fund created under the Bond Resolution (commonly referred to as the Disputed Funds). These funds held a total of \$13.9 million as of the settlement date. The City and the Authority settlement included: (1) the Chief Financial Officer of the City, from time to time shall direct the payment of up to \$4.0 million in aggregate of the Disputed Bond Funds to pay for or reimburse the City for the cost of City improvements to Cobo Hall and expenses incurred for the amendments to the services agreement and (2) all Disputed Bond Funds in excess of \$4.0 million allocated to the City, which totaled \$9.9 million, shall be applied by the Trustee at the sole and exclusive direction of the Authority. A special item of \$9.9 million was recorded for this transaction in the Capital Project Fund and reduced the net assets of the Governmental Funds for the year ended June 30, 2011.

**NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**(a) Liquidity Risk**

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due, or having to incur excessive costs to do so. During times of economic stress such as the recession that has affected the nation over the past several years, the City has faced significant risks threatening its ability to generate cash from revenues sufficient to pay operating expenditures. Three of the City's largest revenue streams, distributable state aid, property taxes, and municipal income taxes, are especially susceptible during times of major economic downturns and have declined in recent years due to high levels of unemployment. City of Detroit unemployment rates were 21.6% in June 2011 (compared to 11.0% state and 9.3% national rates). Also, the large number of resident home foreclosures has adversely impacted City property valuations and property tax collections. In addition, the City's pension costs have increased due to investment losses in the pension funds. Although there are signs of the economy improving, regional economic distress will likely present continued revenue pressures for the City in the near-term.

The City's declining revenues over the past several years led to an accumulated unassigned fund deficit in the General Fund of \$331.9 million at June 30, 2009. As a result, the City was dependent on short-term borrowing for cash flow purposes. The City's liquidity improved in March 2010 and the accumulated deficit decreased when the City borrowed \$249.8 million Fiscal Stabilization bonds. The City utilized proceeds from the Fiscal Stabilization bonds, with maturities extending to June 30, 2036, to eliminate its short-term borrowing. Although the fiscal stabilization bonds reduced the accumulated deficit and the City implemented layoffs, furlough days and other cost cutting measures the City still had a \$196.6 million accumulated unassigned General Fund deficit at June 30, 2011.

On December 6, 2011, the State of Michigan's Treasurer commenced a preliminary review of the City's finances in accordance with Public Act 4 of 2011 (Local Government and School District Fiscal Accountability Act). Public Act 4 authorizes the State Treasurer to intervene in municipalities or school districts that experience severe financial stress or financial emergencies. The State Treasurer cited the City's liquidity risks and large debt including unfunded retiree health care costs to justify a preliminary financial review (see subsequent events note XIV (a) for more details).

The budgetary challenges, economic uncertainties, accumulated deficit in the General Fund, State intervention, and debt ratings below investment grade could affect the City's ability to access credit markets and will likely increase the costs of borrowing.

Continued liquidity improvement is dependent upon eliminating the City's accumulated deficit and improvement in the local economy. It is the City's intent to arrange its financial affairs and manage its budget to eliminate its current deficit and provide for future balanced financial operations. The City's current plans include implementing workforce reductions and operational efficiencies as well as obtaining wage and healthcare and pension benefit concessions. If, however, the City is unable to carry through on its efforts, its financial status could deteriorate further and its options to improve its fiscal health may be limited.

**(b) Compliance with Finance Related Legal and Contractual Provisions**

The City has not fully implemented the necessary procedures to ensure compliance with the arbitrage rebate rules of Section 148(f) of the Internal Revenue Code of 1986 applicable to the City's outstanding tax-exempt obligations. The City settled selected bond issues with the Internal Revenue Service (IRS) in August 2010 and September 2011 and is currently engaged in discussions with the IRS to settle the remaining bond issues. The City paid the Internal Revenue Service \$155,368 in September 2011 to settle the arbitrage issues concerning General Obligation Bond Unlimited Tax Series 1997-A and 1997-B issued in December 1997. The potential impact to the City on the remaining unsettled bond issues is undeterminable at this time.

The City is required by State of Michigan law to fund its minimally required pension contributions for the fiscal year ended June 30, 2011, prior to said date. Notwithstanding this requirement, the City failed to remit its complete contribution prior to June 30, 2011. Contributions to the Police and Fire Retirement System of \$85.2 million were remitted in fiscal year 2011-12 in accordance with the payment schedule agreed to between the City and the pension board.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

As of June 30, 2011, the City failed to remit approximately \$10.7 million of property tax distributions held by the General Fund that were due to other funds, component units, and other governmental agencies. All such required distributions at June 30, 2011 were remitted in fiscal year 2011-12.

Bond ordinances require amounts to be held on deposit in a Bond and Interest Redemption Fund such that the aggregate balance is sufficient to provide for payment, when due, of the current principal and interest. During the fiscal year ended June 30, 2011, the balance in the Sewage Disposal Fund's Bond and Interest Redemption Fund was not in compliance with these ordinances. However, the Fund transferred the required amounts on July 1, 2011 and made the principal and interest payments on a timely basis.

**(c) Deficit Fund Equity**

The General Fund had a deficit fund balance of \$196,577,910 at June 30, 2011. Local Development Finance Authority (a Component Unit) (L DFA) had a fund deficit of \$30,433,766. The General Fund has implemented a deficit reduction plan, which includes staffing reductions and days off without pay for certain employees (i.e., furlough days), reduction in level of City provided services, reduced subsidies, and enhanced procedures for the collection of revenues. L DFA's plan for elimination of its deficit involves the continued collection of incremental tax revenues and payment of its debt service requirements in the upcoming years.

**(d) Excess of Expenditures Over General Fund Appropriations**

The legal level of budget control is maintained at the appropriation level, which is more detailed than the budget in the Required Supplementary Information. Listed below are expenditures that exceeded its corresponding appropriation for the year ended June 30, 2011:

<u>Agency Description</u>	<u>Appropriation Description</u>	<u>YTD Budget Final</u>	<u>YTD Actual</u>	<u>Variance</u>
Public Works	Street Cleaning	\$ 54,556	\$ 161,943	\$ (107,387)
	Street Maintenance	747	30,620	(29,873)
Finance	Administration	1,615,094	1,645,655	(30,561)
	Purchasing Division	2,059,361	2,081,908	(22,547)
Fire	Executive Management and Support	3,491,149	4,553,227	(1,062,078)
	Ordinance Enforcement	6,189,423	7,403,478	(1,214,055)
	Emergency Medical Services	24,587,449	25,012,020	(424,571)
	Vehicle Management and Supply	460,855	985,719	(524,864)
	Fire Fighting Operations	131,060,567	152,844,252	(21,783,685)
	Communication and System Support	4,229,663	4,540,722	(311,059)
Health and Wellness Promotions	Primary Family Care	206,108	311,797	(105,689)
	Drug Educations	196,540	212,500	(15,960)
	Community Health Services	1,822,480	1,885,732	(63,252)
	Plant Operations and Maintenance - Herman Kiefer	1,258,473	1,527,978	(269,505)
	Nutrition Services	438,085	462,479	(24,394)
Human Resources	Personnel Selection	857,890	957,556	(99,666)
	Apprentice Training Program	87,254	488,517	(401,263)
Law	Administration and Operations	17,811,174	17,823,177	(12,003)
Mayor's Office	Neighborhood City Halls	25,257	115,080	(89,823)
Non-Departmental	Greater Detroit Resource Recovery Authority	699	365,676	(364,977)
	Tax Increment Districts	11,777,886	13,877,706	(2,099,820)
	Prisoner Care	497,030	709,397	(212,367)
	Parking Systems Operating Advance	6,947,242	7,195,651	(248,409)
	City-County Building Rent and Rehabilitation	210,148	224,825	(14,677)
	Charter Review Commission	500,000	504,522	(4,522)
	Claims Fund (Insurance Premium)	63,168,180	69,896,396	(6,728,216)
	Adjustment and Undistributed Costs	1,584,188	9,646,466	(8,062,278)
	800 MHZ Project Debt Service	9,448,982	9,950,782	(501,800)
	Interest Short-Term Borrowing	2,762,192	3,112,978	(350,786)

(continued)

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

Agency Description	Appropriation Description	YTD Budget Final	YTD Actual	Variance
Planning and Development	Community Development	\$ 32,159	\$ 246,633	\$ (214,474)
Police	Police Commission	3,011,706	3,430,089	(418,383)
	Human Resources Bureau	2,783,404	7,274,544	(4,491,140)
	Western Operations Bureau	4,214	24,539,113	(24,534,899)
	Management Services Bureau	21,021,613	33,152,174	(12,130,561)
	Rape Consulting Unit	341,483	499,886	(158,403)
	Police Athletic League	575,276	720,409	(145,133)
	Domestic Violence Unit	129	2,022,972	(2,022,843)
	Technical Services Bureau	13,292,694	13,786,264	(493,570)
Public Lighting	Street Lighting	11,656,771	12,266,872	(610,101)
	Traffic Signals	3,929	679,955	(676,026)
Recreation	Strategic Planning and Grants	87,479	90,837	(3,358)
General Services Department	Administration	963,099	1,203,766	(240,667)
	Facilities and Grounds Maintenance	26,941,076	27,662,135	(721,059)
	Inventory Management	6,510,272	7,618,317	(1,108,045)
	Fleet Management	15,887,432	19,253,297	(3,365,865)
36th District Court	State Transferred Functions	31,180,855	32,233,584	(1,052,729)
<b>Total All Agencies</b>		<b>\$ 427,642,263</b>	<b>\$ 525,209,606</b>	<b>\$ (97,567,343)</b>

**NOTE III - DEPOSITS AND INVESTMENTS**

**(a) Governmental and Business-type Activities**

A summary of deposits and investments of the governmental and business-type activities at June 30, 2011 is as follows:

	Governmental Activities	Business-type Activities	Total
Demand Deposits	\$ 123,099,965	\$ 33,309,996	\$ 156,409,961
U.S. Government Agency Securities	73,691,597	280,805,898	354,497,495
Repurchase Agreement	1,001,208	—	1,001,208
Money Market Funds	134,097,472	318,810,976	452,908,448
Commercial Paper	—	33,255,000	33,255,000
<b>Total</b>	<b>\$ 331,890,242</b>	<b>\$ 666,181,870</b>	<b>\$ 998,072,112</b>

Deposits and investments of the governmental and business-type activities at June 30, 2011 are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 123,099,965	\$ 33,309,996	\$ 156,409,961
Investments	208,790,277	632,871,874	841,662,151
<b>Total</b>	<b>\$ 331,890,242</b>	<b>\$ 666,181,870</b>	<b>\$ 998,072,112</b>

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.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The City is authorized by MI Public Act 20 of 1943 (as amended) 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, 2011, the governmental and business-type activities had deposits of \$84,806,574 and \$1,944,621, respectively, which were exposed to custodial credit risk as they were uninsured and uncollateralized.

***Interest Rate Risk***

Interest rate risk is the risk that, over time, the value of debt 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 City attempt to match its debt investments with anticipated cash flow requirements. Unless related to a specific cash flow, the City is generally not permitted to directly invest in debt securities maturing more than 10 years from the original date of purchase.

The City (governmental and business-type activities) had the following debt investments and maturities at June 30, 2011:

	<b>Total Fair Value</b>	<b>Investment Maturities in Years</b>	
		<b>Less Than 1 Year</b>	<b>1 – 5 Years</b>
<b>Governmental Activities</b>			
U.S. Government Agency Securities	\$ 73,691,597	\$ —	\$ 73,691,597
Repurchase Agreement	1,001,208	1,001,208	—
Money Market Funds	134,097,472	134,097,472	—
Total Governmental Activities	<u>\$ 208,790,277</u>	<u>\$ 135,098,680</u>	<u>\$ 73,691,597</u>
<b>Business-type Activities</b>			
U.S. Government Agency Securities	\$ 280,805,898	\$ —	\$ 280,805,898
Money Market Funds	318,810,976	318,810,976	—
Commercial Paper	33,255,000	33,255,000	—
Total Business-type Activities	<u>\$ 632,871,874</u>	<u>\$ 352,065,976</u>	<u>\$ 280,805,898</u>

***Credit Risk***

Credit risk is the risk that the City will not recover its investments due to the inability of the counterparty to fulfill its obligations. The City's investment policy complies with State law, which limits its investments in commercial paper, mutual funds, and external investment pools to the top two rating classifications issued by two nationally recognized statistical rating organizations (NRSROs) Standard & Poor's (S&P) and Moody's Investor Service (Moody's).



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The City's debt investments (governmental and business-type activities) have the following ratings at June 30, 2011 as rated by S&P or Moody's:

	<u>AAA</u>	<u>A-2</u>	<u>A-1</u>	<u>Not Rated</u>	<u>Total</u>
<b>Governmental Activities</b>					
U.S. Government Agency Securities	\$ 69,703,117	\$ —	\$ —	\$ 3,988,480	\$ 73,691,597
Repurchase Agreement	1,001,208	—	—	—	1,001,208
Money Market Funds	120,310,374	—	—	13,787,098	134,097,472
Total Governmental Activities	<u>\$ 191,014,699</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,775,578</u>	<u>\$ 208,790,277</u>
<b>Business-type Activities</b>					
U.S. Government Agency Securities	\$ 280,805,898	\$ —	\$ —	\$ —	\$ 280,805,898
Money Market Funds	314,945,151	—	—	3,865,825	318,810,976
Commercial Paper	—	—	33,255,000	—	33,255,000
Total Business-type Activities	<u>\$ 595,751,049</u>	<u>\$ —</u>	<u>\$ 33,255,000</u>	<u>\$ 3,865,825</u>	<u>\$ 632,871,874</u>

**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 including prohibiting investing more than 5 percent of the portfolio in securities (excluding U.S. government securities) of any one issuer. More than 5 percent of the City's debt investments are in the following: Federal Home Loan Bank (15.88 percent), Federal Home Loan Mortgage Corporation (5.02 percent), and Federal National Mortgage Association (21.16 percent).

**(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. A summary of cash and investments for fiduciary activities at June 30, 2011 is as follows:

	<u>Pension and Other Employee Benefit Trust Funds</u>				
	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Other Employee Benefits</u>	<u>Total</u>	
Demand Deposits	\$ 5,827,721	\$ 5,329,752	\$ 564,492	\$ 11,721,965	\$ 1,750,650
Money Market Funds	—	—	—	—	22,248,511
Short-Term Investments	84,647,332	46,104,178	34,207,754	164,959,264	—
Stocks	895,439,842	1,670,515,990	5,594,999	2,571,550,831	—
Commingled Equity Funds	521,606,935	547,369,053	—	1,068,975,988	—
Bonds	171,392,146	—	—	171,392,146	—
Mortgage-Backed Securities	21,396,438	70,342,795	11,705	91,750,938	—
Pooled Investments	33,549,000	280,811,482	—	314,360,482	—
Equity Interest in Real Estate	279,991,189	410,914,734	—	690,905,923	—
Private Placements	361,251,019	83,389,021	1,333,360	445,973,400	—
Mortgage and Construction Loans	78,186,668	135,312,225	—	213,498,893	—
Real Estate Investment Trusts Held by Custodian	—	29,288,746	—	29,288,746	—
Total	<u>\$ 2,453,288,290</u>	<u>\$ 3,279,377,976</u>	<u>\$ 41,712,310</u>	<u>\$ 5,774,378,576</u>	<u>\$ 23,999,161</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

Cash and investments for fiduciary activities at June 30, 2011 are reported in the financial statements as follows:

	<b>Pension and Other Employee Benefit Trust Funds</b>				
	<b>General Retirement System</b>	<b>Police &amp; Fire Retirement System</b>	<b>Other Employee Benefits</b>	<b>Total</b>	<b>Agency Funds</b>
Cash and Cash Equivalents	\$ 5,827,721	\$ 5,329,752	\$ 564,492	\$ 11,721,965	\$ 1,750,650
Investments	2,447,460,569	3,274,048,224	41,147,818	5,762,656,611	22,248,511
Total	\$ 2,453,288,290	\$ 3,279,377,976	\$ 41,712,310	\$ 5,774,378,576	\$ 23,999,161

**Pension Funds**

The Pension Funds are authorized by MI Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized the investments according to MI Public Act 314. The Pension Funds' deposits and investment policies are in accordance with this statutory authority other than real estate asset balances under Section 19 and investments in Michigan-based small businesses under Section 20(a). The Pension Funds' deposits are in excess of statutory limits by approximately 1 percent and 2 percent, respectively.

***Custodial Credit Risk of Bank Deposits***

At June 30, 2011, the General Retirement System had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At June 30, 2011, the Police and Fire Retirement System had no deposits that were uninsured and uncollateralized. The Pension Funds believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Pension Funds evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

***Interest Rate Risk***

The Pension Funds' investment policies do not restrict investment maturities. The Pension Funds had the following debt investments and maturities at June 30, 2011 (in \$000):

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
<b>General Retirement System</b>					
U.S. Government	\$ 46,237	\$ 2,110	\$ 14,257	\$ 12,075	\$ 17,795
Mortgage-Backed Securities	21,457	—	127	3,978	17,352
Treasuries **	14,820	14,820	—	—	—
Corporate	109,537	305	42,567	45,019	21,646
Other Fixed Income	15,757	210	3,176	657	11,714
Convertible Stocks	857	—	857	—	—
Convertible Bonds	36	—	36	—	—
Pooled and Mutual Funds **	85,483	—	—	—	—
State and Local Obligations	969	—	—	—	969
Commingled Bond Funds **	293	—	—	—	—
Mortgages	67,553	47,935	19,618	—	—
Construction Loans	10,533	6,897	3,636	—	—
Total	<u>\$ 373,532</u>	<u>\$ 72,277</u>	<u>\$ 84,274</u>	<u>\$ 61,729</u>	<u>\$ 69,476</u>
<b>Police &amp; Fire Retirement System</b>					
U.S. Government	\$ 55,887	\$ 3,009	\$ 34,229	\$ 9,653	\$ 8,996
Government Assets and Mortgage-Backed Securities	70,623	—	300	—	70,323
Treasuries	6,658	6,658	—	—	—
Corporate **	419,265	19,005	154,341	151,155	76,729
Other Fixed Income **	71,838	3,199	35,788	20,279	3,072
Convertible Bonds	28,738	231	19,020	2,035	7,452
Pooled and Mutual Funds **	58,680	—	—	—	—
Commingled bonds **	1,024	—	—	—	—
State and Local Obligations	139	—	139	—	—
Convertible Preferred Stock **	8,705	1,365	6,848	—	491
Construction Loans	18,616	18,616	—	—	—
Mortgages	116,696	6,355	108,831	1,510	—
Total	<u>\$ 856,869</u>	<u>\$ 58,438</u>	<u>\$ 359,496</u>	<u>\$ 184,632</u>	<u>\$ 167,063</u>

\*\* - Not all pooled and mutual funds, and commingled bond funds are subject to interest rate risk.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Pension Funds' investment policies do not further limit their investment choices. The Pension Funds' debt investments have the following ratings at June 30, 2011 as rated by S&P (in \$000):

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC &amp; Below</u>	<u>Not Rated</u>
<b>General Retirement System</b>								
U.S. Government	\$ 10,680	\$ 424	\$ 7,516	\$ 1,140	\$ 139	\$ —	\$ —	\$ 7,152
Mortgage-Backed Securities	—	—	—	279	—	1,080	1,277	—
Corporate	5,632	3,663	9,893	13,734	11,251	28,954	8,935	27,473
Other Fixed Income	—	364	1,423	2,087	109	—	393	11,380
Convertible Bonds	—	—	—	—	—	36	—	—
Convertible Stocks	—	—	—	—	—	—	—	857
Pooled and Mutual Funds	2,042	—	—	—	—	—	—	83,442
State and Local Obligations	—	—	619	—	—	—	—	350
Commingled Bond Funds	294	—	—	—	—	—	—	—
Mortgages	—	—	—	—	—	—	—	67,533
Construction Loans	—	—	—	—	—	—	—	10,633
Total	<u>\$ 18,648</u>	<u>\$ 4,451</u>	<u>\$ 19,451</u>	<u>\$ 17,240</u>	<u>\$ 11,499</u>	<u>\$ 30,070</u>	<u>\$ 10,605</u>	<u>\$ 208,820</u>
<b>Police &amp; Fire Retirement System</b>								
Pooled and Mutual Funds	\$ 1,966	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 56,714
Government Fixed Income	—	535	—	860	—	—	—	—
Corporate Fixed Income	36,827	18,562	70,259	80,041	38,624	103,665	19,480	51,806
Other fixed income	614	3,889	6,965	11,038	10,200	15,973	8,423	14,737
Convertible Bonds	847	468	4,161	6,834	3,934	3,943	348	8,695
Convertible Preferred Stock	—	—	—	561	254	—	—	7,399
Mortgages	—	—	—	—	—	—	—	116,696
Construction Loans	—	—	—	—	—	—	—	18,616
Government Agencies	849	—	—	—	—	—	—	—
Commingled Bond Funds	—	—	—	—	—	—	—	1,024
State and Local Obligations	—	139	—	—	—	—	—	—
Total	<u>\$ 41,103</u>	<u>\$ 23,593</u>	<u>\$ 81,385</u>	<u>\$ 99,334</u>	<u>\$ 53,012</u>	<u>\$ 123,581</u>	<u>\$ 28,251</u>	<u>\$ 275,687</u>

***Foreign Currency Risk***

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce 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 Fire Retirement System (Pension Funds) do not restrict the amount of investments in foreign currency.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The foreign currency risk for cash and investments of the Pension Funds at June 30, 2011 is as follows (in \$000):

	General Retirement System				Police and Fire Retirement System			
	Fixed Income	Equity	Cash	Forward Contracts	Equity	Forward Contracts Unrealized Gain (Loss)	Cash	Cash Equivalent
Australian Dollar	\$ 4,423	\$ 8,513	\$ 429	\$ (3,383)	\$ 13,769	\$ 41	\$ 472	\$ —
Brazilian Real	2,608	719	—	(1,521)	1,267	—	—	—
British Pound Sterling	5,084	34,531	376	2,285	85,186	(4,216)	290	504
Bulgarian Lev	—	295	—	—	—	—	—	—
Canadian Dollar	2,484	5,883	43	—	21,151	5,437	114	—
Czech Koruna	—	650	—	—	—	—	—	—
Danish Krone	—	3,351	175	(615)	6,860	(390)	217	—
Euro Currency	9,654	49,567	3,801	(19,508)	118,279	(6,085)	4,607	—
Ghana Cedi	348	—	45	—	—	—	—	—
Hong Kong Dollar	—	10,587	579	163	9,616	232	29	—
Hryvnia	—	105	4	—	—	—	—	—
Hungarian Forint	1,140	—	—	—	—	—	—	—
Indian Rupee	—	—	—	—	687	—	—	—
Indonesian Rupiah	2,226	—	—	—	406	—	—	—
Israeli Shekel	—	—	20	657	1,205	615	24	—
Japanese Yen	—	29,998	178	(2,114)	55,998	(3,354)	263	—
Malaysian Ringgit	2,009	—	—	—	680	—	—	—
Mexican Nuevo Peso	2,042	358	—	1,171	215	—	—	—
New Taiwan Dollar	—	2,041	332	—	1,235	—	—	—
New Zealand Dollar	1,502	—	1	(1,385)	26	—	34	—
Norwegian Krone	1,761	235	112	6,992	4,594	766	101	—
New Turkish Lira	—	—	—	1,747	—	—	2	—
Philippines Peso	—	—	—	—	185	—	—	—
Polish Zloty	2,733	50	4	—	251	—	—	—
Renminbi Yuan	—	1,051	—	1,717	379	—	—	—
Russian New Ruble	—	—	29	—	878	—	—	—
Singapore Dollar	—	957	297	1,024	4,314	31	394	—
South African Rand	1,329	466	—	—	447	—	—	—
South Korean Won	1,984	1,758	—	—	1,272	—	—	—
Swedish Krona	—	2,614	6	1,977	4,365	1,702	22	—
Swiss Franc	—	9,567	(38)	2,035	29,539	1,267	261	—
Thai Baht	—	61	(60)	—	681	—	(62)	—
<b>Total</b>	<b>\$ 41,327</b>	<b>\$ 163,357</b>	<b>\$ 6,333</b>	<b>\$ (8,758)</b>	<b>\$ 363,485</b>	<b>\$ (3,954)</b>	<b>\$ 6,768</b>	<b>\$ 504</b>

***Securities Lending***

As permitted by State statutes 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 102 percent of the fair 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.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The Pension Funds and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool at June 30, 2011 was 25 and 27 days for the General Retirement System and the Police and Fire Retirement System, respectively. 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, 2011, the Pension Funds had no credit risk exposure to borrowers.

The collateral held and the fair value of the underlying securities on loan for the General Retirement System at June 30, 2011 was \$136,293,411 and \$133,155,256, respectively. The collateral held and the fair value of the underlying securities on loan for the Police and Fire Retirement System at June 30, 2011 was \$300,075,662 and \$294,780,690, respectively.

<u>Securities Lent</u>	<u>Underlying Securities</u>	
	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
U.S. Government and Agencies	\$ 16,271,100	\$ 22,172,123
U.S. Corporate Fixed Income	13,180,767	41,415,506
U.S. Equities	97,456,538	220,536,215
Non-U.S. Governments	2,687,041	—
Non-U.S. Corporate Fixed Income	817,376	—
Non-U.S. Equities	2,742,434	10,656,846
Total	<u>\$ 133,155,256</u>	<u>\$ 294,780,690</u>

At June 30, 2011, the fair value of the collateral pool related to securities lending for the General Retirement System and the Police and Fire Retirement System was \$110,910,673 and \$273,073,412, respectively. The collateral was invested in asset-backed securities, bank notes, certificate of deposits (floating rate), money markets, commercial paper, repurchase agreements, and U.S. corporate securities (floating rate). Approximately 51 percent of the General Retirement System securities had a duration of less than one year, 43 percent had a duration between 1-5 years, and 6 percent had a duration over 15 years. Approximately 53 percent of the Police and Fire Retirement System securities had a duration of less than one year, 41 percent had a duration between 1-5 years, and 6 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2011 as rated by S&P are as follows:

<u>Ratings</u>	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
AAA	\$ 12,598,861	\$ 32,547,440
AA	23,834,496	58,522,799
A	16,964,448	44,044,233
A-1	20,145,792	46,240,190
B	1,249,925	4,444,847
CCC	3,958,862	7,921,337
D	1,345,560	—
Not Rated	30,812,729	79,352,566
Total	<u>\$ 110,910,673</u>	<u>\$ 273,073,412</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**Other Employee Benefits and Agency Trust 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***

The City does not have a deposit policy for custodial credit risk. At June 30, 2011, the Other Employee Benefit and Agency Trust Funds had deposits of \$32,731 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

***Interest Rate Risk***

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's 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 the original date of purchase.

The Other Employee Benefit and Agency Trust Funds had the following debt investments and maturities at June 30, 2011:

	<b>Total Fair Value</b>	<b>Investment Maturities in Years</b>			
		<b>Less Than 1 Year</b>	<b>1 – 5 Years</b>	<b>6 – 10 Years</b>	<b>&gt; 10 Years</b>
U.S. Government Agency Securities	\$ 11,705	\$ —	\$ —	\$ —	\$ 11,705
Money Market Funds	3,268,093	3,268,093	—	—	—
Mutual Funds	10,431,619	10,431,619	—	—	—
<b>Total</b>	<b>\$ 13,711,417</b>	<b>\$ 13,699,712</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,705</b>

***Credit Risk***

The City's investment policy complies with State law that 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 NRSROs.

The Other Employee Benefit and Agency Trust Funds' debt investments have the following credit quality ratings at June 30, 2011 as rated by S&P or Moody's:

	<b>AAA</b>	<b>AAAm</b>	<b>Not Rated</b>	<b>Total</b>
Money Market Funds	\$ —	\$ 3,268,093	\$ —	\$ 3,268,093
U.S. Government Agency Securities	11,705	—	—	11,705
Mutual Funds	—	—	10,431,619	10,431,619
<b>Total</b>	<b>\$ 11,705</b>	<b>\$ 3,268,093</b>	<b>\$ 10,431,619</b>	<b>\$ 13,711,417</b>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

***Concentration of Credit Risk***

The City's policy specifies a number of limitations to minimize concentration of credit risk including prohibiting investing more than 5 percent of the portfolio in securities (excluding U.S. government, mutual funds, external investment pools, and other pooled investments) of any one issuer. There were no investments of more than 5 percent of the total debt investments of Other Employee Benefit and Agency Trust Funds.

**NOTE IV - INTERFUND BALANCES AND ACTIVITY**

**(a) Balances Due from/to Other Funds**

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, 2011 are as follows:

Due To	Due From					
	General Fund	GRSSC Fund	PFRSSC Fund	Non-Major Governmental Funds	Sewage Disposal Fund	Transportation Fund
General Fund	\$ —	\$ 508,777	\$ 544,042	\$ 11,970,212	\$ 5,472,384	\$ 19,702,595
Other Governmental Funds	35,186,378	—	—	1,387,968	2,309,443	13,097
Sewage Disposal Fund	13,591,669	38,423	—	—	—	—
Transportation Fund	1,017,210	44,836	—	318,500	—	—
Water Fund	5,492,080	33,907	—	2,091,660	63,118,225	—
Automobile Parking Fund	590,561	—	—	124,415	—	620
Non-Major Proprietary Fund	61,406	—	—	—	—	—
Fiduciary Funds (1)	110,141,649	—	—	—	8,603,294	6,257,103
Liabilities Total	\$ 166,080,953	\$ 625,943	\$ 544,042	\$ 15,892,755	\$ 79,503,346	\$ 25,973,415

	Due From				
	Water Fund	Automobile Parking Fund	Non-Major Proprietary Fund	Fiduciary Funds	Assets Total
General Fund	\$ 6,771,617	\$ 701,224	\$ 338,323	\$ 4,170,183	\$ 50,179,357
Other Governmental Funds	229,197	26,410	11,542	—	39,164,035
Sewage Disposal Fund	29,191,631	—	—	—	42,821,723
Transportation Fund	—	—	—	—	1,380,546
Water Fund	—	—	—	—	70,735,872
Automobile Parking Fund	11,788	—	340	54,791	782,515
Non-Major Proprietary Fund	—	—	—	—	61,406
Fiduciary Funds (1)	8,549,055	42,161	113,199	—	133,706,461
Liabilities Total	\$ 44,753,288	\$ 769,795	\$ 463,404	\$ 4,224,974	\$ 338,831,915

(1) This interfund payable primarily represents employer contributions that are due to the retirement systems at year end.



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(b) Advances**

Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds - Capital Projects Fund	\$ 850,000 (1)
General Fund	Automobile Parking Fund	<u>9,225,006 (1)</u>
	Total	<u>\$ 10,075,006</u>

(1) These advances primarily represent amounts used for operating expenditures.

**(c) Transfers**

During the course of the fiscal year, transactions occur between the City's funds for operating subsidiaries. Related interfund receipts and disbursements are classified as "transfers in" and "transfers out" on the Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Assets. The transfers are routine and consistent with the activities of the fund. Transfers between funds during the year ended June 30, 2011 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>General Retirement System Service Corporation</u>	<u>Police and Fire System Service Corporation</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ —	\$ 10,000	\$ 10,000	\$ 8,938,641	\$ 8,958,641
General Retirement System Service Corporation	31,989,830	—	—	—	31,989,830
Police and Fire System Service Corporation	44,234,229	—	—	—	44,234,229
Non-Major Governmental Funds	66,291,552	—	—	21,866,630	88,158,182
Transportation Fund	72,611,279	—	—	—	72,611,279
Non-Major Proprietary Fund	779,356	—	—	—	779,356
Total	<u>\$ 215,906,246</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 30,805,271</u>	<u>\$ 246,731,517</u>

The General Fund transferred \$215.9 million to other funds. The largest transfers from the General Fund were made to the Transportation Fund for \$72.6 million to maintain bus operations and \$57.6 million to the Debt Service Fund (Non-Major Governmental Fund) for principal and interest payments. The General Fund also transferred a combined \$76.2 million to the City's Retirement System Service Corporations for interest payments on the Pension Obligation Certificates.

The Non-Major Governmental Funds transferred \$30.8 million to other funds. Included in this amount is the Major Street Fund transfer of \$6.4 million to the General Fund for street construction costs. The Major Street Fund transferred \$9.5 million to the Local Street Fund.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**NOTE V - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 412,818,039	\$ 1,010,020	\$ —	\$ 413,828,059
Works of Art	29,815,178	—	(10,445)	29,804,733
Construction in Progress	<u>16,277,348</u>	<u>10,271,700</u>	<u>(5,670,246)</u>	<u>20,878,802</u>
Total Non-Depreciable Capital Assets	<u>458,910,565</u>	<u>11,281,720</u>	<u>(5,680,691)</u>	<u>464,511,594</u>
Depreciable Capital Assets:				
Buildings and Improvements	1,080,384,742	21,186,945	—	1,101,571,687
Machinery, Equipment, and Fixtures	592,859,574	12,205,054	(11,514,568)	593,550,060
Infrastructure	<u>923,561,881</u>	<u>63,391,986</u>	<u>—</u>	<u>986,953,867</u>
Total Depreciable Capital Assets	<u>2,596,806,197</u>	<u>96,783,985</u>	<u>(11,514,568)</u>	<u>2,682,075,614</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	428,570,885	27,123,848	—	455,694,733
Machinery, Equipment, and Fixtures	456,480,771	34,719,124	(10,996,445)	480,203,450
Infrastructure	<u>726,891,288</u>	<u>19,231,923</u>	<u>—</u>	<u>746,123,211</u>
Total Accumulated Depreciation	<u>1,611,942,944</u>	<u>81,074,895</u>	<u>(10,996,445)</u>	<u>1,682,021,394</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,443,773,818</u>	<u>\$ 26,990,810</u>	<u>\$ (6,198,814)</u>	<u>\$ 1,464,565,814</u>

Depreciation expense for governmental activities for the year ended June 30, 2011 was charged to functions as follows:

Public Protection	\$ 12,610,262
Health	560,893
Recreation and Culture	13,301,550
Economic Development	6,890,417
Educational Development	99,484
Housing Supply and Conditions	280,821
Physical Environment	16,303,453
Transportation Facilitation	11,529,802
Development and Management	<u>19,498,213</u>
Total	<u>\$ 81,074,895</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Business-type Activities</b>				
<b><i>Sewage Disposal Fund:</i></b>				
Non-Depreciable Assets:				
Land and Land Rights	\$ 12,110,899	\$ —	\$ —	\$ 12,110,899
Construction in Progress	316,652,614	127,143,674	(56,175,703)	387,620,585
Total Non-Depreciable Capital Assets	<u>328,763,513</u>	<u>127,143,674</u>	<u>(56,175,703)</u>	<u>399,731,484</u>
Depreciable Assets:				
Land Improvements	61,913,042	5,669,730	(44,844)	67,537,928
Buildings and Structures	2,104,363,462	2,760,739	(4,594,583)	2,102,529,618
Interceptors and Regulators	433,913,914	821,992	(211,820,990)	222,914,916
Machinery, Equipment, and Fixtures	1,312,813,858	38,645,373	(3,351,374)	1,348,107,857
Total Depreciable Capital Assets	<u>3,913,004,276</u>	<u>47,897,834</u>	<u>(219,811,791)</u>	<u>3,741,090,319</u>
Total Capital Assets	<u>4,241,767,789</u>	<u>175,041,508</u>	<u>(275,987,494)</u>	<u>4,140,821,803</u>
Less Accumulated Depreciation:				
Land Improvements	27,432,516	(7,980,171)	(44,844)	19,407,501
Buildings and Structures	486,805,243	44,095,360	(196,277)	530,704,326
Interceptors and Regulators	110,000,280	799,512	(48,785,751)	62,014,041
Machinery, Equipment, and Fixtures	487,163,151	113,745,877	(1,347,544)	599,561,484
Total Accumulated Depreciation	<u>1,111,401,190</u>	<u>150,660,578</u>	<u>(50,374,416)</u>	<u>1,211,687,352</u>
Total Sewage Disposal Fund Capital Assets, Net	<u>\$ 3,130,366,599</u>	<u>\$ 24,380,930</u>	<u>\$ (225,613,078)</u>	<u>\$ 2,929,134,451</u>
<b><i>Transportation Fund:</i></b>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 7,578,462	\$ —	\$ —	\$ 7,578,462
Construction in Progress	44,126,393	18,145,575	(28,472,207)	33,799,761
Total Non-Depreciable Capital Assets	<u>51,704,855</u>	<u>18,145,575</u>	<u>(28,472,207)</u>	<u>41,378,223</u>
Depreciable Capital Assets:				
Buildings and Structures	92,736,191	25,193,074	—	117,929,265
Vehicle and Buses	164,213,854	297,936	(11,386,820)	153,124,970
Machinery, Equipment, and Fixtures	56,292,060	5,143,127	—	61,435,187
Total Depreciable Capital Assets	<u>313,242,105</u>	<u>30,634,137</u>	<u>(11,386,820)</u>	<u>332,489,422</u>
Total Capital Assets	<u>364,946,960</u>	<u>48,779,712</u>	<u>(39,859,027)</u>	<u>373,867,645</u>
Less Accumulated Depreciation:				
Buildings and Structures	51,744,191	2,125,592	—	53,869,783
Vehicle and Buses	98,797,301	10,896,287	(11,386,820)	98,306,768
Machinery, Equipment, and Fixtures	36,834,804	3,904,117	—	40,738,921
Total Accumulated Depreciation	<u>187,376,296</u>	<u>16,925,996</u>	<u>(11,386,820)</u>	<u>192,915,472</u>
Total Transportation Fund Capital Assets, Net	<u>\$ 177,570,664</u>	<u>\$ 31,853,716</u>	<u>\$ (28,472,207)</u>	<u>\$ 180,952,173</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities</b>				
<i>Water Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 6,062,803	\$ —	\$ —	\$ 6,062,803
Construction in Progress	<u>160,010,296</u>	<u>66,564,768</u>	<u>(29,300,323)</u>	<u>197,274,741</u>
Total Non-Depreciable Capital Assets	<u>166,073,099</u>	<u>66,564,768</u>	<u>(29,300,323)</u>	<u>203,337,544</u>
Depreciable Capital Assets:				
Land Improvements	101,488,494	372,303	(8,984)	101,851,813
Buildings and Structures	881,760,913	8,629,712	(2,698,010)	887,692,615
Mains	975,196,514	9,963,519	(666,014)	984,494,019
Services	48,796,664	184,745	—	48,981,409
Meters	116,389,794	4,894,556	—	121,284,350
Machinery, Equipment, and Fixtures	<u>874,452,577</u>	<u>24,436,812</u>	<u>(3,447,183)</u>	<u>895,442,206</u>
Total Depreciable Capital Assets	<u>2,998,084,956</u>	<u>48,481,647</u>	<u>(6,820,191)</u>	<u>3,039,746,412</u>
Total Capital Assets	<u>3,164,158,055</u>	<u>115,046,415</u>	<u>(36,120,514)</u>	<u>3,243,083,956</u>
Less Accumulated Depreciation:				
Land Improvements	14,122,737	1,003,580	—	15,126,317
Buildings and Structures	238,019,206	30,270,095	—	268,289,301
Mains	309,490,370	13,995,276	—	323,485,646
Services	26,114,109	596,740	—	26,710,849
Meters	34,674,885	4,984,534	—	39,659,419
Machinery, Equipment, and Fixtures	<u>376,875,022</u>	<u>21,144,835</u>	<u>(528,978)</u>	<u>397,490,879</u>
Total Accumulated Depreciation	<u>999,296,329</u>	<u>71,995,060</u>	<u>(528,978)</u>	<u>1,070,762,411</u>
Total Water Fund Capital Assets, Net	<u>\$ 2,164,861,726</u>	<u>\$ 43,051,355</u>	<u>\$ (35,591,536)</u>	<u>\$ 2,172,321,545</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2011</b>
<b>Business-type Activities</b>				
<i>Automobile Parking Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 4,967,313	\$ —	\$ —	\$ 4,967,313
Construction in Progress	355,318	104,350	(388,513)	71,155
Total Non-Depreciable Capital Assets	<u>5,322,631</u>	<u>104,350</u>	<u>(388,513)</u>	<u>5,038,468</u>
Depreciable Capital Assets:				
Land Improvements	214,908	—	—	214,908
Buildings and Structures	199,598,673	388,513	—	199,987,186
Vehicles and Buses	1,367,994	—	—	1,367,994
Machinery, Equipment, and Fixtures	3,370,921	—	—	3,370,921
Total Depreciable Capital Assets	<u>204,552,496</u>	<u>388,513</u>	<u>—</u>	<u>204,941,009</u>
Total Capital Assets	<u>209,875,127</u>	<u>492,863</u>	<u>(388,513)</u>	<u>209,979,477</u>
Less Accumulated Depreciation:				
Land Improvements	189,026	3,143	—	192,169
Buildings and Structures	116,502,100	2,938,263	—	119,440,363
Vehicles and Buses	1,023,977	141,105	—	1,165,082
Machinery, Equipment, and Fixtures	2,147,361	200,531	—	2,347,892
Total Accumulated Depreciation	<u>119,862,464</u>	<u>3,283,042</u>	<u>—</u>	<u>123,145,506</u>
Total Automobile Parking Fund Capital Assets, Net	<u>\$ 90,012,663</u>	<u>\$ (2,790,179)</u>	<u>\$ (388,513)</u>	<u>\$ 86,833,971</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Business-type Activities</b>				
<i>Other Proprietary Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 17,278,566	\$ 451,911	\$ (612,808)	\$ 17,117,669
Construction in Progress	1,356,761	450,241	(1,694,502)	112,500
Total Non-Depreciable Capital Assets	<u>18,635,327</u>	<u>902,152</u>	<u>(2,307,310)</u>	<u>17,230,169</u>
Depreciable Capital Assets:				
Land Improvements	8,020,718	—	—	8,020,718
Buildings and Structures	5,853,773	—	—	5,853,773
Vehicle and Buses	1,352,993	—	—	1,352,993
Machinery, Equipment, and Fixtures	1,825,327	—	—	1,825,327
Total Depreciable Capital Assets	<u>17,052,811</u>	<u>—</u>	<u>—</u>	<u>17,052,811</u>
Total Capital Assets	<u>35,688,138</u>	<u>902,152</u>	<u>(2,307,310)</u>	<u>34,282,980</u>
Less Accumulated Depreciation:				
Land Improvements	7,600,718	40,000	—	7,640,718
Buildings and Structures	5,058,702	57,973	—	5,116,675
Vehicle and Buses	1,307,576	47,323	—	1,354,899
Machinery, Equipment, and Fixtures	1,414,885	45,418	—	1,460,303
Total Accumulated Depreciation	<u>15,381,881</u>	<u>190,714</u>	<u>—</u>	<u>15,572,595</u>
Total Other Proprietary Fund Capital Assets, Net	<u>\$ 20,306,257</u>	<u>\$ 711,438</u>	<u>\$ (2,307,310)</u>	<u>\$ 18,710,385</u>

Certain beginning balances in the Water and Sewage Disposal Funds have been reclassified as a result of changes in capital asset classifications to reflect a more accurate presentation. This affected the classification of accumulated depreciation in the Sewage Disposal Fund which resulted in a positive increase in accumulated depreciation for land improvements. See Note XII regarding loss on the Oakland Macomb Interceptor District system.

See Note XIII (f) for discussion of commitments related to construction activities.

**NOTE VI. SHORT-TERM REVENUE AND TAX ANTICIPATION NOTES**

As of June 30, 2010, short-term notes payable consisted of Tax Anticipation Notes (TANS), Series 2009C of \$35,500,000 that had stated interest rate of 10.0 percent. These notes were used to pay necessary operating expenditures of the City during the fiscal year ended June 30, 2010 and costs of issuance of the notes. The City levied operating taxes for repayment of the TANS and was able to pay the remaining balance during the fiscal year ended June 30, 2011.

Changes in short-term debt for the year ended June 30, 2011 were as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>
Tax Anticipation Notes	\$ 35,500,000	\$ —	\$ (35,500,000)	\$ —
Total	<u>\$ 35,500,000</u>	<u>\$ —</u>	<u>\$ (35,500,000)</u>	<u>\$ —</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**NOTE VII. LONG-TERM OBLIGATIONS**

**(a) Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended June 30, 2011 were as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 1,010,303,278	\$ 100,000,000	\$ (77,070,000)	\$ 1,033,233,278	\$ 76,105,000
Notes Payable	89,506,000	—	(580,000)	88,926,000	765,000
Loans Payable	37,943,608	—	(1,348,986)	36,594,622	1,404,873
Total Bonds, Notes, and Loans Payable	1,137,752,886	100,000,000	(78,998,986)	1,158,753,900	78,274,873
Add: Unamortized Premiums	17,733,720	—	(1,879,375)	15,854,345	—
Less: Unamortized Discounts	(822)	—	822	—	—
Total Bonds, Notes, and Loans Payable, Net	1,155,485,784	100,000,000	(80,877,539)	1,174,608,245	78,274,873
Pension Obligation					
Certificates Payable	1,202,908,800	—	(8,905,540)	1,194,003,260	13,718,025
Deferred Amounts on Refunding	14,068,483	—	(42,042)	14,026,441	—
Total Pension Obligation Certificates Payable, Net	1,216,977,283	—	(8,947,582)	1,208,029,701	13,718,025
Other Long-Term Liabilities:					
Accrued Compensated Absences	122,966,014	35,163,202	(51,176,781)	106,952,435	51,306,499
Accrued Workers' Compensation	66,159,000	14,471,911	(14,873,911)	65,757,000	11,527,000
Claims and Judgments	92,959,546	29,351,046	(41,350,332)	80,960,260	8,512,871
Accrued Pollution Remediation	443,541	725,571	(443,541)	725,571	725,571
Accrued Other Postemployment Benefits	360,573,131	255,904,659	(134,993,978)	481,483,812	—
Total Other Long-Term Liabilities	643,101,232	335,616,389	(242,838,543)	735,879,078	72,071,941
Total Governmental Activities	\$ 3,015,564,299	\$ 435,616,389	\$ (332,663,664)	\$ 3,118,517,024	\$ 164,064,839

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<b>Balance June 30, 2010</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2011</b>	<b>Amount Due Within One Year</b>
<b>Business-type Activities</b>					
<i>Sewage Disposal Fund:</i>					
Revenue Bonds Payable	\$ 2,367,205,000	\$ —	\$ (36,755,000)	\$ 2,330,450,000	\$ 38,265,000
Capital Appreciation Bonds	90,545,000	—	—	90,545,000	—
Discount on Capital Appreciation Bonds	(28,363,463)	—	3,761,039	(24,602,424)	—
State Revolving Loans	529,739,187	34,821,349	(50,128,657)	514,431,879	34,679,000
Total Revenue Bonds Payable	2,959,125,724	34,821,349	(83,122,618)	2,910,824,455	72,944,000
Add: Unamortized Premiums	124,884,350	—	(7,464,136)	117,420,214	—
Less:					
Deferred Amounts on Refunding	(143,480,329)	—	9,433,962	(134,046,367)	—
Total Revenue Bonds Payable, Net	2,940,529,745	34,821,349	(81,152,792)	2,894,198,302	72,944,000
Pension Obligation					
Certificates Payable	90,787,013	—	(672,089)	90,114,924	1,035,281
Deferred Amounts on Refunding	1,080,919	—	(3,230)	1,077,689	—
Total Pension Obligation Certificates Payable, Net	91,867,932	—	(675,319)	91,192,613	1,035,281
Other Long-Term Liabilities:					
Capital Leases Payable	686,072	—	(655,538)	30,534	30,534
Accrued Compensated Absences	7,559,365	4,484,647	(4,120,387)	7,923,625	4,120,387
Accrued Workers' Compensation	3,710,000	1,218,824	(1,386,824)	3,542,000	667,000
Claims and Judgments	908,466	1,500,000	(908,466)	1,500,000	—
Accrued Pollution Remediation	1,108,035	870,317	(1,005,239)	973,113	973,113
Accrued Other Postemployment Benefits	30,452,039	22,518,969	(9,767,169)	43,203,839	—
Total Other Long-Term Liabilities	44,423,977	30,592,757	(17,843,623)	57,173,111	5,791,034
Total Sewage Disposal Fund	\$ 3,076,821,654	\$ 65,414,106	\$ (99,671,734)	\$ 3,042,564,026	\$ 79,770,315



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
<i>Transportation Fund:</i>					
General Obligation Bonds	\$ 6,271,722	\$ —	\$ —	\$ 6,271,722	\$ —
Pension Obligation					
Certificates Payable	105,928,181	—	(784,268)	105,143,913	1,208,081
Deferred Amounts on Refunding	<u>1,260,215</u>	<u>—</u>	<u>(3,602)</u>	<u>1,256,613</u>	<u>—</u>
Total Pension Obligation Certificates Payable, Net	<u>107,188,396</u>	<u>—</u>	<u>(787,870)</u>	<u>106,400,526</u>	<u>1,208,081</u>
Other Long-Term Liabilities:					
Capital Leases Payable	20,339,988	—	(3,751,531)	16,588,457	3,910,099
Accrued Compensated Absences	5,022,403	3,859,916	(4,139,277)	4,743,042	4,139,276
Accrued Pollution Remediation	325,309	—	(75,309)	250,000	250,000
Accrued Workers' Compensation	5,492,021	515,789	(607,827)	5,399,983	1,227,248
Accrued Other Postemployment Benefits	<u>44,668,317</u>	<u>26,874,426</u>	<u>(11,791,376)</u>	<u>59,751,367</u>	<u>—</u>
Total Other Long-Term Liabilities	<u>75,848,038</u>	<u>31,250,131</u>	<u>(20,365,320)</u>	<u>86,732,849</u>	<u>9,526,623</u>
Total Transportation Fund	<u>\$ 189,308,156</u>	<u>\$ 31,250,131</u>	<u>\$ (21,153,190)</u>	<u>\$ 199,405,097</u>	<u>\$ 10,734,704</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
<i>Water Fund:</i>					
Revenue Bonds Payable	\$ 2,230,610,000	\$ —	(35,115,000)	\$ 2,195,495,000	\$ 43,415,000
State Revolving Loans	<u>22,087,520</u>	<u>3,136,725</u>	<u>(1,645,000)</u>	<u>23,579,245</u>	<u>1,675,000</u>
Total Revenue Bonds Payable	2,252,697,520	3,136,725	(36,760,000)	2,219,074,245	45,090,000
Add: Unamortized Premiums	60,110,321	—	(2,993,866)	57,116,455	—
Less:					
Unamortized Discounts	(4,013,085)	—	212,489	(3,800,596)	—
Deferred Amounts on Refunding	<u>(118,655,137)</u>	<u>—</u>	<u>6,096,695</u>	<u>(112,558,442)</u>	<u>—</u>
Total Revenue Bonds Payable, Net	<u>2,190,139,619</u>	<u>3,136,725</u>	<u>(33,444,682)</u>	<u>2,159,831,662</u>	<u>45,090,000</u>
Pension Obligation Certificates Payable	80,111,006	—	(593,104)	79,517,902	913,613
Deferred Amounts on Refunding	<u>959,222</u>	<u>—</u>	<u>(2,867)</u>	<u>956,355</u>	<u>—</u>
Total Pension Obligation Certificates Payable, Net	<u>81,070,228</u>	<u>—</u>	<u>(595,971)</u>	<u>80,474,257</u>	<u>913,613</u>
Other Long-Term Liabilities:					
Capital Leases Payable	686,072	—	(655,538)	30,534	30,534
Accrued Compensated Absences	11,138,496	6,170,346	(6,427,622)	10,881,220	6,427,622
Accrued Workers' Compensation	10,953,000	4,576,180	(5,192,180)	10,337,000	1,868,000
Claims and Judgments	4,549,000	5,205,500	(5,980,500)	3,774,000	3,531,000
Accrued Pollution Remediation	80,000	8,700	(88,700)	—	—
Accrued Other Postemployment Benefits	<u>27,944,436</u>	<u>22,014,706</u>	<u>(9,380,216)</u>	<u>40,578,926</u>	<u>—</u>
Total Other Long-Term Liabilities	<u>55,351,004</u>	<u>37,975,432</u>	<u>(27,724,756)</u>	<u>65,601,680</u>	<u>11,857,156</u>
Total Water Fund	<u>\$ 2,326,560,851</u>	<u>\$ 41,112,157</u>	<u>\$ (61,765,409)</u>	<u>\$ 2,305,907,599</u>	<u>\$ 57,860,769</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2011</u>	<u>Amount Due Within One Year</u>
<b>Business-type Activities</b>					
<i>Automobile Parking Fund:</i>					
Revenue Bonds Payable	\$ 39,105,000	\$ —	\$ (27,530,000)	\$ 11,575,000	\$ 1,110,000
Less:					
Unamortized Discounts	(1,123,236)	—	889,618	(233,618)	—
Deferred Amounts on Refunding	2,949,368	—	(2,949,368)	—	—
Total Revenue Bonds Payable, Net	<u>40,931,132</u>	<u>—</u>	<u>(29,589,750)</u>	<u>11,341,382</u>	<u>1,110,000</u>
Other Long-Term Liabilities:					
Advances from other funds	9,425,006	—	(200,000)	9,225,006	—
Accrued Compensated Absences	218,208	258,948	(244,830)	232,326	232,326
Accrued Workers' Compensation	699,000	62,572	(76,572)	685,000	122,000
Claims and Judgments	15,000	83,497	(15,000)	83,497	—
Accrued Other Postemployment Benefits	881,257	722,813	(235,899)	1,368,171	—
Total Other Long-Term Liabilities	<u>11,238,471</u>	<u>1,127,830</u>	<u>(772,301)</u>	<u>11,594,000</u>	<u>354,326</u>
Total Automobile Parking Fund	<u>\$ 52,169,603</u>	<u>\$ 1,127,830</u>	<u>\$ (30,362,051)</u>	<u>\$ 22,935,382</u>	<u>\$ 1,464,326</u>
<i>Other Proprietary Fund:</i>					
Accrued Compensated Absences	\$ 104,914	\$ —	\$ (41,727)	\$ 63,187	\$ 32,815
Accrued Workers' Compensation	103,000	12,492	(18,492)	97,000	17,000
Claims and Judgments	1,968,600	—	(1,966,600)	2,000	—
Accrued Other Postemployment Benefits	175,909	161,676	(165,413)	172,172	—
Total Other Proprietary Fund	<u>\$ 2,352,423</u>	<u>\$ 174,168</u>	<u>\$ (2,192,232)</u>	<u>\$ 334,359</u>	<u>\$ 49,815</u>

**(b) General Obligation Bonds**

*Governmental Activities*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the General Fund and the Debt Service (other governmental) Fund. The debt for business-type activities (i.e., Transportation Fund) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies.

On December 16, 2010, the City issued \$100.0 million in unlimited tax general obligation bonds, Series 2010E, for the renovation of the former MGM Casino complex to serve as the new public safety headquarters and various other capital projects for the Detroit Institute of Arts (DIA), Detroit Transit Corporation (People Mover), Historical Museum, Public Lighting Department, Recreation Department, and Detroit Zoo. Projects planned include DIA building renovations and parking improvements, DTC vehicle overhauls, renovation of Fire Department facilities, Health Department facility improvements, and Recreation facilities improvements. The bonds begin to mature November 1, 2014 and will fully mature in the year 2035.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

*Schedule of General Obligation Bonds*

The following is a schedule of general obligation bonds outstanding at June 30, 2011:

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>	
<b>Governmental Activities</b>						
General Obligation Bonds -						
Unlimited Tax:						
Series 1999-A	4-1-99	\$ 28,020,000	5.00 to 5.25%	4/1/11-19	\$ 23,480,000	b
Series 2001-A(1)	7-15-01	83,200,000	5.0 to 5.375	4/1/12-21	83,200,000	b
Series 2001-B	7-15-01	23,235,000	5.375	4/1/12-14	23,235,000	b
Series 2002	8-2-02	29,205,000	4.00 to 5.13	4/1/12-22	8,675,000	
Series 2003-A	10-21-03	9,640,000	3.70 to 5.00	4/1/11-13	5,035,000	
Series 2003-A	10-21-03	34,380,000	4.00 to 5.25	4/1/14-23	34,380,000	b
Series 2004-A(1)	9-9-04	39,270,000	4.25 to 5.25	4/1/19-24	39,270,000	b
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	23,720,000	3.75 to 5.00	4/1/12-14	23,720,000	
Series 2004-B(1)	9-9-04	29,365,000	4.0 to 5.25	4/1/15-18	29,365,000	b
Series 2004-B(2)	9-9-04	17,270,000	4.16 to 5.24	4/1/11-18	1,000,000	
Series 2005-B	12-1-05	13,840,000	4.00 to 5.00	4/1/11-16	10,935,000	
Series 2005-B	12-1-05	37,920,000	4.30 to 5.00	4/1/17-25	37,920,000	b
Series 2005-C	12-1-05	20,010,000	4.00 to 5.00	4/1/11-16	14,625,000	a
Series 2005-C	12-1-05	10,795,000	4.30 to 5.25	4/1/17-20	10,795,000	b
Series 2008-A	6-9-08	15,120,000	5.00	4/1/14-18	15,120,000	
Series 2008-A	6-9-08	43,510,000	4.00 to 5.00	4/1/19-28	43,510,000	b
Series 2008-B(1)	6-9-08	66,475,000	5.00	4/1/11-18	46,765,000	
Series 2010-E	12-16-10	100,000,000	5.129 to 8.369	11/1/14-35	<u>100,000,000</u>	
Total General Obligation Bonds - Unlimited Tax					<u>\$ 553,085,000</u>	

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities (continued)</b>					
General Obligation Bonds - Limited Tax:					
Self-Insurance Bonds:					
Series 2003	10-2-03	\$ 98,895,000	4.32 to 4.97%	5/1/11-13	\$ 34,725,000
Series 2004	9-9-04	62,285,000	4.16 to 4.85	4/1/11-14	37,265,000
General Obligation:					
Series 1997	5-1-97	5,555,000	6.25	7/15/11	825,000
Series 2005-A(1)	6-24-05	21,325,000	4.27 to 4.53	4/1/11-15	14,820,000
Series 2005-A(1)	6-24-05	52,175,000	4.61 to 5.15	4/1/16-25	52,175,000 b
Series 2005-A(2)	6-24-05	4,055,000	3.50 to 4.50	4/1/11-15	2,805,000
Series 2005-A(2)	6-24-05	9,475,000	4.00 to 5.00	4/1/16-25	9,475,000 b
Series 2005-B	6-24-05	4,845,000	3.50 to 5.00	4/1/11-15	2,885,000
Series 2005-B	6-24-05	6,940,000	5.00	4/1/16-21	6,940,000 b
Series 2008-A(1)	6-9-08	43,443,278	5.00	4/1/13-16	43,443,278
Series 2008-A(2)	6-9-08	25,000,000	8.00	4/1/2014	25,000,000
Distributable State Aid 2010	3-18-10	249,790,000	4.25 to 5.25	11/1/14-35	<u>249,790,000</u>
Total General Obligation Bonds - Limited Tax					<u>480,148,278</u>
Total General Obligation Bonds					<u>\$ 1,033,233,278</u>
<b>Business-type Activities</b>					
<i>Transportation Fund:</i>					
General Obligation Bonds - Limited Tax:					
Series 2008-A(1)	6-9-08	6,271,722	5.00%	4/1/13-16	<u>\$ 6,271,722</u>

a - Indicates interest rates are reset periodically at the stated market interest rates.

b - Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

**(c) Revenue Bonds**

*Sewage Disposal Fund*

The Fund has pledged substantially all revenues of the Sewage Disposal Fund, net of operating expenses, to repay the above sewer revenue bonds and state revolving loans. Proceeds from the bonds provided financing for the construction and maintenance of the sewage disposal system. The bonds are payable solely from the net revenues of the sewer system. The remaining principal and interest at June 30, 2011 to be paid on the bonds is \$5,249,939,500. During the current year, net revenues of the system were \$179,908,332 compared to the amount pledged for annual debt requirements of \$210,851,414. In addition, the Fund has approximately \$123 million in bond and interest reserves on hand at June 30, 2011.

The City received loans from the State of Michigan Revolving Fund Loan Program totaling \$34,821,349 during the year ended June 30, 2011. The proceeds of the loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the sewage disposal system. At June 30, 2011, \$46,022,421 in loans was authorized and unissued.

*Water Fund*

The Fund has pledged substantially all revenues of the water fund, net of operating expenses, to repay the water revenue bonds and state revolving loans. Proceeds from the bonds provided financing for the construction and maintenance of the water supply system. The bonds are payable solely from the net revenues of the water system. The remaining principal and interest at June 30, 2011 to be paid on the bonds is \$4,043,578,144. During the current year, net revenues of the system were \$169,121,782 compared to the amount pledged for annual debt requirements of \$157,701,794. In addition, the Fund has approximately \$103 million in bond and interest reserves on hand at June 30, 2011.

The City received loans from the State of Michigan Revolving Fund Loan Program totaling \$3,136,725 during the year ended June 30, 2011. The proceeds of the loans were used to pay costs of acquiring, contracting extensions, and making certain repairs and improvements to the water supply system. At June 30, 2011, \$9,050,755 in loans was authorized and unissued.

*Automobile Parking Fund*

The Fund has pledged substantially all revenues of the parking fund from its System of Parking Facilities (the System), net of operating expenses, to repay the fund's revenue bonds. Proceeds from the bonds provided financing for the construction and maintenance of the various facilities operated by the Fund. The sole source for repayment of the bonds is the net revenues of the System. The remaining principal and interest at June 30, 2011 to be paid on the bonds is \$14,326,414. During the current year, net revenues of the system were \$1,199,493 compared to the amount pledged for annual debt requirements of \$2,925,759. In addition, the Fund has approximately \$1.7 million in bond and interest reserves on hand at June 30, 2011.

On September 15, 2009, the City transferred control of, via a long-term lease, the Cobo Center to the Authority, eliminating the City's funding of the Cobo Center operations. In May 2011, the City reached a settlement related to the final disposition of related project funds (see Note I (k) for further discussion). Also, during 2011, in accordance with the lease agreement, the Authority paid a \$20 million cash payment to the City. The City utilized the cash payment, along with other funds on hand, to: (1) defease \$670,000 of outstanding Parking System Series 1998-A Bonds, (2) entirely defease \$25,200,000 of outstanding Parking System Series 1999-A Bonds, and (3) terminate the Building Authority Series 1999-A interest rate swap for a payment of \$12,468,000. The City recorded the cash payment in the Automobile Parking Fund as deferred revenue and is amortizing this amount over the remaining lease term. Related amortization expense recognized in 2011 amounted to \$399,543 and the balance of the related deferred revenue at June 30, 2011 is \$19,600,457. The lease agreement also specifies that if the leased assets are no longer used by the Authority for the purpose of maintaining or operating a convention facility or if the Authority abandons the assets, the City has the right to repossess the leased assets but must pay \$20 million to the Authority.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

*Schedule of Revenue Bonds*

The following is a schedule of revenue bonds (including capital appreciation bonds and state revolving loans) outstanding at June 30, 2011:

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities</b>					
<b><i>Sewage Disposal Fund:</i></b>					
Sewage Disposal System Revenue Bonds:					
Series 1998-A	12-14-06	\$ 18,540,000	3.50 to 5.50 %	7/1/11-17	\$ 16,555,000
Series 1998-A	12-14-06	49,075,000	5.25	7/1/18-23	49,075,000 b
Series 1998-B	12-14-06	18,750,000	3.50 to 5.50	7/1/11-17	16,840,000
Series 1998-B	12-14-06	48,770,000	5.25	7/1/18-23	48,770,000 b
Series 1999-A (* *)	12-1-99	33,510,118	0.00	7/1/12-21	65,942,576
Series 2001-B	9-15-01	110,550,000	5.50	7/1/23-29	110,550,000
Series 2001-C (2)	5-8-08	3,275,000	3.50 to 4.00	7/1/11-18	2,575,000
Series 2001-C (2)	5-8-08	119,630,000	4.00 to 5.25	7/1/19-29	119,630,000 b
Series 2001-D	9-23-01	92,450,000	Variable (a)	7/1/32	72,450,000 b
Series 2001-E	5-8-08	136,150,000	5.75	7/1/24-31	136,150,000
Series 2003-A	5-22-03	158,000,000	3.20 to 5.00	7/1/11-13	53,570,000
Series 2003-A	5-22-03	441,380,000	3.50 to 5.50	7/1/14-32	221,155,000 b
Series 2004-A	1-09-04	101,435,000	5.00 to 5.25	7/1/11-24	80,695,000
Series 2005-A	3-17-05	3,765,000	3.25 to 3.70	7/1/11-15	3,075,000
Series 2005-A	3-17-05	269,590,000	3.75 to 5.125	7/1/16-34	236,770,000 b
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	5.00	7/1/11-15	19,505,000
Series 2005-C	3-17-05	41,095,000	5.00	7/1/16-25	41,095,000 b
Series 2006-A	5-8-08	123,655,000	5.50	7/1/34-36	123,655,000
Series 2006-B	8-10-06	11,850,000	4.00 to 5.00	7/1/11-16	9,330,000
Series 2006-B	8-10-06	238,150,000	4.25 to 5.00	7/1/17-36	238,150,000 b
Series 2006-C	8-10-06	8,495,000	5.25	7/1/16	8,495,000
Series 2006-C	8-10-06	18,065,000	5.00	7/1/17-18	18,065,000 b
Series 2006-D	12-14-06	370,000,000	Variable (a)	7/1/11-32	360,140,000 b
Bonds remarketed in 2009:					
Series 2001-C (1)	6-5-09	6,360,000	5.25	7/1/11-19	5,430,000
Series 2001-C (1)	6-5-09	148,510,000	6.50 to 7.00	7/1/20-27	148,510,000 b
Series 2003-B	6-5-09	150,000,000	7.50	7/1/32-33	150,000,000 b
Total Sewage Disposal System Revenue Bonds					<u>\$ 2,396,392,576</u>

\* \* - Capital Appreciation Bonds

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities (continued)</b>					
<i>Sewage Disposal Fund (continued):</i>					
State Revolving Loans:					
Series 1992-A-SRF	6-25-92	\$ 4,360,000	2.00%	4/1/11-13	\$ 515,000
Series 1992-B-SRF	9-10-92	1,915,000	2.00	10/1/11-13	340,000
Series 1993-B-SRF	9-30-93	6,603,996	2.00	10/1/11-14	1,520,000
Series 1997-B-SRF	9-30-97	5,430,174	2.25	10/1/11-18	2,440,000
Series 1999-SRF-1	6-24-99	21,475,000	2.50	4/1/11-20	10,985,000
Series 1999-SRF-2	9-30-99	46,000,000	2.50	10/1/11-22	30,300,000
Series 1999-SRF-3	9-30-99	31,030,000	2.50	10/1/11-20	17,445,000
Series 1999-SRF-4	9-30-99	40,655,000	2.50	10/1/11-20	22,850,000
Series 2000-SRF-1	3-30-00	53,475,000	2.50	10/1/11-22	25,947,995
Series 2000-SRF-2	9-28-00	64,401,066	2.50	10/1/11-22	42,256,066
Series 2001-SRF-1	6-28-01	82,200,000	2.50	10/1/11-24	61,690,000
Series 2001-SRF-2	12-20-01	59,850,000	2.50	10/1/11-24	44,925,000
Series 2002-SRF-1	6-27-02	18,985,000	2.50	4/1/11-23	12,495,000
Series 2002-SRF-2	6-27-02	1,545,369	2.50	4/1/11-23	1,005,369
Series 2002-SRF-3	12-19-02	31,549,466	2.50	10/1/11-24	21,889,466
Series 2003-SRF-1	6-28-03	48,520,000	2.50	10/1/11-25	38,560,000
Series 2003-SRF-2	9-25-03	25,055,370	2.50	4/1/11-25	18,680,370
Series 2004-SRF-1	6-24-04	2,910,000	2.125	10/1/11-24	2,160,000
Series 2004-SRF-2	6-24-04	18,353,459	2.125	4/1/11-25	13,588,459
Series 2004-SRF-3	6-24-04	12,722,575	2.125	4/1/11-25	9,417,575
Series 2007-SRF-1	9-20-07	115,011,882	1.625	10/1/11-29	131,002,736
Series 2009-SRF-1	4-17-09	14,518,609	2.50	4/1/11-30	2,673,609
Series 2010-SRF-1	1-22-10	5,011,234	2.50	4/1/12-31	1,745,234
Total State Revolving Loans Payable					\$ <u>514,431,879</u>



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities (continued)</b>					
<i>Water Fund:</i>					
Water Supply System Revenue Bonds:					
Series 1993	10-15-93	\$ 38,225,000	6.50%	7/1/14-15	\$ 24,725,000
Series 1995-A	10-15-95	102,100,000	5.40-5.55	7/1/11-12	7,150,000
Series 1995-B	10-15-95	60,485,000	5.40-5.55	7/1/11-12	16,535,000
Series 1997-A	8-1-97	29,080,000	5.75 to 6.00	7/1/11-15	20,215,000
Series 1997-A	8-1-97	186,220,000	5.00	7/1/11-27	74,575,000 b
Series 2001-A	5-1-01	1,320,000	4.50	7/1/11	1,320,000
Series 2001-A	5-1-01	301,165,000	5.00	7/1/29-30	73,790,000 b
Series 2001-C	5-08-08	4,055,000	3.00 to 4.25	7/1/11-18	3,080,000
Series 2001-C	5-08-08	186,350,000	4.50 to 5.75	7/1/19-29	186,350,000 b
Series 2003-A	1-28-03	234,805,000	4.50 to 5.00	7/1/19-34	181,835,000 b
Series 2003-B	1-28-03	131,175,000	Variable (a)	7/1/11-14	9,980,000
Series 2003-B	1-28-03	41,770,000	5.00	7/1/34	41,770,000 b
Series 2003-C	1-28-03	16,695,000	3.60	7/1/11	180,000
Series 2003-C	1-28-03	4,335,000	Variable (a)	7/1/13-14	4,335,000
Series 2003-C	1-28-03	25,325,000	4.25 to 5.25	7/1/15-22	25,325,000 b
Series 2003-D	8-14-06	3,180,000	4.00 to 4.20	7/1/11-16	1,915,000
Series 2003-D	8-14-06	139,575,000	4.25 to 5.00	7/1/17-33	139,575,000 b
Series 2004-A	8-14-06	17,600,000	3.75 to 5.25	7/1/12-16	17,580,000
Series 2004-A	8-14-06	55,165,000	4.50 to 5.25	7/1/17-25	55,165,000 b
Series 2004-B	8-14-06	52,840,000	4.00 to 5.00	7/1/11-16	41,070,000
Series 2004-B	8-14-06	100,990,000	4.25 to 5.00	7/1/17-23	100,990,000 b
Series 2005-A	3-11-05	20,965,000	3.25 to 5.00	7/1/11-15	10,900,000
Series 2005-A	3-11-05	84,035,000	3.90 to 5.00	7/1/16-35	84,035,000 b
Series 2005-B	5-08-08	19,070,000	4.00 to 5.50	7/1/11-18	17,320,000
Series 2005-B	5-08-08	175,830,000	4.75 to 5.50	7/1/19-35	175,830,000 b
Series 2005-C	3-11-05	36,405,000	5.00	7/1/11-15	25,260,000
Series 2005-C	3-11-05	90,200,000	5.00	7/1/16-22	90,200,000 b
Series 2006-A	8-14-06	42,795,000	5.00	7/1/11-16	42,795,000
Series 2006-A	8-14-06	237,205,000	5.00	7/1/17-34	237,205,000 b
Series 2006-C	8-14-06	12,585,000	4.00 to 5.00	7/1/11-16	10,785,000
Series 2006-C	8-14-06	208,060,000	5.00	7/1/19-33	208,060,000 b
Series 2006-D	8-14-06	4,430,000	4.00 to 5.00	7/1/11-16	3,485,000
Series 2006-D	8-14-06	142,160,000	4.25 to 5.00	7/1/17-32	142,160,000 b
Bonds remarketed in 2009:					
Series 2006-B	4-1-09	900,000	2.60 to 5.00	7/1/11-19	900,000
Series 2006-B	4-1-09	119,100,000	5.50 to 7.00	7/1/20-36	119,100,000 b
Total Water Supply System Revenue Bonds					<u>\$ 2,195,495,000</u>
State Revolving Loans:					
Series 2005 SRF-1	9-22-05	\$ 13,673,159	2.125%	10/1/11-26	\$ 11,118,159
Series 2005 SRF-2	9-22-05	8,014,219	2.125	10/1/11-26	6,214,219
Series 2006 SRF-1	9-21-06	5,180,926	2.125	10/1/11-26	4,170,926
Series 2008 SRF-1	9-29-08	2,590,941	2.500	10/1/11-26	2,075,941
Total State Revolving Loans Payable					<u>\$ 23,579,245</u>

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Business-type Activities (continued)</b>					
<b>Automobile Parking Fund:</b>					
Detroit Building Authority Bonds - Revenue Refunding Bonds:					
Parking System-Series 1998A	7-1-98	\$ 17,445,000	4.70 to 5.125%	7/1/10-19	\$ <u>11,575,000</u> b
Total Automobile Parking Fund Revenue Bonds					\$ <u><u>11,575,000</u></u>

b - Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

**(d) Pension Obligation Certificates (POCs)**

The Detroit Retirement Systems Funding Trust issued POCs for the purpose of 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 and Fire Retirement System (PFRS). The GRS includes employees and retirees of certain governmental funds, proprietary funds (Sewage Disposal Fund, Transportation Fund, and Water Fund), and the Detroit Public Library, a discretely presented component unit.

A 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 PFRSSC to facilitate the transaction.

The following is a schedule of the Pension Obligation Certificates outstanding at June 30, 2011:

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Pension Obligation Certificates</b>					
Series 2005 - A	6-2-05	\$ 640,000,000	4.00 to 4.95%	6/15/07-25	\$ 520,240,000
Series 2006 - A, B	6-12-05	948,540,000	Variable (a)	6/15/19-35	<u>948,540,000</u>
Total Pension Obligation Certificates					\$ <u><u>1,468,780,000</u></u>

a - Interest rates are set periodically at the stated current market interest rate.

The POCs were allocated to the governmental activities and the Transportation, Sewage Disposal, and Water Funds based on those funds portion of the overall UAAL liquidated by the use of the POCs net proceeds. Since the Detroit Public Library is a discretely presented component unit, its prorated portion of the POCs liability assumed was included in the balance of the POCs obligation recorded in the governmental activities. The City has an advance to the Library for \$24,295,379 outstanding at June 30, 2011.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(e) Notes and Loans Payable**

The City issues installment notes and loans to provide funds for various public improvement projects.

The following is a schedule of notes payable at June 30, 2011:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities</b>				
<i>Non-Major Funds:</i>				
(All notes are secured by future Block Grant revenues)				
Ferry Street Project	06/12/08	2.62 to 4.62 %	08/01/10-18	\$ 2,195,000
Garfield Project	06/12/08	2.62 to 4.62	08/01/10-15	1,200,000
Stuberstone Project	06/12/08	2.62 to 4.62	08/01/10-16	180,000
Vernor Lawndale Project	09/14/06	5.05 to 5.74	08/01/13-25	1,800,000
New Amsterdam Project	08/01/02	4.67 to 6.12	08/01/10-22	8,815,000
Mexicantown Welcome Center Project	09/14/06	5.03 to 5.70	08/01/12-24	7,789,000
Book Cadillac Project	09/14/06	5.07 to 5.77	08/01/14-26	7,300,000
Book Cadillac Project Note I	06/12/08	4.00 to 5.38	08/01/13-27	10,700,000
Garfield II Note 1	09/14/06	3.44 to 5.30	08/01/11-25	6,522,000
Garfield II Note 2	09/14/06	5.07 to 5.77	08/01/16-26	2,058,000
Garfield II Note 3	09/16/09	LIBOR + 0.2	08/01/12-29	1,723,000
Garfield II Note 4	09/16/09	LIBOR + 0.2	08/01/17-29	6,697,000
Fort Shelby Project	06/12/08	3.82 to 5.34	08/01/12-26	18,700,000
Woodward Garden Project 1	06/12/08	4.48 to 5.05	08/01/16-21	7,050,000
Woodward Garden Project 2	12/09/08	LIBOR + 0.2	08/01/16-28	6,197,000
Total Notes Payable				\$ <u><u>88,926,000</u></u>

The following is a schedule of loans payable at June 30, 2011:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities</b>				
Downtown Development Authority	1991 - 1997	—	—	\$ 33,600,000
Loan Payable GE Capital Schedule - 013	4/9/04	4.07%	7/1/08 - 6/1/14	365,072
Loan Payable GE Capital Schedule - 030	4/30/08	4.57	8/1/09 - 8/1/12	702,170
Loan Payable Minority Alliance Schedule - 001	5/30/08	3.93	8/30/09 - 5/30/13	1,927,380
Total Loans Payable				\$ <u><u>36,594,622</u></u>

The City entered into a \$33.6 million loan payable with the Downtown Development Authority, listed in the preceding table, a discretely presented component unit. The loan was used to cover costs 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.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(f) Capital Leases**

*Transportation Fund*

During the year ended June 30, 2005, the Transportation Fund entered into a capital lease agreement with GE Capital Public Finance, Inc. to lease 121 buses. The cost of the 121 buses under the capital lease was \$37,294,362. The annual interest rate of the lease is 4.12 percent for 38 buses and 4.22 percent for 83 buses. The capital lease was recorded at the present value of the future minimum lease payments as of the date of its inception. Amortization expense recorded during fiscal year 2011 was \$3,751,531. Net book value of the buses leased was approximately \$16.6 million as of June 30, 2011.

The present value of future minimum capital lease payments, interest, and the minimum annual lease payments at June 30, 2011 is as follows:

	<b>Present Value of Minimum Lease Payments</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2012	\$ 3,910,099	\$ 653,500	\$ 4,563,599
2013	4,075,369	488,209	4,563,578
2014	4,247,626	315,953	4,563,579
2015	4,355,363	137,146	4,492,509
Total	\$ 16,588,457	\$ 1,594,808	\$ 18,183,265

**(g) Debt Service Requirements**

As of June 30, 2011, debt service requirements of the City's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note VIII for information on derivative instruments.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	<u>General Obligation Debt</u>		<u>Revenue Bonds and Other Indebtedness</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivatives, Net</u>
<b>Governmental Activities:</b>					
2012	\$ 76,105,000	\$ 55,491,508	\$ 2,169,873	\$ 4,156,664	\$ —
2013	82,711,310	51,814,897	7,067,084	3,950,579	—
2014	81,625,000	47,726,064	3,252,665	3,705,340	—
2015	68,364,422	42,715,564	3,384,000	3,561,338	—
2016	66,867,546	39,273,987	3,653,000	3,404,208	—
2017-2021	261,940,000	153,195,963	29,807,000	13,202,710	—
2022-2026	171,520,000	91,216,245	28,558,000	5,853,262	—
2027-2031	101,035,000	53,595,012	14,029,000	507,213	—
2032-2036	123,065,000	20,301,357	33,600,000	—	—
Total	<u>\$ 1,033,233,278</u>	<u>\$ 555,330,597</u>	<u>\$ 125,520,622</u>	<u>\$ 38,341,314</u>	<u>\$ —</u>
<b>Business-type Activities:</b>					
<i>Sewage Disposal Fund</i>					
2012	\$ —	\$ —	\$ 72,944,000	\$ 121,983,408	\$ 15,924,006
2013	—	—	76,575,000	119,384,520	15,660,828
2014	—	—	79,060,000	117,110,008	15,396,817
2015	—	—	81,413,609	113,873,157	15,374,318
2016	—	—	83,255,000	111,953,458	15,350,817
2017-2021	—	—	459,281,234	515,356,487	76,367,929
2022-2026	—	—	520,170,300	428,518,343	73,874,298
2027-2031	—	—	634,442,736	314,977,916	53,121,941
2032-2036	—	—	751,330,000	170,625,264	10,270,106
2037-2041	—	—	176,955,000	9,389,000	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,935,426,879</u>	<u>\$ 2,023,171,561</u>	<u>\$ 291,341,060</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

	General Obligation Debt		Revenue Bonds and Other Indebtedness		
	Principal	Interest	Principal	Interest	Hedging Derivatives, Net
<b>Business-type Activities (Continued)</b>					
<i>Transportation Fund</i>					
2012	\$ —	\$ 313,586	\$ —	\$ —	\$ —
2013	813,690	313,586	—	—	—
2014	—	272,902	—	—	—
2015	2,660,578	272,902	—	—	—
2016	2,797,454	139,873	—	—	—
Total	\$ 6,271,722	\$ 1,312,849	\$ —	\$ —	\$ —
<i>Water Fund</i>					
2012	\$ —	\$ —	\$ 45,090,000	\$ 113,677,934	\$ (496,082)
2013	—	—	47,310,000	111,420,123	(397,730)
2014	—	—	49,620,000	109,094,696	(317,466)
2015	—	—	51,990,000	106,738,550	(154,121)
2016	—	—	54,720,000	104,062,475	—
2017-2021	—	—	316,875,941	476,095,631	—
2022-2026	—	—	402,273,304	387,388,641	—
2027-2031	—	—	508,460,000	274,394,502	—
2032-2036	—	—	625,235,000	135,232,996	—
2037-2041	—	—	117,500,000	7,763,750	—
Total	\$ —	\$ —	\$ 2,219,074,245	\$ 1,825,869,298	\$ (1,365,399)
<i>Automobile Parking Fund</i>					
2012	\$ —	\$ —	\$ 1,110,000	\$ 560,545	\$ —
2013	—	—	1,165,000	504,225	—
2014	—	—	1,220,000	444,600	—
2015	—	—	1,285,000	381,172	—
2016	—	—	1,350,000	313,650	—
2017-2020	—	—	5,445,000	547,222	—
Total	\$ —	\$ —	\$ 11,575,000	\$ 2,751,414	\$ —

The future principal payments for Sewage Disposal Fund revenue bonds exceed the bonds payable balance by \$24,602,424 at June 30, 2011 because the future principal payments on capital appreciation bonds are greater than the carrying value of those bonds. The balance of the capital appreciation bonds will increase each year, until maturity, through accretion.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The annual debt service requirements to maturity for pension obligation certificates at June 30, 2011 are as follows:

	<b>Pension Obligation Certificates</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Hedging Derivatives, Net</b>
<b>Governmental Activities:</b>			
2012	\$ 13,718,025	\$ 31,385,014	\$ 37,475,897
2013	18,782,517	30,774,150	37,475,897
2014	24,099,013	29,928,373	37,475,897
2015	27,049,913	28,828,735	37,475,897
2016	30,037,394	27,580,923	37,475,897
2017-2021	187,414,641	115,053,943	185,294,202
2022-2026	240,058,529	73,687,299	172,796,464
2027-2031	318,531,321	48,337,804	118,762,812
2032-2035	334,311,907	29,584,990	23,466,131
Total	\$ 1,194,003,260	\$ 415,161,231	\$ 687,699,094
<b>Business-type Activities:</b>			
<i>Sewage Disposal Fund</i>			
2012	\$ 1,035,281	\$ 2,368,586	\$ 2,828,257
2013	1,417,492	2,322,485	2,828,257
2014	1,818,721	2,258,655	2,828,257
2015	2,041,421	2,175,667	2,828,257
2016	2,266,883	2,081,496	2,828,257
2017-2021	14,143,936	8,682,969	13,983,910
2022-2026	18,116,900	5,561,082	13,040,721
2027-2031	24,039,139	3,647,991	8,962,872
2032-2035	25,235,151	2,232,739	1,770,955
Total	\$ 90,114,924	\$ 31,331,670	\$ 51,899,743
<i>Transportation Fund</i>			
2012	\$ 1,208,081	\$ 2,763,929	\$ 3,300,324
2013	1,654,087	2,710,133	3,300,324
2014	2,122,286	2,635,650	3,300,324
2015	2,382,157	2,538,810	3,300,324
2016	2,645,251	2,428,921	3,300,324
2017-2021	16,504,716	10,132,254	16,317,979
2022-2026	21,140,814	6,489,290	15,217,365
2027-2031	28,051,540	4,256,881	10,458,877
2032-2035	29,434,981	2,605,408	2,066,549
Total	\$ 105,143,913	\$ 36,561,276	\$ 60,562,390

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

<b>Business-type Activities (Continued)</b>	<b>Pension Obligation Certificates</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Hedging Derivatives, Net</b>
<i>Water Fund</i>			
2012	\$ 913,613	\$ 2,090,224	\$ 2,495,873
2013	1,250,905	2,049,541	2,495,873
2014	1,604,980	1,993,212	2,495,873
2015	1,801,509	1,919,977	2,495,873
2016	2,000,473	1,836,873	2,495,873
2017-2021	12,481,707	7,662,526	12,340,486
2022-2026	15,987,758	4,907,532	11,508,144
2027-2031	21,214,001	3,219,269	7,909,533
2032-2035	22,262,956	1,970,343	1,562,832
Total	\$ 79,517,902	\$ 27,649,497	\$ 45,800,360

**(h) Debt Limit**

The MI 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 MI, 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 percent of the assessed value of all the real and personal property in the City or (b) 15 percent 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 percent is, or has been, used solely for the construction or renovation of hospital facilities.

**(i) Refundings**

The City defeased certain bonds in the prior years 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, 2011 was as follows:

	<b>Revenue Bonds</b>
Sewage Disposal Fund	\$ 329,420,000
Water Fund	496,925,000
Total	\$ 826,345,000



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(j) Bonds Authorized and Unissued**

The following is the schedule of bonds authorized and unissued at June 30, 2011:

	<u>Authority</u>	<u>Date</u>	<u>Authorized Amount</u>	<u>Unissued Amount</u>
General Obligation Bonds (Tax Supported):				
Sewer Construction	Electorate	8/2/1960	\$ 50,000,000	\$ 24,000,000
Public Safety	Electorate	11/2/2004	120,000,000	22,644,000
Municipal Facilities	Electorate	11/7/2000	18,000,000	120,000
Neighborhood/Economic Development	Electorate	11/2/2004	19,000,000	17,295,000
Public Lighting	Electorate	11/2/2004	22,000,000	7,339,000
Recreation, Zoo, Cultural	Electorate	11/7/2000	56,000,000	497,000
Museum of African American History	Electorate	11/2/2004	22,000,000	570,000
Historical Museum of African American History	Electorate	11/6/2001	20,000,000	17,200,000
Transportation	Electorate	4/29/2003	6,000,000	500,000
Public Lighting	Electorate	11/2/2004	32,000,000	17,219,000
Neighborhood/Economic	Electorate	2/24/2009	22,000,000	22,000,000
Museums, Libraries, Recreation, and Other	Electorate	2/24/2009	25,000,000	25,000,000
Transportation	Electorate	2/24/2009	97,000,000	89,069,000
Public Safety	Electorate	2/24/2009	12,000,000	12,000,000
	Electorate	2/24/2009	72,000,000	<u>61,447,000</u>
Total Bonds				
Authorized -				
Unissued				<u>\$ 316,900,000</u>

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.

Additionally, the City has State Revolving Loans in the Sewage Disposal and Water Funds which have been authorized but not issued. These amounted to \$46,022,421 and \$9,050,755 for the Sewage Disposal Fund and Water Fund, respectively, at June 30, 2011.

**(k) Debt Ratings**

In September 2010, S&P upgraded the City's Distributable State Aid bonds rating from "AA-" to "AA." Concurrently, Moody's gave the bonds a rating of "Aa3." In June 2011, Fitch's Rating Service downgraded Detroit's Unlimited Tax General Obligation Bonds rating from "BB+" to "BB-."

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**NOTE VIII. DERIVATIVES**

The table below summarizes derivative instrument activity during the reporting period and balances at the end of the year (debit/(credit)):

	Changes in Fair Value		Fair Value at June 30, 2011		Notional Amount
	Classification	Amount	Classification	Amount	
<b>Governmental Activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflows	\$ 35,643,080	Long-term liabilities	\$ (191,356,428)	\$ 650,336,000
<b>Business-type Activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps					
Negative fair values	Deferred outflows	29,157,984	Long-term liabilities	(106,069,354)	582,254,000
Positive fair values	Deferred outflows	512,539	Long-term assets	170,402	14,315,000
Investment derivatives:					
Pay-fixed interest rate swaps					
Negative fair values	Interest and investment earnings	25,849,597	Long-term liabilities	(312,101,323)	1,831,745,000
Investment derivatives:					
Pay-floating interest rate swaps					
Negative fair values	Interest and investment earnings	(1,235,907)	Long-term liabilities	(2,540,000)	120,000,000
Positive fair values	Interest and investment earnings	(33)	Long-term assets	41,931,741	629,880,000

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

**(a) Objectives**

In order to better manage its interest rate exposure and to reduce the overall costs of its financings, the City has entered into 16 separate pay-fixed, receive-variable interest rate swaps.

In addition to the interest rate swaps, the City entered into six swaptions in conjunction with the termination of previous interest rate swaps. Specifically, the City entered into one interest rate swap in February 2003 and two interest rate swaps in April 2004 related to the issuance of variable rate water bonds and the City entered into two interest rate swaps in November 1998 and one in May 2003 related to the issuance of variable rate sewage bonds. Those interest rate swap agreements included provisions that allowed for the counterparty to put the City into a swaptions arrangement upon termination. Upon the restructuring of the water variable rate bonds in August 2006 to fixed-rate bonds, the interest rate swaps were terminated and the counterparty executed the swaptions. Likewise, when the two sewer variable rate bonds were restructured in December 2006 to fixed-rate bonds, the interest rate swaps were terminated, and the counterparty executed the swaptions provision. The swaptions give the counterparty the option to make the City enter into a pay-variable, receive-fixed interest rate swap. If the option is exercised, the City may consider the potential to issue variable rate refunding bonds and terminate the swaption, but is not committed to doing so.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(b) Terms**

Certain key terms and fair values relating to the outstanding hedging derivative instruments are presented below:

Associated Financing Issue	Notional Amount (1)	Effective Date	Fixed Rate Paid	Rate Received	Fair Value	Swap Termination Date	Final Maturity of Bonds
<b>Hedging Derivatives</b>							
<b>Cash Flow Hedges, Pay-fixed interest rate swaps:</b>							
Sewage 2001 D-2	\$ 72,450,000	1/1/2012	4.83%	SIFMA (2)	\$ (14,352,295)	7/1/2032	7/1/2032
Sewage 2006-D	360,140,000	12/14/2006	4.11	67% LIBOR + .60%	(46,830,988)	7/1/2032	7/1/2032
Water 2003-B	2,500,000	1/30/2003	3.55	CPI +1.25%	41,934	7/1/2011	7/1/2011
Water 2003-B	2,175,000	1/30/2003	3.74	CPI + 1.33%	29,434	7/1/2012	7/1/2012
Water 2003-B	2,800,000	1/30/2003	3.87	CPI + 1.34%	32,518	7/1/2013	7/1/2013
Water 2003-B	2,505,000	1/30/2003	4.00	CPI + 1.36%	22,398	7/1/2014	7/1/2014
Water 2003-C	2,005,000	1/30/2003	3.87	CPI + 1.34%	23,285	7/1/2013	7/1/2013
Water 2003-C	2,330,000	1/30/2003	4.00	CPI + 1.36%	20,833	7/1/2014	7/1/2014
<b>Pension Obligation Certificates:</b>							
Taxable Certification of							
Participation SBSFPC-0009	96,621,000	6/12/2006	6.36	3 MONTH LIBOR + .34%	(29,731,124)	6/15/2034	6/15/2034
Taxable Certification of							
Participation SBSFPC-0012	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(12,813,432)	6/15/2029	6/15/2029
Taxable Certification of							
Participation 37380341	96,621,000	6/12/2006	6.36	3 MONTH LIBOR + .34%	(29,739,347)	6/15/2034	6/15/2034
Taxable Certification of							
Participation 37380291	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(12,815,008)	6/15/2029	6/15/2029
Taxable Certification of							
Participation SBSFPC-0010	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(47,357,234)	6/15/2034	6/15/2034
Taxable Certification of							
Participation SBSFPC-0011	104,325,500	6/12/2006	6.32	3 MONTH LIBOR + .30%	(28,204,989)	6/15/2029	6/15/2029
Taxable Certification of							
Participation 37380313	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(47,369,793)	6/15/2034	6/15/2034
Taxable Certification of							
Participation 37380351	<u>104,325,500</u>	6/12/2006	6.32	3 MONTH LIBOR + .30%	<u>(28,211,571)</u>	6/15/2029	6/15/2029
Total	<u>\$ 1,246,905,000</u>				<u>\$ (297,255,379)</u>		
<b>Investment Derivatives</b>							
<b>Pay-fixed interest rate swaps:</b>							
Sewage 2001 C-2	\$ 122,725,000	10/23/2001	4.47%	SIFMA (2)	\$ (25,911,305)	7/1/2029	7/1/2029
Sewage 2006-A	125,000,000	8/10/2006	4.55	SIFMA (2)	(25,358,438)	7/1/2036	7/1/2036
Sewage hedge swap	56,250,000	7/1/2012	4.93	SIFMA (2)	(13,920,020)	7/1/2039	N/A
Sewage hedge swap	168,750,000	7/1/2012	5.06	SIFMA (2)	(53,949,981)	7/1/2039	N/A
Sewage 1998-A	67,100,000	7/1/2008	SIFMA (2) + 0.0%	4.51%	(1,328,627)	7/1/2023	N/A
Sewage 1998-B	66,900,000	7/1/2008	SIFMA (2) + 0.0%	4.51	(1,318,112)	7/1/2023	N/A
Sewage 2003-B	150,000,000	6/18/2009	SIFMA (2) - 0.10%	3.84	(14,000,124)	7/1/2033	N/A
Water 2001-C	112,445,000	6/7/2001	4.90	SIFMA (2) + 0.0%	(27,223,347)	7/1/2026	7/1/2026
Water 2005-B	193,200,000	4/1/2005	4.71	SIFMA (2)	(39,130,951)	7/1/2035	7/1/2035
Water 2006-B	120,000,000	3/1/2007	5.00	SIFMA (2)	(31,549,334)	7/1/2036	7/1/2036
Water hedge swap	150,000,000	7/2/2012	5.07	SIFMA (2)	(34,096,264)	7/1/2039	N/A
Water hedge swap	50,000,000	7/1/2012	4.93	SIFMA (2)	(12,412,989)	7/1/2039	N/A
Water hedge swap	76,510,000	7/1/2011	4.87	SIFMA (2)	(16,121,327)	7/1/2029	N/A
Water 2003-D	148,185,000	7/2/2011	SIFMA (2)	4.06	(11,523,259)	7/1/2033	N/A
Water 2004-A	77,010,000	7/1/2005	SIFMA (2)	3.94	(1,838,511)	7/1/2025	N/A
Water 2004-B	<u>147,670,000</u>	7/1/2005	SIFMA (2)	3.85	<u>(2,418,734)</u>	7/1/2023	N/A
Total	<u>\$ 1,831,745,000</u>				<u>\$ (312,101,323)</u>		
<b>Pay-floating interest rate swaps:</b>							
Sewage 2001 C-2 offsetting swap	\$ 122,725,000	5/8/2008	SIFMA (2) + 0.0%	3.58%	\$ 7,007,715	7/1/2029	7/1/2029
Sewage 2006-A offsetting swap	125,000,000	5/7/2008	SIFMA (2) + 0.0%	3.69	7,400,973	7/1/2036	7/1/2036
Water 2001-C offsetting swap	112,445,000	5/14/2008	SIFMA (2)	3.50	8,449,532	7/1/2026	7/1/2026
Water 2005-B offsetting swap	193,200,000	5/6/2008	SIFMA (2)	3.65	10,804,365	7/1/2035	7/1/2035
Water 2006-B offsetting swap	120,000,000	4/1/2009	SIFMA (2)	3.26	(2,540,000)	7/1/2036	7/1/2036
Water hedge swap offsetting swap	<u>76,510,000</u>	7/1/2011	SIFMA (2)	4.00	<u>8,269,156</u>	7/1/2029	N/A
Total	<u>\$ 749,880,000</u>				<u>\$ 39,391,741</u>		

(1) Notional amount balance as of June 30, 2011.

(2) The Securities Industry and Financial Markets Association Municipal Swap Index.

**(c) Credit Risk**

Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive market value, then the City is exposed to the actual risk that the counterparty will not fulfill its obligations. As of June 30, 2011, the City had no net exposure to actual credit risk on its hedging derivatives or its investment derivatives (without regard to collateral or other security arrangements) for any of its counterparties. The table below shows the credit quality ratings of the counterparties to each swap. The City uses six different counterparties, as one way of diversifying its credit risk. In addition, 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, S&P, and/or Moody's. Collateral on all swaps is to be in the form of cash or U.S. government securities held by a third-party custodian. The City has not calculated theoretical credit exposure.

<u>Counterparty</u>	<u>S&amp;P</u>	<u>Moody's</u>
Citigroup Financial Products, Inc. Guaranteed by Citigroup Global Markets Holdings, Inc.	A+	A3
JPMorgan Chase Bank, NA	AA-	Aa1
Loop Financial Products Credit Support provided by Deutsche Bank AG	A+	Aa3
Morgan Stanley Capital Services, Inc.	A	A2
SBS Financial Products Company, LLC Credit Support provided by Merrill Lynch Capital Services, Inc. and guaranteed by Merrill Lynch & Co.	A	A2
UBS, AG	A+	Aa3

**(d) Interest Rate Risk**

All hedging derivatives are pay-fixed, receive-variable cash flow hedges, hedging a portion of the City's variable rate debt. The City believes it has significantly reduced interest rate risk attributable to the principal amount being hedged by entering into the interest rate swaps.

There are 22 investment derivatives in the portfolio. Six of the investment derivatives that are pay-fixed, receiving-floating swaps have offsetting receive-fixed, pay-floating swaps that serve to offset the interest rate risk of the change in the floating rate index. Ten of the investment derivatives are pay-fixed, receive-floating swaps that are subject to changing cash flows as the variable index changes.

**(e) Basis Risk**

The City is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the associated variable rate debt obligation. At June 30, 2011, the associated debt used the same index for all Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) and Consumer Price Index (CPI) referenced swaps, as well as the POCs (based on LIBOR) in the table on the previous page. As a result, there is no significant exposure to basis risk as of June 30, 2011.

**(f) 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 fair value of the swap at that time. The termination payment due to a counterparty may not be equal to the fair value. If any of the swaps were terminated, the associated variable-rate financings would no longer carry synthetic interest rates.

For the swaps associated with the Water 2001-C, 2001-C Offsetting (mirror), and 2005-B Offsetting (mirror) issuances, the City pays a lower fixed rate in exchange for granting the counterparty a special termination option. Under this option, the counterparty can terminate the swap without payment if SIFMA averages 7 percent or higher for a consecutive 180-day period. All special termination provisions are currently effective. The termination of any of the above-mentioned swaps requires simultaneous termination of the related mirror or original swap.

For the swaps associated with the Sewage 2001 C-2 and Sewage 2001 C-2 Offsetting (mirror) issuances, the City pays a lower fixed rate in exchange for granting the counterparty a special termination option. Under this option, the counterparty can terminate the swap without payment if SIFMA averages 7 percent or higher for a consecutive 180-day period. The termination provision for both swaps was effective after January 1, 2010.

In light of recent debt rating declines of the City in concert with falling ratings of the City's Swap Agreement Insurers, a risk of a Swap Agreement Termination exists related to the Swap Agreements issued in conjunction with the issuance of the General and Police and Fire Retirement Systems Trusts' Pension Obligation Certificates (POCs). As of June 30, 2011, the City had eight such interest rate exchange agreements (the Swap Agreements) in effect. With the Swap Agreements, the City maintains a potential payable to the Swap Agreement's Counterparty should certain termination events occur. Potential termination events in the original Swap Agreements included cases where the POCs ratings were withdrawn, suspended, or downgraded below "Baa3" (or equivalent) or if the Swap Insurers' ratings fell below an "A3" (or equivalent) rating.

On January 8, 2009, the City received formal notice from the Swap Counterparty to four of the eight Swap Agreements stating that an event had occurred, which, if not cured by the City, would constitute an Additional Termination Event. On January 14, 2009, the City also received formal notice from the Swap Counterparty to the four remaining Swap Agreements, stating that the applicable Swap Insurers had been downgraded below the thresholds set forth in the Swap Agreements. Under the Swap Agreements, such Swap Insurer downgrades, coupled with the downgrades of the POCs, if not cured by the City, constitute an Additional Termination Event. In June 2009, the City and the Counterparties agreed to an amendment to the Swap Agreements, thereby eliminating the Additional Termination Event and the potential for an immediate demand for payment to the Swap Counterparties. As part of the amended Swap Agreements, the Counterparties waived their right to termination payments. Additionally, the City now directs its Wagering Tax revenues to a Trust as collateral for the quarterly payment to the Counterparties, increased the Swap rate by 10 basis points effective July 1, 2010, and agreed to other new termination events. The termination events under the amended Swap Agreement include a provision for the Counterparties to terminate the amended Swap Agreement if certain coverage levels of the Wagering Taxes over the required quarterly payment are not met or if POCs ratings are withdrawn, suspended, or downgraded below "Ba3" (or equivalent). Should such Termination Events occur in connection with these Swap Agreements, and not be cured, the City's obligations to the Counterparties could increase significantly and there is some risk that the City may not be able to meet the cash demands under the terms of the amended Swap Agreements.

In connection with the defeasance of the Parking System 1999A Detroit Building Authority Revenue Refunding Bonds, the City also terminated the related swap agreement for a payment of \$12,468,000 on December 2, 2010. At the time of the termination, there was a remaining deferral amount of \$5,473,746 which was written off to investment earnings.

**(g) 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. The City is exposed to rollover risk on the pension obligation swaps should they be terminated prior to the maturity of the associated financings (POCs).

**(h) Foreign Currency Risk**

All derivatives are denominated in U.S. dollars and therefore, the City is not exposed to foreign currency risk.

**(i) Market Access Risk**

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

**NOTE IX. PENSION PLANS**

**(a) Plan Description**

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) (collectively Systems). 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, Detroit, MI 48226.

Membership of the plans at June 30, 2011 consisted of the following:

	<b>Defined Benefit</b>		<b>Defined Annuity Contribution</b>	
	<b>GRS</b>	<b>PFRS</b>	<b>GRS</b>	<b>PFRS</b>
Retirees and beneficiaries receiving benefits	11,535	8,900	1,449	823
Terminated plan members entitled to but not yet receiving benefits	2,074	82	322	22
Active plan members	7,910	2,894	6,812	3,581

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.

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 General Retirement System are increased annually by 2.25 percent 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 percent. For those members of the Police and Fire Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25 percent 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 percent of the original pension.

Members of the Police and Fire 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.

**(b) Summary of Significant Accounting Policies**

The plan's 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. Approximately 31 percent of the General Retirement System's assets and 28 percent of the Police and Fire Retirement System's assets are not publicly traded and therefore do not always have a readily determined fair value.

**(c) Funding Policy**

The City's policy is to fund normal costs and amortization of prior service costs, based on an actuarially determined rate. The contribution rates for the fiscal year ended June 30, 2011 were 15.38 percent of active annual payroll for the General Retirement System and 35.22 percent of active annual payroll for the Police and Fire Retirement System. Contributions from City funds and the Detroit Public Library component unit, including accounts receivable for the year ended June 30, 2011, amounted to \$55,138,044 and \$81,642,112 for the General Retirement System and the Police and Fire Retirement System, respectively.

Employee contributions elections for annuity savings are as follows:

- **General Retirement System** - Employees may elect to contribute (a) 0 percent, (b) 3 percent of annual compensation up to the Social Security wage base and 5 percent of any excess over that, (c) 5 percent, or (d) 7 percent toward annuity savings. Contributions are voluntary for all union and non-union employees. Contributions received from General Retirement System employees during the year ended June 30, 2011 amounted to \$18,104,402.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

- **Police and Fire Retirement System** - Mandatory contributions are 5 percent of base compensation until eligibility for retirement is reached. Contributions received from Police and Fire Retirement System employees during the year ended June 30, 2011 amounted to \$10,453,905.

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.

**(d) Annual Pension Cost and Net Pension Obligation**

The annual pension costs and net pension assets for the City (primary government) as of June 30, 2011 are as follows:

	GRS					Total Primary Government
	PFRS Governmental Activities	Governmental Activities	Business-type Activities			
			Sewage Disposal Fund	Transportation Fund	Water Fund	
Annual required contributions (ARC)	\$ 77,435,354	\$ 24,836,580	\$ 11,016,094	\$ 9,319,355	\$ 10,775,433	\$ 133,382,816
Interest on net pension asset	(45,358,896)	(36,446,691)	(6,987,961)	(8,504,388)	(6,756,543)	(104,054,479)
Adjustment to ARC	36,671,656	27,313,231	5,236,793	6,373,207	5,063,368	80,658,255
Annual pension cost	68,748,114	15,703,120	9,264,926	7,188,174	9,082,258	109,986,592
Contributions made (employer)	81,642,112	23,234,600	7,684,559	9,475,977	12,030,953	134,068,201
Changes in net pension asset	12,893,998	7,531,480	(1,580,367)	2,287,803	2,948,695	24,081,609
Net pension asset, beginning of year	604,785,286	461,350,521	88,455,199	107,650,482	85,525,858	1,347,767,346
Net pension asset, end of year	\$ 617,679,284	\$ 468,882,001	\$ 86,874,832	\$ 109,938,285	\$ 88,474,553	\$ 1,371,848,955

Significant actuarial assumptions used to determine the annual required contribution for the year ended June 30, 2011 are as follows:

	GRS	PFRS
Valuation Date	June 30, 2009	June 30, 2009
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	30 years, Open	26 years, Closed
Asset Valuation Method	5-year Smoothed Market	3-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	7.5%
Projected Salary Increases	4.0%-8.9%	5.0%-9.2%
Inflation Rate	4.0%	4.0%
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.



**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(e) Three-Year Trend Information**

Three-year trend information for the City (primary government) is as follows:

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
GRS	June 30, 2011	\$ 41,238,478	\$ 52,426,089	127.1%	\$ 754,169,671
	June 30, 2010	20,535,629	35,849,970	174.6	742,982,060
	June 30, 2009	20,485,068	39,872,889	194.6	727,667,719
PFRS	June 30, 2011	68,748,114	81,642,112	118.8	617,679,284
	June 30, 2010	49,374,175	32,808,484	66.4	604,785,286
	June 30, 2009	46,202,445	31,395,780	68.0	621,350,977

**(f) Funded Status and Funding Progress**

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

	<u>GRS</u>	<u>PFRS</u>
Actuarial value of assets	\$ 3,238,130,553	\$ 3,853,279,381
Actuarial accrued liability (AAL)	\$ 3,719,586,762	\$ 3,987,524,204
Unfunded (overfunded) AAL (UAAL)	\$ 481,456,209	\$ 134,244,823
Funded ratio	87.1%	96.6%
Covered payroll	\$ 332,343,506	228,829,999
Ratio of UAAL/covered payroll	144.9%	58.7%

The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE X. OTHER POSTEMPLOYMENT BENEFITS**

**(a) Plan Description**

The Employee Health and Life Insurance Benefit Plan (Benefit Plan) is a single-employer defined benefit plan administered by the City and Retirement Systems and is accounted for in the Other PostEmployment Benefits Fund. The plan does not issue a separate stand-alone statement. The Benefit Plan provides hospitalization, dental care, vision care, and life insurance to all officers and employees of the City who were employed on the day preceding the effective date of the Benefit Plan and who continue in the employ of the City on and after the effective date of the Benefit Plan. Retirees are allowed to enroll in any of the group plans offered by the City to active employees. The City provides health care coverage for substantially all retirees in accordance with terms set forth in union contracts or provisions found in Section 13, Article 8 of the Code of Ordinances.

The health care benefit eligibility conditions for General City employees hired before 1995 are 30 years of creditable service or 25 years of creditable service for an EMS member or age 60 and 10 years of creditable service or age 65 and 8 years of creditable service. The health care benefit eligibility conditions for General City employees hired on or after 1995 are age 55 and 30 years of creditable service, or age 60 and 10 years of creditable service or age 65 and 8 years of creditable service. The City provides full health care coverage to General City employees who retired prior to January 1, 1984, except for the Master Medical benefit that was added on to the coverage after that date. The City pays up to 90 percent of health care coverage if retired after January 1, 1984; however, for employees who retired between January 1, 1984 and June 30, 1994, the retiree share has been reduced by 50 percent by appropriations from City Council. The City also pays health care coverage for the spouse, under the same formulas noted above, as long as the spouse continues to receive a pension. The City does not pay health care coverage for a new non-City retiree spouse. Dental and vision coverage is provided for the retiree and the spouse.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

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The health care benefit eligibility conditions for Police and Fire are any age with 25 years of creditable service, or any age with 20 years of service for Detroit Police Officers Association (DPOA) members, effective March 8, 2007 and Allied Detroit Fire Fighters Association (DFFA) members, effective March 8, 2008. The City pays up to 90 percent of health care coverage for the retiree and the spouse. The City pays up to 90 percent of health care coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for health care coverage for a new non-City retiree spouse. Spouses (widows or widowers) of Straight Life Option retirees who retired prior to July 1, 1987 continue to receive hospitalization coverage. Dental and vision coverage is provided for the retiree and the spouse.

The City does provide health care coverage to General City and Police and Fire employees that opt for early retirement. For General City employees hired before 1995, the health care benefit eligibility conditions are 25 years of creditable service and employees hired after 1995 is age 55 and 25 years of creditable service. The coverage begins when the retiree would have been eligible for normal retirement. The City pays up to 90 percent of health care coverage for the retiree and the spouse. The City pays up to 90 percent of health care coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for health care coverage for a new non-City retiree spouse. For Police and Fire employees, the health care coverage begins when the retiree reaches the date they would have attained 25 years of creditable service or when the retiree would have attained 20 years of creditable service for DPOA members and Allied DFFA members, effective March 8, 2007. The City pays up to 90 percent of health care coverage for the retiree and the spouse. The City pays up to 90 percent of health care coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for health care coverage for a new non-City retiree spouse. Spouses (widows or widowers) of Straight Life Option retirees who retired prior to July 1, 1987 continue to receive hospitalization coverage. Dental and vision coverage is provided for the retiree and the spouse.

The City also provides health care coverage to General City and Police and Fire employees who meet certain health care benefit eligibility conditions at reduced rates for those that retire under the Deferred Retirement Benefits (Vested), the Death-in-Service Retirement Benefits Duty and Non-Duty Related, and the Disability Retirement Benefits Duty and Non-Duty Related. Complementary health care coverage is provided by the City for those retirees that are Medicare-Eligible. Retirees who opt out of the retiree health care coverage may obtain coverage at a later date.

In addition to health care coverage, the City allows its retirees to continue life insurance coverage under the Group Insurance Protection Plan offered to active employees in accordance with Section 13, Article 9 of the Code of Ordinances. The basic life insurance coverage for General City and Police and Fire employees is based on the employee's basic annual earnings to the next higher thousand dollars. The life insurance benefit amounts range from \$3,750 to \$12,500.

The Supplemental Death Benefit Plan (Supplemental Plan) is a pre-funded single-employer defined benefit plan administered by the Employee Benefit Board of Trustees and is accounted for in the Employee Death Benefits Fund. The plan does not issue a separate stand-alone statement. The money is held in the City of Detroit Employee Benefit Trust and the City uses the trust fund to account for the Supplemental Plan. In accordance with Section 13, Article 8 of the Code of Ordinances, effective July 1, 1999 and prior to the member's retirement from the City, a death benefit of \$10,000 will be paid. After retirement of the member from the City, the amount of death benefit paid is based upon the retiree's years of City service ranging from \$1,860 (for 10 or less years of service) to \$3,720 (for 30 years of service). For years of service beyond 30 years, \$93.00 will be added per year for each additional year of service.

There were 19,441 retirees eligible for benefits as of June 30, 2009, the date of the most recent actuarial valuation. These plans do not issue separate financial statements.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(b) Funding Policy**

Employee Health and Life Insurance Benefit Plan - The cost of benefits for the Benefit Plan, which is financed on a pay-as-you-go basis for the year ended June 30, 2011, is as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$ 156,541,173	\$ 20,000,726	\$ 176,541,899
Dental	8,382,631	1,260,268	9,642,899
Vision	1,331,764	—	1,331,764
Life Insurance	211,478	39,006	250,484
Total	<u>\$ 166,467,046</u>	<u>\$ 21,300,000</u>	<u>\$ 187,767,046</u>

Supplemental Death Benefit Plan - The cost of benefits for the Supplemental Plan, which is a pre-funded plan, and the funds are held in the City of Detroit Employee Benefit Trust, for the year ended June 30, 2011 is as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Supplemental Death Benefit	\$ 152,353	\$ 16,648	\$ 169,001

The City of Detroit Employee Benefit Trust paid death benefits in the amount of \$1,080,626 for General City retirees and \$554,305 for Police and Fire retirees for the year ended June 30, 2011.

**(c) Annual OPEB Costs and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the Benefit Plan, and changes in the City's net OPEB obligation for the Health and Life Insurance Benefit Plan:

	<u>Total Governmental Activities</u>	<u>Business-type Activities</u>					<u>Total Primary Government</u>
		<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>	<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Non-Major Proprietary Fund</u>	
<b>Employee Health and Life Insurance Benefit Plan</b>							
Annual required contributions (ARC)	\$ 253,057,286	\$ 22,224,712	\$ 26,467,903	\$ 21,739,184	\$ 714,007	\$ 159,844	\$ 324,362,936
Interest on Net OPEB Obligation	14,418,762	1,216,653	1,784,747	1,116,471	35,209	7,015	18,578,857
Adjustment to ARC	<u>(12,015,635)</u>	<u>(1,013,877)</u>	<u>(1,487,289)</u>	<u>(930,393)</u>	<u>(29,341)</u>	<u>(5,846)</u>	<u>(15,482,381)</u>
Annual OPEB Cost (Expense)	255,460,413	22,427,488	26,765,361	21,925,262	719,875	161,013	327,459,412
Contributions Made	<u>(134,881,176)</u>	<u>(9,754,558)</u>	<u>(11,777,165)</u>	<u>(9,368,052)</u>	<u>(235,424)</u>	<u>(165,370)</u>	<u>(166,181,745)</u>
Changes in Net OPEB Obligation	120,579,237	12,672,930	14,988,196	12,557,210	484,451	(4,357)	161,277,667
Net OPEB Obligation, beginning of year	<u>360,469,062</u>	<u>30,416,317</u>	<u>44,618,676</u>	<u>27,911,776</u>	<u>880,226</u>	<u>175,365</u>	<u>464,471,422</u>
Net OPEB Obligation, end of year	<u>\$ 481,048,299</u>	<u>\$ 43,089,247</u>	<u>\$ 59,606,872</u>	<u>\$ 40,468,986</u>	<u>\$ 1,364,677</u>	<u>\$ 171,008</u>	<u>\$ 625,749,089</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the Employee Supplemental Death Benefit Plan, and changes in the City's net OPEB (asset) obligation for the Benefit Plan:

	Total Governmental Activities	Business-type Activities				Total Primary Government	
		Sewage Disposal Fund	Transportation Fund	Water Fund	Automobile Parking Fund		Non-Major Proprietary Fund
<b>Supplemental Death Benefit Plan</b>							
Annual required contributions (ARC)	\$ 442,512	\$ 90,886	\$ 108,238	\$ 88,900	\$ 2,920	\$ 654	\$ 734,110
Interest on Net OPEB Obligation	5,203	1,786	2,482	1,633	52	27	11,183
Adjustment to ARC	(3,469)	(1,191)	(1,655)	(1,089)	(34)	(18)	(7,456)
Annual OPEB Cost (Expense)	444,246	91,481	109,065	89,444	2,938	663	737,837
Contributions Made	(112,802)	(12,611)	(14,211)	(12,164)	(475)	(43)	(152,306)
Changes in Net OPEB Obligation	331,444	78,870	94,854	77,280	2,463	620	585,531
Net OPEB Obligation, beginning of year	104,069	35,722	49,641	32,660	1,031	544	223,667
Net OPEB Obligation, end of year	\$ 435,513	\$ 114,592	\$ 144,495	\$ 109,940	\$ 3,494	\$ 1,164	\$ 809,198

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation (asset) for the three most recent fiscal years ended June 30 were as follows:

	Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Employee Health and Life Insurance Benefit Plan	June 30, 2011	\$ 327,459,412	\$ 166,181,745	50.7%	\$ 625,749,089
	June 30, 2010	313,889,307	149,698,090	47.7	464,471,422
	June 30, 2009	315,542,243	161,771,224	51.3	300,280,205
Supplemental Death Benefit Plan	June 30, 2011	737,837	152,306	20.6	809,198
	June 30, 2010	398,117	142,542	35.8	223,667
	June 30, 2009	151,286	163,124	107.8	(31,908)

**(d) Funded Status and Funding Progress**

Employee Health and Life Insurance Benefit Plan - As of June 30, 2009, the most recent actuarial valuation date for the Benefit Plan, the actuarial accrued liability for benefits related to all City employees was \$4,971,236,281, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,971,236,281. The covered payroll (annual payroll of all active City employees covered by the plan) was \$591,242,616 and the ratio of the UAAL to the covered payroll was 841 percent.

Supplemental Death Benefit Plan - As of June 30, 2010, the most recent actuarial valuation date for the Supplemental Plan, the actuarial accrued liability for benefits related to all City employees was \$35,186,590 and the actuarial value of assets was \$24,067,628, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,118,962. The covered payroll (annual payroll of all active City employees covered by the plan) was \$567,288,051 and the ratio of the UAAL to the covered payroll was 2.0 percent.

Actuarial valuations of the ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress are presented following these notes to the financial statements as required supplemental information and present multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The prior year actuarial reports were not prepared using the parameters as specified by GASB Statement No. 45, and therefore, prior year trend information was not included in schedule of funding progress for years prior to June 30, 2008.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

***Actuarial Methods and Assumptions***

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

The actuarial methods and significant assumptions used to determine the annual required contributions for the year ended June 30, 2011 were as follows:

	<b>Health and Life Insurance Benefit Plan</b>	<b>Supplemental Death Benefit Plan</b>
Valuation date	June 30, 2009	June 30, 2010
Actuarial cost method	Individual entry-age	Individual entry-age
Amortization method	Level percent	Level percent
Amortization period for unfunded actuarial accrued liabilities	30 years, open	30 years, open
Asset valuation method	N/A	4-year smoothed market
Actuarial assumptions:		
Investment rate of return	4.0%	5.0%
Projected salary increases*	4.0%	N/A
Healthcare cost trend rate	9.0% for 2010, grading down to 4.0% in 2019 and beyond	N/A

\* Includes inflation rate of 4%

In the June 30, 2010 actuarial valuation for the Supplemental Death Benefit Plan, the mortality tables used by the City's plan to evaluate death benefits to be paid for General, EMS, and Department of Transportation (D.O.T) retirees were 120 percent of the RP 2000 Combined Male and 120 percent of the RP 2000 Combined Female table setback two years. For Police and Fire retirees, the City's plan used 105 percent of the RP 2000 Combined Male and 110 percent of the RP 2000 Combined Female table setback two years. The City's plan used an annual rate of retirement of 50 percent, initially, reduced to an ultimate rate of 20 percent after age 70 for General City. The City's plan used an annual rate of retirement of 25 percent, initially, increased to an ultimate rate of 100 percent after age 70 for Police and Fire.

**NOTE XI. RISK MANAGEMENT**

The City is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risk of loss associated with providing health, dental, and life insurance benefits to employees and retirees.

The City provides health and dental insurance benefits to employees and retirees through self-insured health plans that are administered by third-party administrators. The City does not purchase excess or stop-loss insurance for its self-insured health plans. The City is also self-insured for losses such as workers' compensation, legal, disability benefits, and vehicular liabilities and does not purchase stop-loss insurance.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

The City purchases public official liability insurance, property insurance for certain properties, and general liability insurance for accidents occurring at certain properties. The City assumes a \$250,000 self-insured retention for any one loss or occurrence under its self-insured public official liability program. The City purchases excess liability insurance for its general liability for certain properties that provides per occurrence and aggregate protection. The City is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance.

There were no significant changes in the insurance coverage from coverage provided in the prior year for any of the above-described risks.

A liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claim liabilities also include estimated costs for claim administration fees and outside legal and medical assistance costs.

The City currently reports the risk management activities (excluding health and dental) of non-Enterprise Funds and the Transportation Fund (an Enterprise Fund) in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Because the 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 Detroit Public Library (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.

The liability for self-insured health and dental benefits is reported with accrued liabilities for each of the applicable funds.

Changes in the reported liabilities for workers' compensation, legal, disability benefits, and vehicular liabilities for the years ended June 30, 2011 and 2010, respectively, are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Balance at beginning of year	\$ 159,118,546	\$ 157,055,648	\$ 28,398,087	\$ 35,438,909
Current year claims and changes				
in estimates	43,822,957	37,619,611	13,174,854	7,768,023
Claims payments	<u>(56,224,243)</u>	<u>(35,556,713)</u>	<u>(16,152,461)</u>	<u>(14,808,845)</u>
Balance at end of year	<u>\$ 146,717,260</u>	<u>\$ 159,118,546</u>	<u>\$ 25,420,480</u>	<u>\$ 28,398,087</u>

Changes in the accrued liabilities for health and dental claims for the years ended June 30, 2011 and 2010, respectively, are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Balance at beginning of year	\$ (2,017,511)	\$ (4,813,122)	\$ 8,251,512	\$ 19,902,826
Current year claims and changes				
in estimates	141,560,058	124,651,203	36,725,759	35,077,733
Claims payments	<u>(125,749,109)</u>	<u>(121,855,592)</u>	<u>(35,573,498)</u>	<u>(46,729,047)</u>
Balance at end of year	<u>\$ 13,793,438</u>	<u>\$ (2,017,511)</u>	<u>\$ 9,403,773</u>	<u>\$ 8,251,512</u>

The General Fund reported committed fund balance of \$26.8 million for the purpose of funding future claim liabilities.

**NOTE XII. OAKLAND MACOMB INCEPTOR DISTRICT SALE**

In October 2009 the Sewage Disposal Fund entered into an agreement for the sale of the Oakland Macomb Interceptor (OMI) system; however the selling price of approximately \$90.0 million was not determined until the year ended June 30, 2011. In connection with the sale, a loss of approximately \$91.5 million was incurred and is reflected in the accompanying financial statements as a nonoperating charge to net assets.

The OMI was constructed by DWSD at the request of Oakland and Macomb Counties in the late 1960's. Significant subsequent expansions and improvements to the OMI occurred since its initial in-service date. Over the years, the OMI experienced at least three major breaks, including two in the late 1970's and most recently in 2004. With each major break, the cost of repairs and related legal claims against the City were substantial. Based on such experience and the expected future of rising costs to maintain and repair the OMI, management elected to transfer responsibility for operation of the OMI to its users through the sale.

The loss reflected in the accompanying financial statements is directly related to the manner in which rates were determined and charged during the time that the Fund owned and operated the OMI, compared to the manner in which the Fund reflects the value of its assets in its financial statements. These approaches both amortize the original investment in the asset, but over different lives. Oakland and Macomb Counties were charged rates that included amortization of the investment over a shorter period than the depreciable life of the OMI reflected in the financial statements. The loss results from the fact that the purchase price was computed based on the shorter life associated with rates charged to the counties, while the financial statements reflected significant remaining depreciable life.

**NOTE XIII. COMMITMENTS AND CONTINGENCIES**

**(a) Lawsuits and Claims**

The City is a defendant in numerous lawsuits and is also subject to other claims, including claims for workers' compensation payments. 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 \$172.1 million for the Primary Government.

**(b) Grant Audits**

Several of the City's funds participate in a number of federally assisted grant 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, 2011 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, 2011. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

**(c) Rate Matters**

The Water 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 solution is not currently known.

**(d) 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, 2011, future Block Grant Funds of \$88,926,000 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.

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**(e) 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 Fund (other enterprise fund), Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.

**(f) Construction Commitments**

The City has commitments for future construction contracts. Construction to date and remaining commitments at June 30, 2011 are as follows:

	<b>Spent as of June 30, 2011</b>	<b>Remaining</b>
Public Protection	\$ 11,089,009	\$ 76,314,786
Municipal Facilities	14,914,253	30,156,044
Recreation and Culture	178,204	2,014,839
Human Services	729,142	1,653,675
Municipal Services	593,556	4,727,289
Development and Management	5,378,569	4,447,446
Transportation Facilitation	—	2,000,000
Total	\$ 32,882,733	\$ 121,314,079

The Sewage Disposal Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (Sewage Program). The total cost of this Sewage Program is anticipated to be approximately \$608 million through fiscal year 2016. The Sewage Program is being financed primarily from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2011 was approximately \$101 million.

The Water Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (Water Program). The total cost of this Water Program is anticipated to be approximately \$723 million through fiscal year 2016. The Water Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2011 was approximately \$47 million.

**(g) Operating Leases**

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

Fiscal Year Ending:	
2012	\$ 14,071,170
2013	12,980,931
2014	12,306,622
2015	12,297,959
2016	10,605,113
2017-2021	36,233,468
2022-2026	25,825,658
2027-2028	10,009,304
Total Minimum Payments	\$ 134,330,225

Rental expense for all operating leases approximated \$11.7 million for the year ended June 30, 2011.



**(h) Revenue Bond Indentures**

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.

**(i) Pollution Remediation**

The City is subject to various governmental laws and regulations. GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* established accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. At June 30, 2011, the City has recorded an estimated pollution remediation obligation of \$1,948,684 as follows:

		<b>Business-type Activities</b>		
	<b>Total Governmental Activities</b>	<b>Sewage Disposal Fund</b>	<b>Transportation Fund</b>	<b>Total Primary Government</b>
Accrued Pollution Remediation	\$ 725,571	\$ 973,113	\$ 250,000	\$ 1,948,684

The City's pollution remediation obligation is the result of projects that have been budgeted and approved by City Council. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution (e.g., asbestos) identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations. The estimated pollution obligation is reflected in the City's long-term obligations, which can be seen in note VII (a).

**NOTE XIV. SUBSEQUENT EVENTS**

**(a) Subsequent Economic Events**

On December 6, 2011, the State of Michigan's Treasurer commenced a preliminary review of the City's finances in accordance with Public Act 4 of 2011 (Local Government and School District Fiscal Accountability Act). Public Act 4 authorizes the State Treasurer to intervene in municipalities or school districts that experience severe financial stress or financial emergencies. The State Treasurer cited the City's liquidity risks and large debt including unfunded retiree health care costs to justify a preliminary financial review. On December 21, 2011, the preliminary review team issued a report to the Governor recommending appointment of a financial review team.

A financial review team has 60 days to complete its work and file its report. During or after the review, the financial review team can negotiate a consent agreement between the State and City to provide for remedial measures to address the City's financial problems. A consent agreement must provide that in the event of a material uncured breach of the consent agreement, the State Treasurer is authorized to place the City into receivership.

Upon receipt of the financial review team report the Governor must make one of the following determinations: (1) that the City is not in a condition of severe financial stress; (2) that the City is in a condition of severe financial stress, but a consent agreement containing a plan to resolve the financial stress has been adopted; (3) that the City financial emergency exists and no satisfactory plan exists to resolve the emergency; and (4) that the City entered into a consent agreement, but materially breached the consent agreement.

If the Governor confirms the existence of a financial emergency, the Governor then is required to declare the City to be in receivership and to appoint an emergency manager. An emergency manager has broad statutory authority in receivership to rectify a financial emergency and to assure fiscal accountability of the City and the capacity of the City to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare. An emergency manager acts for and in the place and stead of the Mayor and City Council. If, in the judgment of an emergency manager, no reasonable alternative to rectifying the financial emergency exists, then the emergency manager may recommend to the Governor and the State Treasurer that the City may be authorized to proceed under Chapter 9 of the United States Code. The effect of instituting bankruptcy proceedings would be to make the City a debtor under the United States Bankruptcy Code.

The City's unemployment rate of 19.2 percent for October 2011 (21.6 percent in June 2011) continues to be higher than the rest of the State and Nation, which if not lowered will result in little improvement in collection of personal income taxes. The large number of resident home foreclosures, delinquent property tax levels, and declining home taxable values will contribute to decreasing property tax revenues.

On December 14, 2011, the City announced it was canceling the Woodward Light Rail System project due to lack of funds to operate the system and the potential to use Federal and State transit funding in a more cost effective manner to develop a regional rapid transit bus system, which would provide greater transit benefits than a light rail system. The City is partnering with the State and Federal Government to work towards developing a rapid transit bus system operating in dedicated lanes on routes from downtown to and through the suburbs along Gratiot, Woodward, and Michigan avenues. The Transportation Fund had \$9.1 million of construction work in progress for the Woodward Light Rail System project at June 30, 2011. Since June 30, 2011 to the date of this report the Transportation Fund incurred an additional \$3.0 million of construction work in progress for the project to bring the total to \$12.1 million. The total amount of the impairment has not yet been determined as a portion of the costs incurred may be used toward the development of the rapid transit bus system. The amount of the impairment in construction work in progress for the Woodward Light Rail System will be expensed in the Transportation Fund during the year ending June 30, 2012.

In November 2011, City residents approved a new City Charter. The new Charter includes three major groups of revisions. The first group involves ethics and corruption. The Charter adopts an aggressive Ethical Standards of Conduct that includes removal of elected officials, appointees, and employees for serious violations. Also, the Charter creates the Office of the Inspector General, an office designed to identify and investigate waste, abuse, and fraud/corruption in city government and report any illegal activity to the prosecutor. A second group of major revisions focuses on economic and community growth. The Charter takes measures to focus the City's resources on growth in the areas of (1) community planning, (2) business development and attraction, (3) international trade and emerging industries opportunities, (4) recycling, and (5) green initiatives and technologies revolution. Lastly, the proposed Charter focuses on quality of life issues. The Charter requires that city officials systematically explore supporting or sponsoring an automobile and property insurance program for residents. Other proposed revisions, seek to improve government operations, achieve fiscal efficiency, and provide greater and meaningful citizen influence and participation in city government policy-making. The new Charter becomes effective on January 1, 2012.

The City and the Detroit Public Schools reached an agreement in November 2011 for the payment of utility services provided by the City's Public Lighting Department (PLD) including past due amounts at June 30, 2011. The agreement provides for a transfer to the City of a building valued at \$985,000 for use as a Police Academy plus a payment of \$15.2 million. This represents payment in full for all electrical, gas, steam, and other utility services provided by PLD to the Detroit Public Schools up to and including October 31, 2011.

As a result of the current economic conditions and other factors, including the reported accumulated deficit in the accompanying General Fund financial statements, the City's financial challenges are expected to remain in the near term. However, City management is optimistic that with the State of Michigan's assistance to correct the City's financial problems and with development projects, the City's economy and financial condition will improve.

**(b) New Debt Issues**

On December 22, 2011, the Water Fund issued \$500,675,000 in bonds that comprised: (1) Water Supply System Revenue Senior Lien Bonds, Series 2011-A of \$379,590,000, (2) Water Supply System Revenue Senior Lien Bonds, Series 2011-B (Federally Taxable) of \$17,195,000 and, (3) Water Supply System Revenue Refunding Senior Lien Bonds, Series 2011-C of \$103,890,000. The bonds begin to mature July 1, 2012 and will be fully mature in the year 2041.

The proceeds of the bonds will be used to finance a portion of the costs of the Water Supply System capital improvement program, to terminate all outstanding swaps, and to refund Water Supply System Senior Lien Bonds, Series 1997-A, Series 2003-A, and Series 2006-A, and Water Supply System Second Lien Bonds, Series 1995-A, and Series 2003-B. The total fair value termination amount on the swaps on the date of issuance was negative \$221,921,429 compared to negative \$151,161,261 at June 30, 2011.

**(c) Other Legal Matters**

On November 4, 2011, the U.S. District Court issued an order that will modify several aspects of the Water and Sewage Disposal Funds' management processes. The order incorporated recommendations of a committee established by the Court to identify and implement strategies to ensure sustainable environmental compliance of the Funds. The principal recommendations of the Root Cause Committee report, and the provisions of the November 4, 2011 order are designed to produce more autonomous Fund operations and include:

- The Funds will continue to remain enterprise Funds of the City and all assets of the water and wastewater systems will remain property of the City;
- The Funds labor relations will no longer be governed by the Collective Bargaining Agreements (CBA) that are applicable to all other City Funds. It is envisioned that separate agreements and provisions will be established that are specific to the Funds' needs. The order strikes and enjoins all other provisions that are deemed to threaten compliance;
- The Funds will be exempted from the City's procurement ordinance and will establish procurement policies that will facilitate efficiency and long-term compliance;
- The Funds will establish and distinct (from the City) resources for provision of the finance, procurement, law, human resource, and information technology services that are currently being provided by the City;
- Rates for suburban customers will no longer be subject to approval by the Detroit City Council; and
- Future Directors will continue to be appointed by the Mayor, but will be engaged with advice from a search committee that includes representation from a suburban Board member and the Detroit City Council. Removal of future Directors will require a super majority of either the Board or the City Council.

The stated intent of the order and the Plan of Action was to institute policies and procedures that provide the Funds' management with more flexibility for achieving environmental compliance. While the Funds have successfully utilized existing policies to meet its obligations for the Sewage Disposal System, the Root Cause Committee concluded that these policies were not well designed for the unique challenges of managing a large, regional municipal utility serving a significant population outside its jurisdictional limits. The new human resources and procurement policies resulting from the order are designed and intended to enhance the implement the Funds' ability to implement its strategic planning initiatives. The Court also directed other implementation steps, and set forth a revised timeframe upon which the Funds may file a motion seeking to dismiss the case.

**(d) Subsequent Declines in Investment Values**

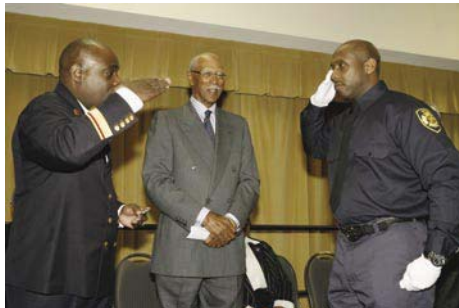
Subsequent to year end, the fair value of the General Retirement System and Police and Fire Retirement System's non-alternative investment portfolio, at October 31, 2011, had declined by approximately \$148,000,000, or 9 percent, and \$185,000,000 or 8 percent, respectively, due to general market fluctuations. Because the values of individual investment fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## DFD trial firefighters confirmation ceremony



Proud and dedicated new Detroit Firefighters attend the Detroit Fire Department confirmation ceremony May 3, 2011.



## Hope Park

Members of AmeriCorp, who've so generously given of their time and energy to help others, join Mayor Big at Hope Park.



City of Detroit, Michigan

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **COMPARISON - GENERAL FUND BUDGET TO ACTUAL**

**(UNAUDITED)**

## NOTES TO BUDGET TO ACTUAL COMPARISON

**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:** On or before April 12 of 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 budget has been prepared in accordance with U.S. generally accepted accounting principles, except that transfers to/from other funds have been included in revenue and expenditures. 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.

**City of Detroit, Michigan**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes, Assessments, Interest, and Penalties:				
Property Taxes	\$ 147,919,641	\$ 147,919,641	\$ 182,674,686	\$ 34,755,045
Municipal Income Tax	215,000,000	215,000,000	228,303,884	13,303,884
Utility Users' Tax	50,000,000	50,000,000	44,640,365	(5,359,635)
Wagering Taxes	173,360,000	173,360,000	176,899,280	3,539,280
Other Taxes and Assessments	13,942,685	13,590,326	12,596,707	(993,619)
Interest and Penalties on Taxes	9,700,000	9,700,000	7,554,054	(2,145,946)
Total Taxes, Assessments, Interest, and Penalties	<u>609,922,326</u>	<u>609,569,967</u>	<u>652,668,976</u>	<u>43,099,009</u>
Licenses, Permits, and Inspection Charges:				
Business Licenses	3,570,000	3,570,000	2,766,153	(803,847)
Permits	710,600	710,600	568,785	(141,815)
Inspection Charges	5,856,795	5,856,795	5,110,782	(746,013)
Other Licenses	100,000	100,000	118,467	18,467
Total Licenses, Permits, and Inspection Charges	<u>10,237,395</u>	<u>10,237,395</u>	<u>8,564,187</u>	<u>(1,673,208)</u>
Shared Taxes:				
Liquor and Beer Licenses	550,000	550,000	21,262	(528,738)
State Shared Tax	233,390,654	233,390,654	239,206,259	5,815,605
Other Shared Tax	837,782	837,782	114,588	(723,194)
Total Shared Taxes	<u>234,778,436</u>	<u>234,778,436</u>	<u>239,342,109</u>	<u>4,563,673</u>
Intergovernmental:				
Federal	15,772,461	108,415,796	65,442,865	(42,972,931)
State	50,921,353	108,858,660	8,648,374	(100,210,286)
Other Grants	3,885,950	45,747,404	1,944,009	(43,803,395)
Total Grants	<u>70,579,764</u>	<u>263,021,860</u>	<u>76,035,248</u>	<u>(186,986,612)</u>
Sales and Charges for Services:				
Maintenance and Construction	133,734	133,734	—	(133,734)
Other Labor and Materials	219,655	219,655	—	(219,655)
Electrical	48,734,854	48,734,854	29,388,916	(19,345,938)
Steam	300,000	300,000	868,807	568,807
Recreation Fees	13,000	13,000	28,662	15,662
Collection Fees	6,821,000	6,851,000	6,400,413	(450,587)
Other Fees	51,738,092	53,618,656	45,217,929	(8,400,727)
Personal Services	52,950,486	53,240,257	49,440,374	(3,799,883)
Other Departmental Sales	33,099,509	37,762,415	23,512,578	(14,249,837)
Total Sales and Charges for Services	<u>194,010,330</u>	<u>200,873,571</u>	<u>154,857,679</u>	<u>(46,015,892)</u>
Ordinance Fines and Forfeitures	18,574,789	18,574,789	16,457,040	(2,117,749)
Revenue from Use of Assets:				
Investment Earnings	2,500,000	2,216,560	498,079	(1,718,481)
Real Estate Rentals	3,148,940	3,148,940	2,852,239	(296,701)
Concessions	523,050	523,050	383,188	(139,862)
Sale of Real Property	2,700,000	3,809,374	360,371	(3,449,003)
Total Revenue from Use of Assets	<u>8,871,990</u>	<u>9,697,924</u>	<u>4,093,877</u>	<u>(5,604,047)</u>
Other Revenue	214,766,779	303,384,445	68,238,977	(235,145,468)
Total Revenues	<u>1,361,741,809</u>	<u>1,650,138,387</u>	<u>1,220,258,093</u>	<u>(429,880,294)</u>

(Continued)

**City of Detroit, Michigan**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES:				
Public Protection:				
Consumer Affairs	\$ —	\$ —	\$ (84)	\$ 84
Construction Code	—	—	1,711,330	(1,711,330)
Fire	173,247,253	176,579,038	191,020,288	(14,441,250)
Human Rights	1,013,855	1,012,703	859,131	153,572
Ombudsperson	1,089,133	1,096,663	1,089,937	6,726
Parking Enforcement	8,022,409	7,830,446	7,415,704	414,742
Police	404,677,696	457,870,125	447,955,594	9,914,531
Detroit Office of Homeland Security	1,391,745	13,392,963	2,147,619	11,245,344
36th District Court	44,848,281	46,177,452	43,258,083	2,919,369
Total Public Protection	634,290,372	703,959,390	695,457,602	8,501,788
Department of Health	84,206,434	172,122,711	73,010,337	99,112,374
Recreation and Culture:				
Culture, Arts, and Tourism	—	969,711	(6,824)	976,535
Historical	—	24,900	—	24,900
Recreation	21,631,475	29,831,943	18,217,392	11,614,551
Senior Citizens	—	790,478	(32)	790,510
Total Recreation and Culture	21,631,475	31,617,032	18,210,536	13,406,496
Economic Development — Civic Center	—	2,829,611	—	2,829,611
Housing Supply and Conditions - Planning and Development	3,853,423	15,376,779	5,871,310	9,505,469
Physical Environment:				
Environmental Affairs	—	1,427,356	232,531	1,194,825
Public Lighting	53,505,533	62,851,065	60,449,984	2,401,081
Public Works	5,347,148	7,935,658	11,559,205	(3,623,547)
Total Physical Environment	58,852,681	72,214,079	72,241,720	(27,641)
Development and Management:				
Auditor General	3,476,689	3,532,981	3,142,969	390,012
Budget	2,325,911	2,447,479	2,314,433	133,046
City Clerk	3,198,273	3,231,493	2,622,089	609,404
City Council	13,232,197	13,505,619	12,195,282	1,310,337
Communications and Creative Services	—	—	(255)	255
Elections	8,122,847	8,414,562	8,029,521	385,041
Finance	43,759,707	44,827,955	34,518,248	10,309,707
General Services	49,379,059	57,351,380	61,298,916	(3,947,536)
Law	19,309,895	19,064,405	17,916,364	1,148,041
Mayor's Office	7,328,319	9,705,807	7,973,379	1,732,428
Human Resources	14,015,545	14,681,412	13,948,056	733,356
Information Technology Services	22,622,898	27,673,418	20,241,964	7,431,454
Board of Zoning Appeals	813,240	884,205	773,497	110,708
Detroit Workforce Development Department	1,700	995,179	353,801	641,378
Administrative Hearings	953,700	1,862,598	1,440,389	422,209
Non Departmental	383,388,404	197,749,762	(6,402,505)	204,152,267
Total Development and Management	571,928,384	405,928,255	180,366,148	225,562,107
Capital Outlay	—	39,555,445	22,390,958	17,164,487

(Continued)



**City of Detroit, Michigan**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Debt Service:				
Principal	\$ —	\$ 31,647,375	\$ —	\$ 31,647,375
Interest on Bonded Debt	—	83,643,309	2,632,298	81,011,011
Total Debt Service	—	115,290,684	2,632,298	112,658,386
Total Expenditures	1,374,762,769	1,558,893,986	1,070,180,909	488,713,077
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(13,020,960)	91,244,401	150,077,184	58,832,783
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers In	22,453,952	23,692,280	8,958,641	(14,733,639)
Total Other Financing Sources	22,453,952	23,692,280	8,958,641	(14,733,639)
Uses - Transfers Out	(9,432,992)	(114,936,681)	(215,906,246)	(100,969,565)
Total Other Financing Sources (Uses)	13,020,960	(91,244,401)	(206,947,605)	(115,703,204)
Net Change in Fund Balance	—	—	(56,870,421)	(56,870,421)
Fund Balance at Beginning of Year	(91,094,688)	(91,094,688)	(91,094,688)	—
Decrease in Inventory	—	—	(106,565)	(106,565)
Fund Balance at End of Year	\$ (91,094,688)	\$ (91,094,688)	\$ (148,071,674)	\$ (56,976,986)

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## **REQUIRED SUPPLEMENTARY INFORMATION**

### **SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS**

**(UNAUDITED)**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS (IN MILLIONS)**

**General Retirement System**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
2005	\$ 3,222.4	\$ 3,347.4	96.3	\$ 125.0	\$ 390.6	32.0 %
2006	3,373.7	3,434.3	98.2	60.6	361.1	16.8
2007	3,586.6	3,629.2	98.8	42.7	361.7	11.8
2008	3,641.2	3,609.6	100.9	(31.6)	368.4	(8.6)
2009	3,412.4	3,689.1	92.5	276.7	357.1	77.5
2010	3,238.1	3,719.6	87.1	481.5	332.3	144.9

**Police and Fire Retirement System**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
2005	\$ 3,757.9	\$ 3,780.4	99.4	\$ 22.6	\$ 250.5	9.0 %
2006	3,987.5	3,809.0	104.7	(178.5)	228.9	-
2007	4,307.2	3,896.8	110.5	(410.4)	230.2	-
2008	4,316.2	4,071.0	106.0	(245.2)	232.8	-
2009	3,945.2	4,221.3	93.5	276.1	231.8	119.1
2010	3,853.3	3,987.5	96.6	134.2	228.8	58.7

**Employee Health and Life Insurance Benefit Plan**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
2007	\$ -	\$ 4,823.6	0.0 %	\$ 4,823.6	\$ 622.6	774.8 %
2009	-	4,971.2	0.0	4,971.2	591.2	840.9

**Supplemental Death Benefit Plan**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
2007	\$ 27.4	\$ 29.4	93.2 %	\$ 2.0	\$ 622.6	0.3 %
2009	24.2	29.7	81.4	5.5	591.2	0.9
2010	24.1	35.2	68.5	11.1	567.3	2.0

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS (IN MILLIONS)**

<b>General Retirement System</b>				<b>Police and Fire Retirement System</b>			
<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Net Pension Asset</b>	<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Net Pension Asset</b>
2006	\$ 42.8	135 %	\$ 679.0	2006	\$ 57.8	100 %	\$ 603.1
2007	41.4	100	691.3	2007	57.4	100	618.8
2008	43.2	100	708.3	2008	58.9	70	636.2
2009	41.4	100	727.7	2009	61.2	59	621.4
2010	37.3	100	740.1	2010	57.8	57	613.6
2011	55.1	100	754.2	2011	81.6	100	617.7

**Employee Health and Life Insurance Benefit Plan**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2009	\$ 309.7	52 %
2010	311.9	48
2011	324.4	51

**Supplemental Death Benefit Plan**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2009	\$ 0.151	108 %
2010	0.399	36
2011	0.734	21

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**OTHER SUPPLEMENTARY  
INFORMATION SECTION**

**COMBINING NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

## SPECIAL REVENUE FUNDS

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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

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<b>Community Development Block Grant Fund</b>	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974
<b>Construction Code Fund</b>	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
<b>Urban Development Fund</b>	To account for funding received from the Federal Government earmarked for the acquisition and site preparation of property for future development
<b>Detroit Workforce Development Fund</b>	To account for employment and training program grants received from government sources
<b>Drug Law Enforcement Fund</b>	To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement
<b>Human Services Fund</b>	To account for Federal and State Grant revenues that are to be used to finance certain social service programs
<b>Solid Waste Management Fund</b>	To account for local revenues collected for curbside rubbish pick-up and discard
<b>Street Fund</b>	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
<b>Targeted Business Development Fund</b>	To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City
<b>Telecommunications Fund</b>	To account for State grant revenues received as a result of Public Act 48 of 2002 (Metropolitan Extension Telecommunications Rights-of-Way Oversight Act), which was designed to promote expanded telecommunication services in Michigan
<b>Renewable Energy Fund</b>	To account for Public Act 295 of 2008, Clean, Renewable, and Efficient Energy Act activities of the Public Lighting Department



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## **DEBT SERVICE FUND**

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**THE 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**

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## **CAPITAL PROJECTS FUND**

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**THE CAPITAL PROJECTS FUND IS 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)**

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## **PERMANENT FUNDS**

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**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**

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## **PERPETUAL CARE - BEQUEST FUNDS**

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

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**City of Detroit, Michigan**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Permanent Funds and Bequest Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 52,717,493	\$ 48,710	\$ 57,523,972	\$ 427,160	\$ 110,717,335
Investments	48,494,831	326,863	96,249,761	1,258,860	146,330,315
Accounts and Contracts Receivable:					
Property Taxes Receivable	—	46,037,214	—	—	46,037,214
Special Assessments	—	—	541,890	—	541,890
Loans Receivable	18,000,000	—	—	—	18,000,000
Trade Receivables	14,506,232	—	5,787,927	—	20,294,159
Total Accounts and Contracts Receivable	32,506,232	46,037,214	6,329,817	—	84,873,263
Allowance for Uncollectible Accounts	(19,786,139)	(46,037,214)	(1,073,357)	—	(66,896,710)
Total Accounts and Contracts Receivable - Net	12,720,093	—	5,256,460	—	17,976,553
Due from Other Funds	19,670,374	19,493,661	—	—	39,164,035
Due from Component Units	289,771	—	—	—	289,771
Due from Other Governmental Agencies	26,636,520	—	14,346	—	26,650,866
Inventory	1,597,869	—	—	—	1,597,869
Total Assets	\$ 162,126,951	\$ 19,869,234	\$ 159,044,539	\$ 1,686,020	\$ 342,726,744
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and Contracts Payable	\$ 18,608,569	\$ —	\$ 4,352,345	\$ —	\$ 22,960,914
Accrued Liabilities	32,177,640	—	2,449,074	—	34,626,714
Accrued Salaries and Wages	1,145,205	—	1,060	—	1,146,265
Due to Other Funds	10,292,115	3,706,835	1,893,805	—	15,892,755
Loans and Other Advances from Other Funds	—	—	850,000	—	850,000
Due to Other Governmental Agencies	19,722,050	11,600,649	164,567	—	31,487,266
Deposits from Vendors and Customers	798,157	—	—	—	798,157
Deferred Revenue - Unavailable	3,309,900	—	325,849	—	3,635,749
Other Liabilities	3,567,627	—	—	—	3,567,627
Accrued Compensated Absences	—	—	129,718	—	129,718
Total Liabilities	89,621,263	15,307,484	10,166,418	—	115,095,165
Fund Balances:					
Nonspendable:					
Inventory	1,597,869	—	—	—	1,597,869
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	28,474,168	—	—	—	28,474,168
Police	13,965,768	—	—	—	13,965,768
Endowments and Trusts	—	—	—	748,159	748,159
Capital Acquisitions	—	—	148,878,121	—	148,878,121
Local Business Growth	5,681,085	—	—	—	5,681,085
Rubbish Collection and Disposal	6,226,770	—	—	—	6,226,770
Grants	16,560,028	—	—	—	16,560,028
Assigned for:					
Debt Service	—	4,561,750	—	—	4,561,750
Total Fund Balances	72,505,688	4,561,750	148,878,121	1,686,020	227,631,579
Total Liabilities and Fund Balances	\$ 162,126,951	\$ 19,869,234	\$ 159,044,539	\$ 1,686,020	\$ 342,726,744

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds and Bequest Funds	Totals
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ —	\$ 69,345,403	\$ —	\$ —	\$ 69,345,403
Gas and Weight Tax	58,623,860	—	—	—	58,623,860
Other Taxes and Assessments	—	4,776,963	—	—	4,776,963
Licenses, Permits, and Inspection Charges	18,510,150	—	—	—	18,510,150
Intergovernmental:					
Federal	236,041,993	—	—	—	236,041,993
State	38,239,280	—	—	—	38,239,280
Other	6,403,431	—	—	—	6,403,431
Sales and Charges for Services	46,395,352	—	—	—	46,395,352
Ordinance Fines and Forfeitures	4,695,732	—	—	—	4,695,732
Investment Earnings	253,774	(164,373)	—	97,796	187,197
Other Revenue	4,952,965	1,358,483	1,152,585	—	7,464,033
<b>Total Revenues</b>	<b>414,116,537</b>	<b>75,316,476</b>	<b>1,152,585</b>	<b>97,796</b>	<b>490,683,394</b>
<b>EXPENDITURES:</b>					
Current:					
Public Protection	40,193,024	—	—	—	40,193,024
Health	96,327,883	—	—	—	96,327,883
Economic Development	71,404,523	3,474,860	4,912,884	—	79,792,267
Educational Development	58,526,359	—	—	—	58,526,359
Physical Environment	41,054,928	—	—	—	41,054,928
Transportation Facilitation	26,836,954	—	—	—	26,836,954
Debt Service:					
Principal	580,000	78,418,986	—	—	78,998,986
Interest	3,953,314	55,570,048	—	—	59,523,362
Bond Issuance Costs	—	—	1,416,768	—	1,416,768
Capital Outlay	66,700,302	—	13,304,199	—	80,004,501
<b>Total Expenditures</b>	<b>405,577,287</b>	<b>137,463,894</b>	<b>19,633,851</b>	<b>—</b>	<b>562,675,032</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,539,250	(62,147,418)	(18,481,266)	97,796	(71,991,638)
<b>OTHER FINANCING SOURCES (USES):</b>					
Sources:					
Transfers In	25,313,458	61,905,999	938,725	—	88,158,182
Proceeds from Bonds and Notes Issuances	—	—	100,000,000	—	100,000,000
Uses:					
Transfers Out	(25,144,374)	(1,331,976)	(4,328,921)	—	(30,805,271)
Special Item - Transfer of Cobo Hall	—	—	(9,865,937)	—	(9,865,937)
<b>Total Other Financing Sources (Uses)</b>	<b>169,084</b>	<b>60,574,023</b>	<b>86,743,867</b>	<b>—</b>	<b>147,486,974</b>
<b>Net Change in Fund Balances</b>	<b>8,708,334</b>	<b>(1,573,395)</b>	<b>68,262,601</b>	<b>97,796</b>	<b>75,495,336</b>
Fund Balances at Beginning of Year	63,247,316	6,135,145	80,615,520	1,588,224	151,586,205
Increase in Inventory	550,038	—	—	—	550,038
<b>Fund Balances at End of Year</b>	<b>\$ 72,505,688</b>	<b>\$ 4,561,750</b>	<b>\$ 148,878,121</b>	<b>\$ 1,686,020</b>	<b>\$ 227,631,579</b>

**City of Detroit, Michigan**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	<b>Community Development Block Grant Fund</b>	<b>Construction Code Fund</b>	<b>Urban Development Fund</b>	<b>Detroit Workforce Development Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 16,746,253	\$ —	\$ 933,287	\$ 5,016,057
Investments	—	—	1,888,832	—
Accounts and Contracts Receivable:				
Loans Receivable	18,000,000	—	—	—
Trade Receivables	10,693	443,408	—	11,931,313
Total Accounts and Contracts Receivable	18,010,693	443,408	—	11,931,313
Less: Allowance for Uncollectible Accounts	(18,010,693)	(443,408)	—	(195,056)
Total Accounts and Contracts Receivable - Net	—	—	—	11,736,257
Due from Other Funds	525,110	8,028,839	177	30,650
Due from Component Units	—	20,610	—	—
Due from Other Governmental Agencies	10,836,093	213,364	391,928	—
Inventory	—	—	—	—
Total Assets	\$ 28,107,456	\$ 8,262,813	\$ 3,214,224	\$ 16,782,964
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and Contracts Payable	\$ 4,752,073	\$ 3,221,048	\$ 3,374	\$ 3,170,474
Accrued Liabilities	8,659,087	2,832,441	52,541	11,118,850
Accrued Salaries and Wages	197,617	339,014	11,181	98,401
Due to Other Funds	3,660,454	791,109	487,399	1,924,163
Due to Other Governmental Agencies	—	—	—	77,195
Deposits from Vendors and Customers	743,856	(704)	54,055	950
Deferred Revenue - Unavailable	569,441	766,155	—	—
Other Liabilities	30,331	313,750	43,294	302,367
Accrued Compensated Absences	—	—	—	—
Total Liabilities	18,612,859	8,262,813	651,844	16,692,400
<b>Fund Balances:</b>				
Nonspendable - Inventory	—	—	—	—
Restricted for:				
Highway and Street Improvements	—	—	—	—
Police	—	—	—	—
Local Business Growth	—	—	—	—
Rubbish Collection and Disposal	—	—	—	—
Grants	9,494,597	—	2,562,380	90,564
Total Fund Balances	9,494,597	—	2,562,380	90,564
Total Liabilities and Fund Balances	\$ 28,107,456	\$ 8,262,813	\$ 3,214,224	\$ 16,782,964

<u>Drug Law Enforcement Fund</u>	<u>Human Services Fund</u>	<u>Solid Waste Management Fund</u>	<u>Street Fund</u>	<u>Targeted Business Development Fund</u>	<u>Telecommunications Fund</u>	<u>Renewable Energy Fund</u>	<u>Totals</u>
\$ 621,614	\$ 6,190,204	\$ 16,861,027	\$ 220,836	\$ 5,681,085	\$ 447,130	\$ —	\$ 52,717,493
15,188,845	—	—	27,895,298	—	3,521,856	—	48,494,831
—	—	—	—	—	—	—	18,000,000
—	—	85,103	1,589,157	—	—	446,558	14,506,232
—	—	85,103	1,589,157	—	—	446,558	32,506,232
—	—	—	(1,136,982)	—	—	—	(19,786,139)
—	—	85,103	452,175	—	—	446,558	12,720,093
—	—	9,021,871	1,974,304	—	20,653	68,770	19,670,374
—	—	259,508	—	—	—	9,653	289,771
—	3,545,114	—	11,465,428	—	—	184,593	26,636,520
—	—	—	1,597,869	—	—	—	1,597,869
<u>\$ 15,810,459</u>	<u>\$ 9,735,318</u>	<u>\$ 26,227,509</u>	<u>\$ 43,605,910</u>	<u>\$ 5,681,085</u>	<u>\$ 3,989,639</u>	<u>\$ 709,574</u>	<u>\$ 162,126,951</u>
\$ 593,867	\$ 1,593,235	\$ 438,717	4,746,508	\$ —	\$ 69,172	\$ 20,101	\$ 18,608,569
690,704	3,795,659	322,681	4,692,297	—	448	12,932	32,177,640
8,956	120,106	218,179	151,751	—	—	—	1,145,205
551,164	1,348,433	866,784	662,609	—	—	—	10,292,115
—	—	18,154,378	1,306,404	—	—	184,073	19,722,050
—	—	—	—	—	—	—	798,157
—	—	—	1,974,304	—	—	—	3,309,900
—	2,877,885	—	—	—	—	—	3,567,627
—	—	—	—	—	—	—	—
<u>1,844,691</u>	<u>9,735,318</u>	<u>20,000,739</u>	<u>13,533,873</u>	<u>—</u>	<u>69,620</u>	<u>217,106</u>	<u>89,621,263</u>
—	—	—	1,597,869	—	—	—	1,597,869
—	—	—	28,474,168	—	—	—	28,474,168
13,965,768	—	—	—	—	—	—	13,965,768
—	—	—	—	5,681,085	—	—	5,681,085
—	—	6,226,770	—	—	—	—	6,226,770
—	—	—	—	—	3,920,019	492,468	16,560,028
<u>13,965,768</u>	<u>—</u>	<u>6,226,770</u>	<u>30,072,037</u>	<u>5,681,085</u>	<u>3,920,019</u>	<u>492,468</u>	<u>72,505,688</u>
<u>\$ 15,810,459</u>	<u>\$ 9,735,318</u>	<u>\$ 26,227,509</u>	<u>\$ 43,605,910</u>	<u>\$ 5,681,085</u>	<u>\$ 3,989,639</u>	<u>\$ 709,574</u>	<u>\$ 162,126,951</u>

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	<b>Community Development Block Grant Fund</b>	<b>Construction Code Fund</b>	<b>Urban Development Fund</b>	<b>Detroit Workforce Development Fund</b>
<b>REVENUES:</b>				
Taxes:				
Gas and Weight Tax	\$ —	\$ —	\$ —	\$ —
Licenses, Permits, and Inspection Charges	—	18,510,150	—	—
Intergovernmental:				
Federal	66,848,738	—	14,544,119	58,645,350
State	—	—	—	—
Other	—	—	—	—
Sales and Charges for Services	—	—	—	—
Ordinance Fines and Forfeitures	—	34,676	—	—
Investment Earnings	19,698	—	6,188	—
Other Revenue	2,641,642	—	900,982	499,058
	<u>69,510,078</u>	<u>18,544,826</u>	<u>15,451,289</u>	<u>59,144,408</u>
Total Revenues				
<b>EXPENDITURES:</b>				
Current:				
Public Protection	—	34,026,431	—	—
Health	—	—	—	—
Economic Development	55,946,922	—	15,457,601	—
Educational Development	—	—	—	58,526,359
Physical Environment	—	—	—	—
Transportation Facilitation	—	—	—	—
Debt Service:				
Principal	580,000	—	—	—
Interest	3,953,314	—	—	—
Capital Outlay	997,737	—	—	527,485
	<u>61,477,973</u>	<u>34,026,431</u>	<u>15,457,601</u>	<u>59,053,844</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,032,105</u>	<u>(15,481,605)</u>	<u>(6,312)</u>	<u>90,564</u>
Other Financing Sources (Uses):				
Transfers In	—	15,481,605	—	—
Transfers Out	(8,023,709)	—	—	—
	<u>(8,023,709)</u>	<u>15,481,605</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	8,396	—	(6,312)	90,564
Fund Balances at Beginning of Year	9,486,201	—	2,568,692	—
Increase in Inventory	—	—	—	—
Fund Balances at End of Year	<u>\$ 9,494,597</u>	<u>\$ —</u>	<u>\$ 2,562,380</u>	<u>\$ 90,564</u>

<u>Drug Law Enforcement Fund</u>	<u>Human Services Fund</u>	<u>Solid Waste Management Fund</u>	<u>Street Fund</u>	<u>Targeted Business Development Fund</u>	<u>Telecommunications Fund</u>	<u>Renewable Energy Fund</u>	<u>Totals</u>
\$ —	\$ —	\$ —	\$ 58,623,860	\$ —	\$ —	\$ —	\$ 58,623,860
—	—	—	—	—	—	—	18,510,150
—	96,003,786	—	—	—	—	—	236,041,993
—	—	—	35,503,089	—	2,736,191	—	38,239,280
—	—	—	6,099,626	—	—	303,805	6,403,431
4,551,675	—	46,395,352	—	—	—	—	46,395,352
4,459	6,244	109,381	—	—	—	—	4,695,732
104,137	—	—	195,329	—	21,856	—	253,774
<u>4,660,271</u>	<u>96,010,030</u>	<u>47,031,238</u>	<u>100,469,836</u>	<u>—</u>	<u>2,758,047</u>	<u>536,514</u>	<u>414,116,537</u>
6,166,593	—	—	—	—	—	—	40,193,024
—	96,327,883	—	—	—	—	—	96,327,883
—	—	—	—	—	—	—	71,404,523
—	—	—	—	—	—	—	58,526,359
—	—	40,556,468	—	—	—	498,460	41,054,928
—	—	—	26,062,255	—	774,699	—	26,836,954
—	—	—	—	—	—	—	580,000
—	—	—	—	—	—	—	3,953,314
<u>17,635</u>	<u>—</u>	<u>248,000</u>	<u>62,812,073</u>	<u>—</u>	<u>2,097,372</u>	<u>—</u>	<u>66,700,302</u>
<u>6,184,228</u>	<u>96,327,883</u>	<u>40,804,468</u>	<u>88,874,328</u>	<u>—</u>	<u>2,872,071</u>	<u>498,460</u>	<u>405,577,287</u>
<u>(1,523,957)</u>	<u>(317,853)</u>	<u>6,226,770</u>	<u>11,595,508</u>	<u>—</u>	<u>(114,024)</u>	<u>38,054</u>	<u>8,539,250</u>
—	317,853	—	9,514,000	—	—	—	25,313,458
—	—	—	(17,120,665)	—	—	—	(25,144,374)
—	<u>317,853</u>	<u>—</u>	<u>(7,606,665)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>169,084</u>
(1,523,957)	—	6,226,770	3,988,843	—	(114,024)	38,054	8,708,334
15,489,725	—	—	25,533,156	5,681,085	4,034,043	454,414	63,247,316
—	—	—	550,038	—	—	—	550,038
<u>\$ 13,965,768</u>	<u>\$ —</u>	<u>\$ 6,226,770</u>	<u>\$ 30,072,037</u>	<u>\$ 5,681,085</u>	<u>\$ 3,920,019</u>	<u>\$ 492,468</u>	<u>\$ 72,505,688</u>

**City of Detroit, Michigan**  
**COMBINING BALANCE SHEET ACCOUNTS**  
**OTHER GOVERNMENTAL FUNDS - STREET FUND**  
**June 30, 2011**

	<b>Major Account</b>	<b>Local Account</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ —	\$ 220,836	\$ 220,836
Investments	24,088,126	3,807,172	27,895,298
Accounts and Contracts Receivable - Trade	1,589,157	—	1,589,157
Less: Allowance for Uncollectible Accounts	(1,136,982)	—	(1,136,982)
Total Accounts and Contracts Receivable - Net	452,175	—	452,175
Due from Other Funds	1,840,146	134,158	1,974,304
Due from Other Governmental Agencies	9,366,994	2,098,434	11,465,428
Inventory	1,597,869	—	1,597,869
Total Assets	\$ 37,345,310	\$ 6,260,600	\$ 43,605,910
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts and Contracts Payable	\$ 4,578,055	\$ 168,453	\$ 4,746,508
Due to Other Funds	662,609	—	662,609
Due to Other Governmental Agencies	1,306,404	—	1,306,404
Accrued Salaries and Wages	151,751	—	151,751
Accrued Liabilities	3,808,258	884,039	4,692,297
Deferred Revenue - Unavailable	1,840,146	134,158	1,974,304
Total Liabilities	12,347,223	1,186,650	13,533,873
<b>Fund Balances:</b>			
Nonspendable - Inventory	1,597,869	—	1,597,869
Restricted for Highway and Street Improvements	23,400,218	5,073,950	28,474,168
Total Fund Balances	24,998,087	5,073,950	30,072,037
Total Liabilities and Fund Balances	\$ 37,345,310	\$ 6,260,600	\$ 43,605,910



**City of Detroit, Michigan**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE ACCOUNTS**  
**OTHER GOVERNMENTAL FUNDS - STREET FUND**  
**For the Year Ended June 30, 2011**

	<u>Major Account</u>	<u>Local Account</u>	<u>Totals</u>
Revenues:			
Gas and Weight Tax	\$ 45,618,145	\$ 13,005,715	\$ 58,623,860
Intergovernmental:			
State	35,282,001	221,088	35,503,089
Other	6,099,626	—	6,099,626
Investment Earnings	166,164	29,165	195,329
Other Revenue	47,932	—	47,932
Total Revenues	<u>87,213,868</u>	<u>13,255,968</u>	<u>100,469,836</u>
Expenditures:			
Transportation Facilitation	13,952,394	12,109,861	26,062,255
Capital Outlay	61,984,150	827,923	62,812,073
Total Expenditures	<u>75,936,544</u>	<u>12,937,784</u>	<u>88,874,328</u>
Excess of Revenues Over Expenditures	<u>11,277,324</u>	<u>318,184</u>	<u>11,595,508</u>
Other Financing Sources (Uses):			
Transfers In	—	9,514,000	9,514,000
Transfers Out	<u>(15,953,555)</u>	<u>(1,167,110)</u>	<u>(17,120,665)</u>
Total Other Financing Sources (Uses)	<u>(15,953,555)</u>	<u>8,346,890</u>	<u>(7,606,665)</u>
Net Change in Fund Balances	(4,676,231)	8,665,074	3,988,843
Fund Balances (Deficit) at Beginning of Year	29,124,280	(3,591,124)	25,533,156
Increase in Inventory	<u>550,038</u>	<u>—</u>	<u>550,038</u>
Fund Balances at End of Year	<u>\$ 24,998,087</u>	<u>\$ 5,073,950</u>	<u>\$ 30,072,037</u>

**City of Detroit, Michigan**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL PERMANENT FUNDS**  
**June 30, 2011**

	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Bequest Funds</u>		
	<u>Other Trust</u>	<u>Cemetery Trust</u>	
ASSETS			
Cash and Cash Equivalents	\$ —	\$ 427,160	\$ 427,160
Investments	49,259	1,209,601	1,258,860
Total Assets	<u>\$ 49,259</u>	<u>\$ 1,636,761</u>	<u>\$ 1,686,020</u>
LIABILITIES AND FUND BALANCES			
Fund Balance			
Nonspendable - Permanent Fund Principal	\$ 40,349	\$ 897,512	\$ 937,861
Restricted for Endowments and Trusts	8,910	739,249	748,159
Total Liabilities and Fund Balances	<u>\$ 49,259</u>	<u>\$ 1,636,761</u>	<u>\$ 1,686,020</u>

**City of Detroit, Michigan**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL PERMANENT FUNDS**  
**BEQUEST FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Bequest Funds</u>		
	<u>Other Trust</u>	<u>Cemetery Trust</u>	
Revenues - Investment Earnings	\$ 72	\$ 97,724	\$ 97,796
Expenditures - Economic Development	—	—	—
Excess of Revenues Over Expenditures	72	97,724	97,796
Fund Balances at Beginning of Year	49,187	1,539,037	1,588,224
Fund Balances at End of Year	\$ 49,259	\$ 1,636,761	\$ 1,686,020

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$ 41,767,247	\$ 178,428,959	\$ 66,848,738	\$ (111,580,221)
Investment Earnings	—	(649,849)	19,698	669,547
Other Revenue	<u>1,053,647</u>	<u>28,907,922</u>	<u>2,641,642</u>	<u>(26,266,280)</u>
Total Revenues	42,820,894	206,687,032	69,510,078	(137,176,954)
Expenditures:				
Current:				
Economic Development	42,804,572	205,701,832	55,946,922	149,754,910
Debt Service	—	—	4,533,314	(4,533,314)
Capital Outlay	<u>16,322</u>	<u>4,554,473</u>	<u>997,737</u>	<u>3,556,736</u>
Total Expenditures	42,820,894	210,256,305	61,477,973	148,778,332
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(3,569,273)</u>	<u>8,032,105</u>	<u>11,601,378</u>
Other Financing Sources (Uses):				
Transfers In	—	898,579	—	(898,579)
Transfers Out	<u>—</u>	<u>141,576</u>	<u>(8,023,709)</u>	<u>(8,165,285)</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>1,040,155</u>	<u>(8,023,709)</u>	<u>(9,063,864)</u>
Net Change in Fund Balance	—	(2,529,118)	8,396	2,537,514
Fund Balance at Beginning of Year	<u>9,486,201</u>	<u>9,486,201</u>	<u>9,486,201</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 9,486,201</u>	<u>\$ 6,957,083</u>	<u>\$ 9,494,597</u>	<u>\$ 2,537,514</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**CONSTRUCTION CODE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, Permits, and Inspection Charges	\$ 24,015,694	\$ 24,015,694	\$ 18,510,150	\$ (5,505,544)
Sales and Charges for Services	147,000	147,000	—	(147,000)
Ordinance Fines and Forfeitures	<u>1,300,500</u>	<u>1,300,500</u>	<u>34,676</u>	<u>(1,265,824)</u>
Total Revenues	<u>25,463,194</u>	<u>25,463,194</u>	<u>18,544,826</u>	<u>(6,918,368)</u>
Expenditures:				
Public Protection	24,425,194	24,535,310	34,026,431	(9,491,121)
Capital Outlay	<u>1,038,000</u>	<u>38,957</u>	<u>—</u>	<u>38,957</u>
Total Expenditures	<u>25,463,194</u>	<u>24,574,267</u>	<u>34,026,431</u>	<u>9,452,164</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	888,927	(15,481,605)	(16,370,532)
Other Financing Sources:				
Transfers In	<u>—</u>	<u>—</u>	<u>15,481,605</u>	<u>15,481,605</u>
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>15,481,605</u>	<u>15,481,605</u>
Net Change in Fund Balance	—	888,927	—	(888,927)
Fund Balance at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ —</u>	<u>\$ 888,927</u>	<u>\$ —</u>	<u>\$ (888,927)</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**URBAN DEVELOPMENT FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$ 10,888,466	\$ 38,510,300	\$ 14,544,119	\$ (23,966,181)
Investment Earnings	—	(282,033)	6,188	288,221
Other Revenue	—	626,783	900,982	274,199
Total Revenues	10,888,466	38,855,050	15,451,289	(23,403,761)
Expenditures:				
Economic Development	10,888,466	31,595,395	15,457,601	16,137,794
Capital Outlay	—	300,320	—	300,320
Total Expenditures	10,888,466	31,895,715	15,457,601	16,438,114
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	6,959,335	(6,312)	(6,965,647)
Other Financing Uses - Transfers Out	—	(6,189,563)	—	6,189,563
Net Change in Fund Balance	—	769,772	(6,312)	(776,084)
Fund Balance at Beginning of Year	2,568,692	2,568,692	2,568,692	—
Fund Balance at End of Year	\$ 2,568,692	\$ 3,338,464	\$ 2,562,380	\$ (776,084)

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**DETROIT WORKFORCE DEVELOPMENT FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Federal	\$ 61,518,944	\$ 217,593,736	\$ 58,645,350	\$ (158,948,386)
State	—	4,596,895	—	(4,596,895)
Other Revenue	<u>1,000,000</u>	<u>20,319,343</u>	<u>499,058</u>	<u>(19,820,285)</u>
Total Revenues	<u>62,518,944</u>	<u>242,509,974</u>	<u>59,144,408</u>	<u>(183,365,566)</u>
Expenditures:				
Educational Development	62,440,944	234,276,542	58,526,359	175,750,183
Debt Service	68,000	239,952	—	239,952
Capital Outlay	<u>10,000</u>	<u>(158,427)</u>	<u>527,485</u>	<u>(685,912)</u>
Total Expenditures	<u>62,518,944</u>	<u>234,358,067</u>	<u>59,053,844</u>	<u>175,304,223</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	8,151,907	90,564	(8,061,343)
Other Financing Sources - Transfers In	<u>—</u>	<u>179,000</u>	<u>—</u>	<u>(179,000)</u>
Net Change in Fund Balance	—	8,330,907	90,564	(8,240,343)
Fund Balance at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ —</u>	<u>\$ 8,330,907</u>	<u>\$ 90,564</u>	<u>\$ (8,240,343)</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**DRUG LAW ENFORCEMENT FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ordinance Fines and Forfeitures	\$ —	\$ (744,181)	\$ 4,551,675	\$ 5,295,856
Investment Earnings	—	(35,267)	4,459	39,726
Other Revenue	<u>6,418,337</u>	<u>15,879,132</u>	<u>104,137</u>	<u>(15,774,995)</u>
Total Revenues	<u>6,418,337</u>	<u>15,099,684</u>	<u>4,660,271</u>	<u>(10,439,413)</u>
Expenditures:				
Public Protection	6,418,337	21,537,953	6,166,593	15,371,360
Capital Outlay	<u>—</u>	<u>772,416</u>	<u>17,635</u>	<u>754,781</u>
Total Expenditures	<u>6,418,337</u>	<u>22,310,369</u>	<u>6,184,228</u>	<u>16,126,141</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(7,210,685)	(1,523,957)	5,686,728
Fund Balance at Beginning of Year	<u>15,489,725</u>	<u>15,489,725</u>	<u>15,489,725</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 15,489,725</u>	<u>\$ 8,279,040</u>	<u>\$ 13,965,768</u>	<u>\$ 5,686,728</u>



**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**HUMAN SERVICES FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$ 70,574,710	\$ 253,332,826	\$ 96,003,786	\$ (157,329,040)
Investment Earnings	—	(218,422)	6,244	224,666
Total Revenues	<u>70,574,710</u>	<u>253,114,404</u>	<u>96,010,030</u>	<u>(157,104,374)</u>
Expenditures:				
Health	70,479,609	236,846,359	96,327,883	140,518,476
Capital Outlay	95,101	404,670	—	404,670
Total Expenditures	<u>70,574,710</u>	<u>237,251,029</u>	<u>96,327,883</u>	<u>140,923,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	15,863,375	(317,853)	(16,181,228)
Other Financing Sources - Transfers In	—	270	317,853	317,583
Net Change in Fund Balance	—	15,863,645	—	(15,863,645)
Fund Balance at Beginning of Year	—	—	—	—
Fund Balance at End of Year	<u>—</u>	<u>15,863,645</u>	<u>—</u>	<u>(15,863,645)</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**SOLID WASTE MANAGEMENT FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Sales and Charges for Services	\$ 51,588,882	\$ 51,588,882	\$ 46,395,352	\$ (5,193,530)
Ordinance Fines and Forfeitures	800,000	800,000	109,381	(690,619)
Other Revenue	<u>123,687</u>	<u>123,687</u>	<u>526,505</u>	<u>402,818</u>
Total Revenues	<u>52,512,569</u>	<u>52,512,569</u>	<u>47,031,238</u>	<u>(5,481,331)</u>
Expenditures:				
Physical Environment	48,041,184	52,736,958	40,556,468	12,180,490
Capital Outlay	<u>4,471,385</u>	<u>4,423,844</u>	<u>248,000</u>	<u>4,175,844</u>
Total Expenditures	52,512,569	57,160,802	40,804,468	16,356,334
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(4,648,233)	6,226,770	10,875,003
Fund Balance at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ —</u>	<u>\$ (4,648,233)</u>	<u>\$ 6,226,770</u>	<u>\$ 10,875,003</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**MAJOR STREET FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gas and Weight Tax	\$ 57,200,000	\$ 88,464,949	\$ 45,618,145	\$ (42,846,804)
Intergovernmental:				
State	—	16,733,910	35,282,001	18,548,091
Other	—	(1,130,224)	6,099,626	7,229,850
Investment Earnings	807,332	4,875,346	166,164	(4,709,182)
Other Revenue	2,396,375	136,077,191	47,932	(136,029,259)
Total Revenues	<u>60,403,707</u>	<u>245,021,172</u>	<u>87,213,868</u>	<u>(157,807,304)</u>
Expenditures:				
Transportation Facilitation	51,467,088	169,162,526	13,952,394	155,210,132
Capital Outlay	8,936,619	92,193,808	61,984,150	30,209,658
Total Expenditures	<u>60,403,707</u>	<u>261,356,334</u>	<u>75,936,544</u>	<u>(185,419,790)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(16,335,162)</u>	<u>11,277,324</u>	<u>27,612,486</u>
Other Financing Sources (Uses):				
Transfers In	—	59,343,034	—	(59,343,034)
Transfers Out	—	(68,913,406)	(15,953,555)	52,959,851
Total Other Financing Sources (Uses)	<u>—</u>	<u>(9,570,372)</u>	<u>(15,953,555)</u>	<u>(6,383,183)</u>
Net Change in Fund Balance	—	(25,905,534)	(4,676,231)	21,229,303
Fund Balance at Beginning of Year	29,124,280	29,124,280	29,124,280	—
Increase in Inventory	—	—	550,038	550,038
Fund Balance at End of Year	<u>\$ 29,124,280</u>	<u>\$ 3,218,746</u>	<u>\$ 24,998,087</u>	<u>\$ 21,779,341</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**LOCAL STREET FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gas and Weight Tax	\$ —	\$ (3,453,224)	\$ 13,005,715	\$ 16,458,939
Intergovernmental:				
State	—	—	221,088	221,088
Investment Earnings	—	(109,933)	29,165	139,098
Other Revenues	—	(4,247,132)	—	4,247,132
Total Revenues	<u>—</u>	<u>(7,810,289)</u>	<u>13,255,968</u>	<u>21,066,257</u>
Expenditures:				
Transportation Facilitation	—	(9,977,440)	12,109,861	(22,087,301)
Capital Outlay	—	27,143,836	827,923	26,315,913
Total Expenditures	<u>—</u>	<u>17,166,396</u>	<u>12,937,784</u>	<u>4,228,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(24,976,685)</u>	<u>318,184</u>	<u>25,294,869</u>
Other Financing Sources (Uses):				
Transfers In	—	9,514,000	9,514,000	—
Transfers Out	—	—	(1,167,110)	(1,167,110)
Total Other Financing Sources (Uses)	<u>—</u>	<u>9,514,000</u>	<u>8,346,890</u>	<u>(1,167,110)</u>
Net Change in Fund Balance	—	(15,462,685)	8,665,074	24,127,759
Fund Balance (Deficit) at Beginning of Year	<u>(3,591,124)</u>	<u>(3,591,124)</u>	<u>(3,591,124)</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ (3,591,124)</u>	<u>\$ (19,053,809)</u>	<u>\$ 5,073,950</u>	<u>\$ 24,127,759</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**TARGETED BUSINESS DEVELOPMENT FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ —	\$ —	\$ —	\$ —
Expenditures - Economic Development	<u>—</u>	<u>(5,448,373)</u>	<u>—</u>	<u>(5,448,373)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	5,448,373	—	(5,448,373)
Fund Balance at Beginning of Year	<u>5,681,085</u>	<u>5,681,085</u>	<u>5,681,085</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 5,681,085</u>	<u>\$ 11,129,458</u>	<u>\$ 5,681,085</u>	<u>\$ (5,448,373)</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**TELECOMMUNICATIONS FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - State	\$ 2,800,000	\$ (1,588,070)	\$ 2,736,191	\$ 4,324,261
Other Revenue	—	(20,653)	21,856	42,509
Total Revenues	<u>2,800,000</u>	<u>(1,608,723)</u>	<u>2,758,047</u>	<u>4,366,770</u>
Expenditures:				
Transportation Facilitation	—	(3,237,948)	774,699	(4,012,647)
Capital Outlay	2,800,000	7,289,346	2,097,372	5,191,974
Total Expenditures	<u>2,800,000</u>	<u>4,051,398</u>	<u>2,872,071</u>	<u>1,179,327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(5,660,121)</u>	<u>(114,024)</u>	<u>5,546,097</u>
Net Change in Fund Balance	—	(5,660,121)	(114,024)	5,546,097
Fund Balance at Beginning of Year	<u>4,034,043</u>	<u>4,034,043</u>	<u>4,034,043</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 4,034,043</u>	<u>\$ (1,626,078)</u>	<u>\$ 3,920,019</u>	<u>\$ 5,546,097</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**RENEWABLE ENERGY FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues - Other	\$ 694,000	\$ 239,586	\$ 536,514	\$ 296,928
Expenditures	<u>694,000</u>	<u>694,000</u>	<u>498,460</u>	<u>195,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(454,414)	38,054	492,468
Fund Balance at Beginning of Year	<u>454,414</u>	<u>454,414</u>	<u>454,414</u>	—
Fund Balance at End of Year	<u>\$ 454,414</u>	<u>\$ —</u>	<u>\$ 492,468</u>	<u>\$ 492,468</u>

**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**DEBT SERVICE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 67,211,627	\$ 67,211,627	\$ 69,345,403	\$ 2,133,776
Other Taxes and Assessments	7,213,110	7,213,110	4,776,963	(2,436,147)
Investment Earnings	—	—	(164,373)	(164,373)
Other Revenue	<u>(26,424)</u>	<u>(26,424)</u>	<u>1,358,483</u>	<u>1,384,907</u>
Total Revenues	<u>74,398,313</u>	<u>74,398,313</u>	<u>75,316,476</u>	<u>918,163</u>
Expenditures:				
Economic Development	4,590,867	4,590,867	3,474,860	1,116,007
Debt Service:				
Principal	44,705,000	44,705,000	78,418,986	(33,713,986)
Interest	<u>25,102,446</u>	<u>25,102,446</u>	<u>55,570,048</u>	<u>(30,467,602)</u>
Total Expenditures	<u>74,398,313</u>	<u>74,398,313</u>	<u>137,463,894</u>	<u>(63,065,581)</u>
Deficiency of Revenues Under Expenditures	—	—	(62,147,418)	(62,147,418)
Other Financing Sources (Uses):				
Transfers In	—	—	61,905,999	61,905,999
Transfers Out	<u>—</u>	<u>—</u>	<u>(1,331,976)</u>	<u>(1,331,976)</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>60,574,023</u>	<u>60,574,023</u>
Net Change in Fund Balance	—	—	(1,573,395)	(1,573,395)
Fund Balance at Beginning of Year	<u>6,135,145</u>	<u>6,135,145</u>	<u>6,135,145</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 6,135,145</u>	<u>\$ 6,135,145</u>	<u>\$ 4,561,750</u>	<u>\$ (1,573,395)</u>



**City of Detroit, Michigan**  
**BUDGETARY COMPARISON SCHEDULES**  
**OTHER GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental - Federal	\$ —	\$ 1,087,580	\$ —	\$ (1,087,580)
Investment Earnings	—	264,626	—	(264,626)
Other Revenue	—	6,105,536	1,152,585	(4,952,951)
Total Revenues	—	7,457,742	1,152,585	(6,305,157)
<b>Expenditures:</b>				
Economic Development	—	—	4,912,884	(4,912,884)
Capital Outlay	—	185,676,557	13,304,199	172,372,358
Bond Issuance Costs	—	1,401,484	1,416,768	(15,284)
Total Expenditures	—	187,078,041	19,633,851	167,444,190
Deficiency of Revenues Under Expenditures	—	(179,620,299)	(18,481,266)	(173,749,347)
<b>Other Financing Sources (Uses):</b>				
<b>Sources:</b>				
Transfers In	—	8,456,005	938,725	(7,517,280)
Bond Proceeds	—	129,497,571	100,000,000	(29,497,571)
<b>Uses:</b>				
Transfers Out	—	(2,591,523)	(4,328,921)	(1,737,398)
Loss on Sale of Assets	—	—	(9,865,937)	(9,865,937)
Interest Paid to Bond Agent for Refunded Bonds	—	(4,331,334)	—	4,331,334
Total Other Financing Sources (Uses)	—	131,030,719	86,743,867	(44,286,852)
Net Change in Fund Balance	—	(48,589,580)	68,262,601	116,852,181
Fund Balance at Beginning of Year	80,615,520	80,615,520	80,615,520	—
Fund Balance at End of Year	\$ 80,615,520	\$ 32,025,940	\$ 148,878,121	\$ 116,852,181

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## COMBINING STATEMENT OF FIDUCIARY FUNDS

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS - PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS**  
**June 30, 2011**

	<b>Pension</b>	
	<b>General Retirement System</b>	<b>Policemen &amp; Firemen Retirement System</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,827,721	\$ 5,329,752
Investments at Fair Value:		
Short-Term Investments	84,647,332	46,104,178
Bonds and Stocks	1,588,438,923	2,217,885,043
Mortgage-Backed Securities	21,396,438	70,342,795
Mortgage and Construction Loans	78,186,668	135,312,225
Equity Interest in Real Estate	279,991,189	410,914,734
Real Estate Investment Trusts Held by Custodian	—	29,288,746
Pooled Investments	33,549,000	280,811,482
Private Placements	361,251,019	83,389,021
Total Investments	2,447,460,569	3,274,048,224
Accrued Interest Receivable	5,519,804	19,211,075
Due from Primary Government	10,171,684	85,179,936
Due from Component Units	780,181	—
Receivables from Investment Sales	8,894,101	61,795,113
Other Receivables	24,410,176	—
Cash and Investments Held as Collateral for Securities Lending	110,910,673	273,073,412
Capital Assets	1,283,118	1,238,895
Total Assets	2,615,258,027	3,719,876,407
<b>LIABILITIES</b>		
Accounts and Contracts Payable	—	—
Payables for Investment Purchases	28,241,569	26,825,265
Benefits and Claims Payable	—	5,278,688
Due to Primary Government	2,753,157	1,399,121
Amount Due to Broker for Securities Lending	136,293,411	300,075,662
Other Liabilities	26,402,934	6,206,070
Total Liabilities	193,691,071	339,784,806
<b>NET ASSETS</b>		
Net Assets Held in Trust for Pension and Other Employee Benefits	2,421,566,956	3,380,091,601
Death Benefit and Disability Income Protection	—	—
Total Net Assets	\$ 2,421,566,956	\$ 3,380,091,601

<b>Other Employee Benefits</b>			
<b>Other Post Employment Benefits Fund</b>	<b>Employee Death Benefits Fund</b>	<b>Employee Disability Income Protection Fund</b>	<b>Total Pension and Other Employee Benefit Trusts</b>
\$ 75,107	\$ 489,385	\$ —	\$ 11,721,965
11,353,000	22,854,754	—	164,959,264
—	5,594,999	—	3,811,918,965
—	11,705	—	91,750,938
—	—	—	213,498,893
—	—	—	690,905,923
—	—	—	29,288,746
—	—	—	314,360,482
—	1,333,360	—	445,973,400
<u>11,353,000</u>	<u>29,794,818</u>	<u>—</u>	<u>5,762,656,611</u>
—	—	—	24,730,879
35,194,050	14,269	3,146,522	133,706,461
862,957	5,095	19,880	1,668,113
—	—	—	70,689,214
2,715,154	369	—	27,125,699
—	—	—	383,984,085
—	—	—	2,522,013
<u>50,200,268</u>	<u>30,303,936</u>	<u>3,166,402</u>	<u>6,418,805,040</u>
119	21,632	2,166,402	2,188,153
—	—	—	55,066,834
—	—	—	5,278,688
54,791	—	—	4,207,069
—	—	—	436,369,073
42,668,756	—	—	75,277,760
<u>42,723,666</u>	<u>21,632</u>	<u>2,166,402</u>	<u>578,387,577</u>
7,476,602	—	—	5,809,135,159
—	30,282,304	1,000,000	31,282,304
<u>\$ 7,476,602</u>	<u>\$ 30,282,304</u>	<u>\$ 1,000,000</u>	<u>\$ 5,840,417,463</u>

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS – PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS**  
**For the Year Ended June 30, 2011**

	Pension		Other Employee Benefits			Total Pension and Other Employee Benefit Trusts
	General Retirement System	Policemen & Firemen Retirement System	Other Post Employment Benefits Fund	Employee Death Benefits Fund	Employee Disability Income Protection Plan	
ADDITIONS:						
Employer Contributions	\$ 55,138,044	\$ 81,642,112	\$ 260,502,926	137,628	\$ 1,955,814	\$ 399,376,524
Plan Member Contributions	18,104,402	10,453,905	34,424,796	164,823	—	63,147,926
Other Income	—	—	13,999,113	—	—	13,999,113
Total Contributions	73,242,446	92,096,017	308,926,835	302,451	1,955,814	476,523,563
Investment Earnings:						
Interest and Dividend Income	38,045,858	113,698,504	73,862	362,091	—	152,180,315
Net Appreciation in Fair Value	413,327,439	513,741,807	621,942	5,449,973	—	933,141,161
Investment Expense	(15,008,752)	(17,683,842)	—	—	—	(32,692,594)
Securities Lending Income	325,305	1,028,334	—	—	—	1,353,639
Net Gain on Collateralized Securities	2,254,750	3,296,302	—	—	—	5,551,052
Other Income	1,924,061	753,764	—	—	—	2,677,825
Total Investment Earnings	440,868,661	614,834,869	695,804	5,812,064	—	1,062,211,398
Total Additions	514,111,107	706,930,886	309,622,639	6,114,515	1,955,814	1,538,734,961
DEDUCTIONS:						
Pension and Annuity Benefits	221,498,249	263,432,423	—	—	—	484,930,672
Premiums to Insurers and Damage Claims	—	—	308,502,401	1,747,354	1,955,814	312,205,569
Member Refunds and Withdrawals	112,728,838	75,869,417	—	—	—	188,598,255
General and Administrative Expenses	4,829,753	5,486,680	5,885	65,197	—	10,387,515
Total Deductions	339,056,840	344,788,520	308,508,286	1,812,551	1,955,814	996,122,011
Net Increase	175,054,267	362,142,366	1,114,353	4,301,964	—	542,612,950
Net Assets, Beginning of Year	2,246,512,689	3,017,949,235	6,362,249	25,980,340	1,000,000	5,297,804,513
Net Assets, End of Year	\$ 2,421,566,956	\$ 3,380,091,601	\$ 7,476,602	\$ 30,282,304	\$ 1,000,000	\$ 5,840,417,463

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

	<b>Fire Insurance Escrow Fund</b>	<b>Other Agency Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,428,953	\$ 321,697	\$ 1,750,650
Investments at Fair Value	22,248,511	—	22,248,511
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 23,677,464</u>	<u>\$ 321,697</u>	<u>\$ 23,999,161</u>
<b>LIABILITIES</b>			
Accounts and Contracts Payable	\$ 119,115	\$ 321,697	\$ 440,812
Other Liabilities	23,540,444	—	23,540,444
Due to Primary Government	17,905	—	17,905
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 23,677,464</u>	<u>\$ 321,697</u>	<u>\$ 23,999,161</u>

**City of Detroit, Michigan**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**

**City of Detroit, Michigan**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2011</b>
<b>Fire Insurance Escrow Fund</b>				
ASSETS				
Cash and Cash Equivalents	\$ 709,784	\$ 719,169	\$ —	\$ 1,428,953
Investments at Fair Value	22,360,606	—	112,095	22,248,511
	<u>22,360,606</u>	<u>—</u>	<u>112,095</u>	<u>22,248,511</u>
Total Assets	<u>\$ 23,070,390</u>	<u>\$ 719,169</u>	<u>\$ 112,095</u>	<u>\$ 23,677,464</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 200,867	\$ —	\$ 81,752	\$ 119,115
Due to Primary Government	375,075	—	357,170	17,905
Other Liabilities	22,494,448	1,045,996	—	23,540,444
	<u>22,494,448</u>	<u>1,045,996</u>	<u>—</u>	<u>23,540,444</u>
Total Liabilities	<u>\$ 23,070,390</u>	<u>\$ 1,045,996</u>	<u>\$ 438,922</u>	<u>\$ 23,677,464</u>
<b>Other Agency Funds</b>				
ASSETS				
Cash and Cash Equivalents	\$ 378,493	\$ —	\$ 56,796	\$ 321,697
	<u>378,493</u>	<u>—</u>	<u>56,796</u>	<u>321,697</u>
Total Assets	<u>\$ 378,493</u>	<u>\$ —</u>	<u>\$ 56,796</u>	<u>\$ 321,697</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 378,493	\$ —	\$ 56,796	\$ 321,697
	<u>378,493</u>	<u>—</u>	<u>56,796</u>	<u>321,697</u>
Total Liabilities	<u>\$ 378,493</u>	<u>\$ —</u>	<u>\$ 56,796</u>	<u>\$ 321,697</u>
<b>Total Agency Funds</b>				
ASSETS				
Cash and Cash Equivalents	\$ 1,088,277	\$ 719,169	\$ 56,796	\$ 1,750,650
Investments at Fair Value	22,360,606	—	112,095	22,248,511
	<u>22,360,606</u>	<u>—</u>	<u>112,095</u>	<u>22,248,511</u>
Total Assets	<u>\$ 23,448,883</u>	<u>\$ 719,169</u>	<u>\$ 168,891</u>	<u>\$ 23,999,161</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 579,360	\$ —	\$ 138,548	\$ 440,812
Due to Other Funds	375,075	—	357,170	17,905
Other Liabilities	22,494,448	1,045,996	—	23,540,444
	<u>22,494,448</u>	<u>1,045,996</u>	<u>—</u>	<u>23,540,444</u>
Total Liabilities	<u>\$ 23,448,883</u>	<u>\$ 1,045,996</u>	<u>\$ 495,718</u>	<u>\$ 23,999,161</u>



**S T A T I S T I C A L   S E C T I O N**  
**(UNAUDITED)**

*The Statistical Section Contains:*

**Financial Trends Information**  
**Revenue Capacity Information**  
**Debt Capacity Information**  
**Demographic and Employment Information**  
**Operating Information**

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## Description of Statistical Section

This part of the Comprehensive Annual Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall health.

### **Contents**

The statistical section is organized into the following main categories:

#### **Financial Trends:**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity:**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

#### **Debt Capacity:**

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information:**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information:**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Schedule 1**  
**City of Detroit, Michigan**  
**Financial Trends - Net Assets by Component, Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year		
	2011	2010	2009
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt	\$ 711,987,330	\$ 717,589,037	\$ 631,821,536
Restricted	110,223,372	93,496,558	142,704,927
Unrestricted (deficit)	(1,360,282,090)	(1,278,954,788)	(956,905,000)
Total governmental activities net assets	<u>(538,071,388)</u>	<u>(467,869,193)</u>	<u>(182,378,537)</u>
<b>Business-type Activities</b>			
Invested in capital assets, net of related debt	435,962,058	781,976,263	698,477,050
Restricted	303,235,683	284,696,404	347,303,231
Unrestricted (deficit)	(230,134,710)	(333,688,853)	36,681,530
Total business-type activities net assets	<u>509,063,031</u>	<u>732,983,814</u>	<u>1,082,461,811</u>
<b>Primary Government</b>			
Invested in capital assets, net of related debt	1,147,949,388	1,499,565,300	1,330,298,586
Restricted	413,459,055	378,192,962	490,008,158
Unrestricted (deficit)	(1,590,416,800)	(1,612,643,641)	(920,223,470)
Total primary government net assets	<u>\$ (29,008,357)</u>	<u>\$ 265,114,621</u>	<u>\$ 900,083,274</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years  
 Ended June 30, 2002 through 2011

Note: The City began to report accrual information when it implemented GASB Statement No. 34  
 in fiscal year 2002.

<b>Fiscal Year</b>						
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 558,340,662	\$ 592,161,746	\$ 603,086,043	\$ 562,311,648	\$ 423,118,665	\$ 419,593,713	\$ 366,474,042
158,523,041	157,360,360	29,492,455	30,488,595	85,249,948	113,243,428	69,705,069
(687,464,129)	(602,506,410)	(608,735,544)	(586,294,194)	(315,218,872)	(102,285,491)	(1,458,623)
29,399,574	147,015,696	23,842,954	6,506,049	193,149,741	430,551,650	434,720,488
743,865,611	1,150,524,897	914,032,397	1,050,443,297	1,063,418,365	1,152,383,916	1,185,981,116
304,273,113	266,995,240	385,379,957	287,778,927	199,037,340	120,671,314	101,576,911
185,998,204	175,648,800	377,799,324	280,769,875	283,585,593	317,705,644	261,175,712
1,234,136,928	1,593,168,937	1,677,211,678	1,618,992,099	1,546,041,298	1,590,760,874	1,548,733,739
1,302,206,273	1,742,686,643	1,517,118,440	1,612,754,945	1,486,537,030	1,571,977,629	1,552,455,158
462,796,154	424,355,600	414,872,412	318,267,522	284,287,288	233,914,742	171,281,980
(501,465,925)	(426,857,610)	(230,936,220)	(305,524,319)	(31,633,279)	215,420,153	259,717,089
<u>\$ 1,263,536,502</u>	<u>\$ 1,740,184,633</u>	<u>\$ 1,701,054,632</u>	<u>\$ 1,625,498,148</u>	<u>\$ 1,739,191,039</u>	<u>\$ 2,021,312,524</u>	<u>\$ 1,983,424,227</u>

**Schedule 2**  
**City of Detroit, Michigan**  
**Financial Trends - Changes in Net Assets, Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year			
	2011	2010	2009	2008
<b>Expenses</b>				
Governmental Activities:				
Public Protection	\$ 816,928,579	\$ 779,613,390	\$ 789,055,092	\$ 761,894,177
Health	170,235,039	170,843,954	158,906,848	158,826,732
Recreation and Culture	31,397,867	17,963,496	37,180,607	36,295,041
Economic Development	87,938,305	61,906,827	73,307,206	87,717,239
Educational Development	58,840,456	90,450,821	76,728,812	57,474,770
Housing Supply and Conditions	6,328,619	8,381,813	10,592,858	10,591,479
Physical Environment	125,325,346	119,713,562	185,864,791	226,460,478
Transportation Facilitation	33,720,569	84,039,822	73,805,481	70,563,909
Development and Management	201,031,612	268,716,249	350,974,262	304,815,026
Interest on Long-Term Debt	132,827,437	129,458,620	126,344,699	107,754,007
Total Government Activities Expenses	<u>1,664,573,829</u>	<u>1,731,088,554</u>	<u>1,882,760,656</u>	<u>1,822,392,858</u>
Business-type Activities:				
Sewage Disposal	517,645,238	431,575,246	450,278,148	429,112,536
Transportation	215,880,853	207,620,142	206,705,724	212,652,767
Water	345,180,580	346,637,749	349,734,605	360,778,077
Automobile Parking	11,305,474	18,190,081	16,511,077	14,361,352
Airport	2,392,911	2,437,571	2,685,756	3,502,904
Housing	-	-	-	-
Total Business-type Activities Expenses	<u>1,092,405,056</u>	<u>1,006,460,789</u>	<u>1,025,915,310</u>	<u>1,020,407,636</u>
Total Primary Government Expenses	<u>2,756,978,885</u>	<u>2,737,549,343</u>	<u>2,908,675,966</u>	<u>2,842,800,494</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
Public Protection	89,521,773	78,076,978	92,986,299	90,415,439
Health	5,090,487	12,495,600	14,752,057	15,108,413
Recreation and Culture	17,796,165	17,510,499	17,736,396	24,489,607
Economic Development	1,358,479	121,725	72,714	694,676
Educational Development	499,058	1,528,487	760,494	-
Housing Supply and Conditions	3,566,331	3,780,682	3,572,588	5,989,939
Physical Environment	80,905,220	92,793,872	111,380,814	127,140,951
Transportation Facilitation	46,986	927,229	516,728	902,039
Development and Management	101,982,537	109,253,875	142,032,307	123,151,397
Operating Grants and Contributions	370,730,317	356,347,310	310,525,464	306,575,011
Capital Grants and Contributions	44,338,905	28,304,777	35,257,895	26,365,200
Total Governmental Activities Program Revenues	<u>715,836,258</u>	<u>701,141,034</u>	<u>729,593,756</u>	<u>720,832,672</u>
Business-type Activities:				
Charges for Services:				
Sewage Disposal	410,719,075	365,537,390	390,126,398	346,908,831
Transportation	27,418,297	26,565,119	28,191,056	28,918,328
Water	316,002,201	285,470,426	274,095,463	292,983,220
Automobile Parking	8,136,744	15,037,679	17,667,031	18,556,018
Airport	799,122	967,234	1,125,015	1,123,934
Housing	-	-	-	-
Operating Grants and Contributions	77,553,273	75,343,618	74,811,471	79,008,781
Capital Grants and Contributions	29,793,987	47,947,235	33,897,154	39,540,356
Total Business-type Activities Program Revenues	<u>870,422,699</u>	<u>816,868,701</u>	<u>819,913,588</u>	<u>807,039,468</u>
Total Primary Government Program Revenues	<u>1,586,258,957</u>	<u>1,518,009,735</u>	<u>1,549,507,344</u>	<u>1,527,872,140</u>

Fiscal Year						
2007	2006	2005	2004	2003	2002	
\$ 633,174,260	\$ 681,052,276	\$ 876,156,606	\$ 755,816,119	\$ 593,346,429	\$ 583,268,178	
153,368,566	177,363,962	170,039,930	172,601,779	194,876,044	178,170,414	
36,050,284	69,192,054	75,145,276	82,148,669	81,400,879	82,648,072	
93,705,705	95,641,855	114,865,586	102,680,484	102,939,042	87,326,910	
57,658,134	64,670,870	73,770,757	95,655,097	85,957,839	86,031,311	
7,904,903	14,737,981	17,980,767	21,190,178	18,566,688	16,780,370	
213,287,711	243,949,975	277,305,834	267,232,775	273,247,867	301,889,519	
71,947,094	79,343,398	46,272,594	49,857,971	44,217,658	21,087,215	
297,443,586	240,246,357	214,746,647	350,969,773	371,360,739	299,360,664	
140,861,674	126,659,186	65,252,896	58,080,402	44,661,255	42,441,532	
1,705,401,917	1,792,857,914	1,931,536,893	1,956,233,247	1,810,574,440	1,699,004,185	
427,788,717	311,303,765	192,421,480	186,979,859	261,671,404	261,213,329	
200,555,312	190,358,944	204,913,780	206,319,905	196,162,781	187,415,767	
335,000,188	282,149,274	195,085,657	198,120,130	249,329,295	232,528,496	
16,306,759	19,474,446	26,295,677	21,990,714	21,534,236	17,833,061	
2,960,042	3,044,030	3,140,746	4,030,607	3,845,438	5,543,048	
-	-	-	-	75,784,985	67,818,451	
982,611,018	806,330,459	621,857,340	617,441,215	808,328,139	772,352,152	
2,688,012,935	2,599,188,373	2,553,394,233	2,573,674,462	2,618,902,579	2,471,356,337	
99,021,130	51,757,423	90,825,019	88,817,490	68,146,542	72,722,670	
14,987,496	14,224,550	13,026,677	11,875,150	17,535,790	11,524,837	
17,233,370	27,367,110	11,474,294	10,363,646	8,859,373	13,301,976	
9,010,210	13,946,969	5,427,118	20,512,694	20,089,274	28,095,737	
2,781,677	-	-	-	-	-	
127,757	1,636,711	6,700,117	16,617,400	33,624,540	20,224,369	
133,048,222	74,915,029	81,944,899	85,667,448	102,937,079	88,338,713	
79,156	1,355	-	-	-	-	
154,386,499	156,799,556	198,570,684	84,682,688	19,590,685	73,668,036	
271,970,335	245,061,788	246,248,865	315,321,964	365,857,900	398,262,378	
65,941,108	91,806,940	135,504,749	115,528,611	35,557,492	26,809,665	
768,586,960	677,517,431	789,722,422	749,387,091	672,198,675	732,948,381	
346,906,614	354,455,204	254,350,136	195,947,900	288,111,143	267,993,505	
26,047,091	25,173,805	22,959,490	24,712,839	25,182,188	24,084,896	
268,286,093	276,230,766	193,954,987	223,092,260	244,781,888	209,227,939	
18,114,461	21,125,510	13,627,650	19,618,019	19,253,924	20,682,973	
1,087,844	989,722	1,180,584	972,659	1,193,786	2,235,228	
-	-	-	-	12,490,749	9,877,521	
81,959,301	73,801,668	88,110,603	89,345,418	115,981,521	111,302,571	
14,097,605	9,502,218	15,080,720	33,758,751	41,632,443	56,035,404	
756,499,009	761,278,893	589,264,170	587,447,846	748,627,642	701,440,037	
1,525,085,969	1,438,796,324	1,378,986,592	1,336,834,937	1,420,826,317	1,434,388,418	

(Continued)

**Schedule 2 (Continued)**  
**City of Detroit, Michigan**  
**Financial Trends - Changes in Net Assets, Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year			
	2011	2010	2009	2008
<b>Net (Expense) Revenue</b>				
Governmental Activities	\$ (948,737,571)	\$ (1,029,947,520)	\$ (1,153,166,900)	\$ (1,101,560,186)
Business-type Activities	(221,982,357)	(189,592,088)	(206,001,722)	(213,368,168)
Total Primary Government Net Expense	(1,170,719,928)	(1,219,539,608)	(1,359,168,622)	(1,314,928,354)
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes:				
Property Taxes	235,857,331	218,008,102	231,428,726	225,602,203
Municipal Income Tax	228,303,884	216,522,405	240,824,363	276,485,035
Utility Users' Tax	44,640,365	44,190,132	49,900,471	51,590,794
Wagering Tax	177,046,311	183,466,226	172,912,862	186,277,275
State Hotel and Liquor Tax	-	2,969,380	17,367,715	16,220,140
Other Taxes and Assessments	17,373,679	15,404,967	12,878,272	13,283,748
State Shared Taxes	239,342,109	239,047,211	268,246,565	272,569,363
Interest and Penalties on Taxes	7,554,054	9,332,781	10,696,529	10,857,112
Investment Earnings	8,606,985	8,832,971	7,056,295	19,189,619
Miscellaneous Revenue	3,595,798	6,618,964	9,273,309	13,586,014
Gain (Loss) on Disposal of Capital Assets	(528,568)	(27,775)	(5,204,095)	(278,706)
Special Item	(9,865,937)	49,980,314	-	-
Transfers	(73,390,635)	(74,579,168)	(73,992,223)	(101,438,533)
Total Governmental Activities	878,535,376	919,766,510	941,388,789	983,944,064
Business-type Activities:				
Investment Earnings	9,837,046	(42,428,588)	25,458,070	58,176,113
Miscellaneous Revenues (Expenses)	6,310,694	788,385	(8,435,836)	(3,990,512)
Gain (Loss) on Disposal of Capital Assets	(91,476,801)	-	-	-
Special Item	-	-	(36,900,173)	(141,962,894)
Transfers	73,390,635	74,579,168	73,992,223	101,438,533
Total Business-type Activities	(1,938,426)	32,938,965	54,114,284	13,661,240
Total Primary Government	876,596,950	952,705,475	995,503,073	997,605,304
<b>Change in Net Assets</b>				
Governmental Activities	(70,202,195)	(110,181,010)	(211,778,111)	(117,616,122)
Business-type Activities	(223,920,783)	(156,653,123)	(151,887,438)	(199,706,928)
Total Primary Government	\$ (294,122,978)	\$ (266,834,133)	\$ (363,665,549)	\$ (317,323,050)

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2002 through 2011

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.



Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ (936,814,957)	\$ (1,115,340,483)	\$ (1,141,814,471)	\$ (1,206,846,156)	\$ (1,138,375,765)	\$ (966,055,804)
(226,112,009)	(45,051,566)	(32,593,170)	(29,993,369)	(59,700,497)	(70,912,115)
(1,162,926,966)	(1,160,392,049)	(1,174,407,641)	(1,236,839,525)	(1,198,076,262)	(1,036,967,919)
241,428,477	243,621,932	239,507,939	253,880,972	221,338,662	235,867,542
278,309,191	284,111,220	282,501,875	290,614,837	310,935,044	323,515,510
53,768,977	122,824,621	52,939,839	47,422,918	55,526,093	52,105,772
179,763,570	156,588,917	137,970,347	116,145,598	111,341,292	109,461,713
17,579,292	16,287,676	16,310,767	16,217,263	16,217,213	-
16,201,899	13,602,597	-	4,337,425	17,553,911	17,518,357
272,635,060	280,818,221	282,914,217	286,479,535	319,055,457	333,763,510
10,342,478	9,181,155	11,712,960	13,780,520	9,311,836	10,783,829
24,075,811	18,396,691	14,464,802	4,500,270	5,690,589	18,146,740
37,634,868	22,780,845	9,984,374	13,624,695	7,758,701	21,179,610
(31,728)	(308,855)	(3,551,036)	(451,750)	6,753,937	-
-	-	-	-	132,000,000	-
(71,720,196)	(35,227,632)	(89,585,306)	(77,108,036)	(79,275,808)	(85,569,251)
1,059,987,699	1,132,677,388	955,170,778	969,444,247	1,134,206,927	1,036,773,332
-	39,193,811	22,808,775	12,516,207	18,645,400	28,789,163
69,331,846	2,879,273	(6,850,110)	3,812,743	4,488,833	3,509,544
1,017,226	25,970,429	-	-	(682,409)	-
-	-	-	-	-	-
71,720,196	35,227,632	89,585,306	77,108,036	79,275,808	85,569,251
142,069,268	103,271,145	105,543,971	93,436,986	101,727,632	117,867,958
1,202,056,967	1,235,948,533	1,060,714,749	1,062,881,233	1,235,934,559	1,154,641,290
123,172,742	17,336,905	(186,643,693)	(237,401,909)	(4,168,838)	70,717,528
(84,042,741)	58,219,579	72,950,801	63,443,617	42,027,135	46,955,843
\$ 39,130,001	\$ 75,556,484	\$ (113,692,892)	\$ (173,958,292)	\$ 37,858,297	\$ 117,673,371

**Schedule 3**  
**City of Detroit, Michigan**  
**Financial Trends - Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	<b>Fiscal Year</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>General Fund:</b>					
Reserved	\$ -	\$ 64,597,471	\$ 65,191,371	\$ 77,472,983	\$ 64,169,704
Unreserved (Deficit)	-	(155,692,159)	(331,925,012)	(219,158,137)	(155,575,800)
Nonspendable	20,692,552	-	-	-	-
Restricted	979,826	-	-	-	-
Committed	26,833,858	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	(196,577,910)	-	-	-	-
<b>Total General Fund</b>	<b>\$ (148,071,674)</b>	<b>\$ (91,094,688)</b>	<b>\$ (266,733,641)</b>	<b>\$ (141,685,154)</b>	<b>\$ (91,406,096)</b>
<b>Retirement Service Funds:</b>					
Reserved	\$ -	\$ 24,496,356	\$ 24,574,826	\$ 24,851,160	\$ 24,927,727
Unreserved (Deficit)	-	-	-	(276,334)	-
Nonspendable	24,295,379	-	-	-	-
<b>Total Retirement System Service Funds</b>	<b>\$ 24,295,379</b>	<b>\$ 24,496,356</b>	<b>\$ 24,574,826</b>	<b>\$ 24,574,826</b>	<b>\$ 24,927,727</b>
<b>All Other Governmental Funds:</b>					
<b>Special Revenue Funds</b>					
Reserved	\$ -	\$ 41,022,881	\$ 43,974,045	\$ 66,158,392	\$ 72,014,875
Unreserved (Deficit)	-	12,313,800	17,785,520	16,865,024	22,230,294
Nonspendable	1,597,869	-	-	-	-
Restricted	70,907,819	-	-	-	-
Assigned	-	-	-	-	-
<b>Capital Projects Funds</b>					
Reserved	-	90,526,155	99,750,093	126,274,973	88,507,405
Restricted	148,878,121	-	-	-	-
<b>Debt Service Fund</b>					
Reserved	-	6,135,145	52,194,439	42,825,432	39,781,836
Assigned	4,561,750	-	-	-	-
<b>Permanent Funds</b>					
Reserved	-	1,588,224	1,574,670	1,494,202	1,445,462
Nonspendable	937,861	-	-	-	-
Restricted	748,159	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 227,631,579</b>	<b>\$ 151,586,205</b>	<b>\$ 215,278,767</b>	<b>\$ 253,618,023</b>	<b>\$ 223,979,872</b>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2002 through 2011

Note: The fund balance classifications changed in fiscal year 2011 when the City implemented GASB Statement No. 54.

This statement requires fund balances to now be classified as nonspendable, restricted, assigned, committed, and unassigned.

<b>Fiscal Year</b>				
<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 66,502,619 (173,678,707)	\$ 121,809,601 (155,404,035)	\$ 164,248,792 (95,032,523)	\$ 209,367,618 (69,063,211)	\$ 163,780,306 42,440,056
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ (107,176,088)</u>	<u>\$ (33,594,434)</u>	<u>\$ 69,216,269</u>	<u>\$ 140,304,407</u>	<u>\$ 206,220,362</u>
\$ 24,955,781	\$ 46,884,125	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>\$ 24,955,781</u>	<u>\$ 46,884,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,657,665 77,241,086	\$ 14,946,632 76,896,645	\$ 13,418,399 74,394,377	\$ 11,409,788 78,730,702	\$ 10,196,771 69,551,548
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
134,433,861	139,812,882	159,136,549	181,966,978	155,199,431
-	-	-	-	-
27,799,931	29,061,404	70,466,781	42,773,395	46,953,417
-	-	-	-	-
1,291,569	1,253,623	1,232,820	1,210,005	1,158,546
-	-	-	-	-
-	-	-	-	-
<u>\$ 255,424,112</u>	<u>\$ 261,971,186</u>	<u>\$ 318,648,926</u>	<u>\$ 316,090,868</u>	<u>\$ 283,059,713</u>

**Schedule 4**  
**City of Detroit, Michigan**  
**Financial Trends - Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year				
	2011	2010	2009	2008	2007
<b>Revenues</b>					
Taxes:					
Property Taxes	\$ 252,020,089	\$ 201,845,344	\$ 230,833,394	\$ 225,890,313	\$ 257,003,325
Municipal Income Tax	228,303,884	216,522,405	240,824,363	276,485,035	278,309,191
Utility Users' Tax	44,640,365	44,190,132	49,900,667	51,590,599	53,768,977
Wagering Taxes	176,899,280	183,338,299	173,026,122	180,365,237	179,763,570
Gas and Weight Tax	58,623,860	57,775,086	58,813,648	61,070,748	62,080,522
Other Taxes and Assessments	17,373,670	15,404,967	12,878,272	13,283,748	16,201,899
State Hotel and Liquor Tax	-	2,969,380	17,367,715	16,220,140	17,579,292
State Shared Taxes	239,320,847	263,060,088	266,032,168	249,027,299	272,084,669
Shared Taxes-Liquor and Beer Licenses	21,262	578,629	591,342	573,613	550,391
Interest and Penalties on Taxes	7,554,054	9,332,781	10,696,529	10,857,112	10,342,478
Licenses, Permits, and Inspection Charges	27,074,337	27,090,825	31,880,591	34,565,327	31,986,424
Intergovernmental:					
Federal	301,484,858	265,421,498	233,526,888	222,675,031	219,592,658
State	46,887,654	47,852,739	40,049,141	41,062,686	41,878,552
State Equity Grant	-	-	-	-	-
Other	8,347,440	6,788,282	14,500,644	4,026,591	14,359,711
Sales and Charges for Services	201,253,031	196,333,386	237,044,188	258,599,558	243,533,764
Ordinance Fines and Forfeitures	21,152,772	18,872,226	23,747,573	20,850,629	25,680,231
Revenue from Use of Assets	3,595,798	6,618,964	27,013,424	13,560,617	37,634,876
Investment Earnings	685,276	911,263	7,056,295	19,189,619	24,075,811
Other Revenue	77,135,224	64,761,863	72,117,140	73,606,042	123,867,578
<b>Total Revenues</b>	<b>1,712,373,701</b>	<b>1,629,668,157</b>	<b>1,747,900,104</b>	<b>1,773,499,944</b>	<b>1,910,293,919</b>
<b>Expenditures</b>					
Current:					
Public Protection	735,650,626	641,884,276	654,450,029	660,230,564	654,137,306
Health	169,338,220	170,489,091	155,442,680	157,414,372	154,283,807
Recreation and Culture	18,210,536	18,155,021	21,041,925	21,265,879	24,648,968
Economic Development	79,792,267	57,522,689	65,217,992	99,342,897	86,454,732
Educational Development	58,526,359	90,527,365	75,409,235	57,388,638	58,021,384
Housing Supply and Conditions	5,871,310	8,240,422	9,022,633	9,607,906	8,412,644
Physical Environment	113,296,648	104,042,673	159,233,592	202,986,951	197,682,760
Transportation Facilitation	26,836,954	71,517,424	66,567,770	58,595,880	72,482,752
Development and Management	180,366,148	237,069,025	305,203,444	298,231,422	310,231,013
Debt Service:					
Principal	87,904,525	89,653,619	129,696,883	140,216,435	95,599,337
Interest	131,087,371	124,280,049	124,716,178	110,841,259	138,408,774
Bond Issuance Costs	1,416,768	2,487,193	-	3,182,053	-
Capital Outlay	102,395,459	49,231,014	77,094,313	88,458,549	69,848,815
<b>Total Expenditures</b>	<b>1,710,693,191</b>	<b>1,665,099,861</b>	<b>1,843,096,674</b>	<b>1,907,762,805</b>	<b>1,870,212,292</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,680,510	(35,431,704)	(95,196,570)	(134,262,861)	40,081,627
<b>Other Financing Sources (Uses)</b>					
Sources:					
Transfers In	173,340,882	171,409,769	210,043,052	208,766,473	176,069,587
Pension Obligation Certificates Issued	-	-	-	-	-
Swap Termination Fee	-	-	-	-	-
Proceeds of Section 108 Federal Note	-	-	-	-	14,958,000
Proceeds of Capital Leases	-	-	-	-	-
Proceeds from Debt Issuances	100,000,000	258,210,000	6,197,000	281,783,578	-
Premium from Debt Issuances	-	1,873,225	-	4,974,370	-
<b>Total Other Financing Sources</b>	<b>273,340,882</b>	<b>431,492,994</b>	<b>216,240,052</b>	<b>495,524,421</b>	<b>191,027,587</b>
Uses:					
Transfers Out	(246,731,517)	(245,988,937)	(284,035,275)	(310,205,006)	(247,789,783)
Bond Issuance Costs	-	-	-	-	-
Principal Paid to Bond Agent for Refunded Bonds	-	(35,810,944)	-	(72,410,000)	-
Interest Paid to Bond Agent for Refunded Bonds	-	-	-	(1,314,181)	-
<b>Total Other Financing Uses</b>	<b>(246,731,517)</b>	<b>(281,799,881)</b>	<b>(284,035,275)</b>	<b>(383,929,187)</b>	<b>(247,789,783)</b>
<b>Total Other Financing Sources (Uses)</b>	<b>26,609,365</b>	<b>149,693,113</b>	<b>(67,795,223)</b>	<b>111,595,234</b>	<b>(56,762,196)</b>
Special Item	(9,865,937)	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>18,423,938</b>	<b>114,261,409</b>	<b>(162,991,793)</b>	<b>(22,667,627)</b>	<b>(16,680,569)</b>
Fund Balance (Deficit) at Beginning of Year	84,987,873	(26,880,048)	136,507,695	157,501,503	173,203,805
Increase (Decrease) in Inventories	443,473	(2,393,488)	(395,950)	1,673,819	978,267
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 103,855,284</b>	<b>\$ 84,987,873</b>	<b>\$ (26,880,048)</b>	<b>\$ 136,507,695</b>	<b>\$ 157,501,503</b>
Debt service as a percentage of noncapital expenditures	15.88%	15.46%	16.83%	16.24%	14.94%

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2002 through 2011

Fiscal Year					
	2006	2005	2004	2003	2002
\$	243,621,932	\$ 238,771,142	\$ 249,372,955	\$ 224,290,723	\$ 235,867,542
	284,111,220	282,501,875	290,614,837	310,935,044	323,515,510
	60,019,626	52,939,839	50,473,815	55,329,177	52,105,772
	156,588,917	137,970,347	116,145,598	111,341,292	109,461,713
	62,804,995	63,476,425	65,806,351	61,048,895	60,765,471
	13,583,421	13,565,118	14,911,156	17,015,374	16,988,370
	16,287,676	16,310,767	16,217,263	16,217,213	16,278,163
	279,467,063	282,914,217	286,479,535	319,055,457	333,763,510
	1,351,158	602,582	528,355	538,537	529,987
	9,181,155	11,491,470	13,969,136	9,311,836	10,783,829
	34,233,992	35,006,518	29,463,914	24,881,416	24,857,012
	218,119,145	276,372,474	253,620,853	246,941,389	267,557,341
	75,774,530	36,867,375	64,707,175	59,912,152	51,267,772
	-	1,076,931	982,701	2,066,684	-
	25,192,384	16,346,773	36,215,990	31,345,358	29,203,296
	189,253,428	183,294,833	190,928,138	174,532,811	203,321,599
	21,525,257	27,481,642	28,237,898	24,146,924	28,373,589
	22,780,845	16,782,057	28,696,431	31,883,204	21,771,275
	18,396,691	14,464,802	4,500,270	5,690,589	18,146,740
	106,521,883	131,657,892	124,787,604	102,385,529	142,977,087
	<u>1,838,815,318</u>	<u>1,839,895,079</u>	<u>1,866,659,975</u>	<u>1,828,869,604</u>	<u>1,947,535,578</u>
	687,251,414	1,423,581,547	738,330,832	609,579,375	601,013,576
	177,723,221	197,473,468	172,301,527	194,570,040	177,825,606
	55,390,716	99,296,179	73,769,563	78,478,378	79,786,788
	88,424,272	99,655,593	96,272,459	96,998,290	80,957,396
	64,427,129	77,259,012	95,579,152	85,853,927	85,515,642
	14,786,461	27,863,296	21,150,047	18,534,603	16,747,351
	220,208,683	301,784,627	232,268,536	252,006,036	292,579,453
	79,343,398	46,272,594	49,857,971	44,217,657	21,087,215
	233,297,837	495,348,897	387,713,093	399,417,971	354,174,726
	88,150,364	73,544,336	81,450,470	86,770,163	79,568,844
	120,956,704	51,462,415	53,075,658	43,761,038	42,442,667
	56,147,009	44,262,505	5,591,428	1,652,845	2,571,220
	175,169,666	282,545,708	162,593,794	69,605,285	117,575,095
	<u>2,061,276,874</u>	<u>3,220,350,177</u>	<u>2,169,954,530</u>	<u>1,981,445,608</u>	<u>1,951,845,579</u>
	(222,461,556)	(1,380,455,098)	(303,294,555)	(152,576,004)	(4,310,001)
	129,799,480	141,075,789	162,683,542	126,941,018	170,584,496
	771,087,137	1,170,607,421	-	-	-
	38,969,807	-	-	-	-
	1,800,000	7,789,000	-	-	50,326,480
	34,892,659	315,351	24,541,150	113,530,000	105,323,533
	81,903,071	353,830,000	347,398,138	5,161,762	-
	3,778,114	13,014,675	18,570,675	-	1,628,598
	<u>1,062,230,268</u>	<u>1,686,632,236</u>	<u>553,193,505</u>	<u>245,632,780</u>	<u>327,863,107</u>
	(165,027,112)	(230,661,095)	(239,791,578)	(206,216,826)	(256,153,747)
	-	-	-	-	-
	(764,864,391)	(161,800,000)	(120,725,000)	-	(49,428,274)
	(1,741,161)	(10,865,420)	(2,847,682)	-	-
	<u>931,632,664</u>	<u>403,326,515</u>	<u>363,364,260</u>	<u>206,216,826</u>	<u>305,582,021</u>
	<u>130,597,604</u>	<u>1,283,305,721</u>	<u>189,829,245</u>	<u>39,415,954</u>	<u>22,281,086</u>
	-	-	38,250,000	93,750,000	-
	(91,863,952)	(97,149,377)	(75,215,310)	(19,410,050)	17,971,085
	275,260,877	387,865,195	456,395,275	489,280,075	465,094,880
	(10,193,120)	(15,454,941)	6,685,230	(13,474,750)	6,214,110
\$	<u>173,203,805</u>	<u>275,260,877</u>	<u>387,865,195</u>	<u>456,395,275</u>	<u>489,280,075</u>
	16.37%	6.11%	7.50%	7.43%	7.29%

**Schedule 5**  
**City of Detroit, Michigan**  
**Revenue Capacity - Assessed and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>Assessed Value</b>		
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>
2011	\$ 5,885,070	\$ 2,670,279	\$ 707,866
2010	6,331,071	2,561,853	711,088
2009	7,427,227	2,714,762	718,520
2008	8,815,609	2,766,213	750,693
2007	9,063,123	2,542,439	861,157
2006	8,622,589	2,299,266	877,750
2005	8,649,348	2,252,275	856,344
2004	8,429,749	2,063,118	774,256
2003	7,981,681	1,977,761	709,092
2002	7,912,571	1,745,275	640,498

<b>Fiscal Year Ended June 30</b>	<b>Taxable Value</b>		
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>
2011	\$ 4,955,961	\$ 2,232,730	\$ 659,172
2010	4,896,647	2,055,557	643,296
2009	5,291,055	2,145,967	651,786
2008	5,660,265	2,166,189	645,372
2007	5,615,395	1,899,540	737,484
2006	5,240,724	1,649,966	753,566
2005	4,943,144	1,574,914	730,307
2004	4,677,471	1,565,818	658,676
2003	4,329,989	1,546,470	594,529
2002	4,197,588	1,427,414	601,064

Source: City of Detroit, Finance Department - Assessor's Office - Assessment and Tax Roll Certificate and Warrant for the City of Detroit

**Assessed Value**

<b>Personal Property</b>	<b>Total</b>	<b>Total Direct Tax Rate (Per Thousand of Taxable Value)</b>
\$ 1,563,433	\$ 10,826,648	28.87 %
1,516,382	11,120,394	28.87
1,637,134	12,497,643	27.43
1,612,957	13,945,472	28.02
1,646,722	14,113,441	31.34
1,655,570	13,455,175	30.02
1,654,261	13,412,228	30.44
1,573,480	12,840,603	30.88
1,391,662	12,060,196	30.88
1,749,983	12,048,327	31.90

**Taxable Value**

<b>Personal Property</b>	<b>Total</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
\$ 1,563,439	\$ 9,411,302	86.93 %
1,516,382	9,111,882	81.94
1,637,112	9,725,920	77.82
1,609,442	10,081,268	72.29
1,646,722	9,899,141	70.14
1,654,018	9,298,274	69.11
1,623,886	8,872,251	66.15
1,544,257	8,446,222	65.78
1,373,222	7,844,210	65.04
1,749,983	7,639,805	63.41

**Schedule 6**  
**City of Detroit, Michigan**  
**Revenue Capacity - Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(Rate Per \$1,000 of Assessed Value)**  
**(Unaudited)**

<b>City Direct Rates</b>			
<b>Fiscal Year</b>	<b>Basic General City Rate</b>	<b>Debt Service</b>	<b>Total Direct</b>
2011	19.9520	8.9157	28.8677
2010	19.9520	8.9157	28.8677
2009	19.9520	7.4779	27.4299
2008	19.9520	8.0683	28.0203
2007	22.9448	8.3951	31.3399
2006	22.9448	7.0753	30.0201
2005	22.9563	7.4796	30.4359
2004	22.9563	7.9245	30.8808
2003	22.9563	7.9217	30.8780
2002	22.9563	8.9437	31.9000

Source: City of Detroit's Budget Department  
 (Red Books for 2002 through 2011)



**Overlapping Rates**

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<b>Detroit Public Schools</b>		<b>Library</b>	<b>County</b>	<b>State Education Tax</b>
<b>Homestead</b>	<b>Non-Homestead</b>			
13.0000	30.9323	4.6307	14.0778	6.0000
13.0000	30.8308	4.6307	14.0778	6.0000
13.0000	30.8308	4.6307	14.0778	6.0000
13.0000	31.0000	4.6307	13.9778	6.0000
13.0000	31.0000	4.6307	13.9980	6.0000
13.0700	30.6236	4.6307	13.9778	6.0000
13.0000	31.0000	3.6331	13.9861	6.0000
13.8000	31.8000	3.6331	13.9886	5.0000
13.1900	31.1900	3.6331	13.9895	6.0000
10.5000	28.5000	3.6331	12.5395	6.0000

**Schedule 7**  
**City of Detroit, Michigan**  
**Revenue Capacity - Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
**(Taxable Assessed Value - Expressed in Thousands)**  
**(Unaudited)**

<b>Taxpayer</b>	<b>2011</b>		
	<b>Taxable Assessed Value (Note 1)</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value (Note 2)</b>
Detroit Edison	\$ 297,850,840	1	3.16 %
Chrysler Group LLC	278,875,116	2	2.96
Vanguard Health Systems - Hospitals	249,651,559	3	2.65
MGM Grand Detroit LLC	213,156,620	4	2.26
Riverfront Holdings Inc.	144,923,711	5	1.54
Marathon Oil Company	125,303,257	6	1.33
General Motors LLC	84,643,791	7	0.90
Michigan Consolidated Gas Co.	82,122,076	8	0.87
Greektown Casino LLC	79,309,640	9	0.84
Detroit Entertainment LLC	72,983,002	10	0.78

Note 1 Source: City of Detroit - Assessor's Office

Note 2 Source: City of Detroit, Finance Department - Assessor's Office

Note 3 Source: City of Detroit, June 30, 2002 Comprehensive Annual Financial Report (Exhibit AA-14)

**2002 (Note 3)**

<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
\$ 362,068,541	2	4.74 %
1,013,346,215	1	13.26
N/A	N/A	N/A
39,336,280	8	0.51
345,253,582	3	4.52
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
36,902,026	10	0.48
N/A	N/A	N/A

**Schedule 8**  
**City of Detroit, Michigan**  
**Revenue Capacity - Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Amounts Expressed in Thousands)**  
**(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
2011	\$ 257,448	\$ 205,741	79.92 %
2010	261,380	224,235	85.79
2009	269,556	234,049	86.83
2008	271,516	251,530	92.64
2007	268,630	255,353	95.06
2006	263,532	244,189	92.66
2005	254,533	238,059	93.53
2004	242,235	231,696	95.65
2003	246,284	207,628	84.30
2002	243,710	212,435	87.17

Source: City of Detroit, Finance Department - Treasury Division

**Total Collections to Date**

<b>Collections in Subsequent Years</b>	<b>Amount</b>	<b>Percentage of Levy</b>
\$ -	\$ 205,741	79.92 %
-	224,235	85.79
-	234,049	86.83
1,349	252,879	93.14
-	255,353	95.06
2,493	246,682	93.61
8,942	247,001	97.04
17,677	249,373	102.95
16,663	224,291	91.07
23,433	235,868	96.78

**Schedule 9**  
**City of Detroit, Michigan**  
**Debt Capacity - Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands, Except Per Capita)**  
**(Unaudited)**

<b>Governmental Activities (Note 1)</b>					
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Detroit Building Authority Bonds</b>	<b>Revenue Bonds</b>	<b>Pension Obligation Certificates</b>	
2011	\$ 1,033,233	\$ -	\$ -	\$ 1,194,003	
2010	1,007,648	2,655	-	1,202,909	
2009	832,463	4,230	82,707	1,206,770	
2008	936,578	5,650	94,453	1,206,770	
2007	883,510	6,955	105,600	1,206,770	
2006	953,275	8,322	114,183	1,206,770	
2005	967,895	9,922	125,013	1,170,607	
2004	827,370	11,414	135,368	-	
2003	654,625	12,780	123,000	-	
2002	602,400	13,859	132,290	-	

Note 1 Source: City of Detroit - Comprehensive Annual  
Financial Report for Fiscal Years Ended June 30, 2002 through 2011  
Note 2 Source: Per Capita Calculations Exclude Governmental  
and Business-type Activities Revenue Bonds

**Business-type Activities (Note 1)**

<b>Sewage Disposal Revenue Bonds</b>	<b>Transportation General Obligation Bonds</b>	<b>Water Revenue Bonds</b>	<b>Automobile Parking Revenue Bonds</b>	<b>Pension Obligation Certificates</b>	<b>Total Primary Government</b>	<b>Per Capita (Note 2)</b>
\$ 2,910,824	\$ 6,272	\$ 2,219,074	\$ 11,341	\$ 274,777	\$ 7,649,525	\$ 10,717
2,959,126	6,272	2,252,698	40,931	276,826	7,749,065	8,139
2,970,697	6,272	2,285,839	42,616	277,715	7,709,309	8,098
2,997,852	6,272	2,315,681	44,377	277,715	7,885,348	8,283
3,031,201	-	2,345,789	43,590	277,715	7,901,130	8,306
2,657,446	-	1,971,744	54,230	277,715	7,243,685	7,615
2,653,827	-	1,991,615	60,845	269,393	7,249,117	7,620
2,375,153	-	1,713,435	67,100	-	5,129,840	5,393
2,311,621	-	1,718,985	73,015	-	4,894,026	5,145
1,721,185	-	1,313,570	78,520	-	3,861,824	4,060

**Schedule 10**  
**City of Detroit, Michigan**  
**Debt Capacity - Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands, Except Per Capita)**  
**(Unaudited)**

<b>General Bonded Debt (Note 1)</b>			
<b>Fiscal Year</b>	<b>General Bonds</b>	<b>Detroit Building Authority Bonds</b>	<b>Total</b>
2011	\$ 1,039,505	\$ -	\$ 1,039,505
2010	1,013,920	2,655	1,016,575
2009	838,735	4,230	842,965
2008	942,850	5,650	948,500
2007	883,510	6,955	890,465
2006	953,275	8,322	961,597
2005	967,895	9,922	977,817
2004	827,370	11,414	838,784
2003	654,625	12,780	667,405
2002	602,400	13,859	616,259

Note 1 Source: City of Detroit - Comprehensive Annual Financial Report for Fiscal Years Ended June 30, 2002 through 2011

Note 2 Source: City of Detroit's Budget Department (Red Books for 2002 through 2011)



**General Bonded Debt (Note 1)**

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	<b>Taxable Value (Note 2)</b>	<b>Percentage of Actual Taxable Value of Property (Note 2)</b>		<b>Per Capita (Note 2)</b>
\$	9,111,881	11.41 %	\$	1,456.34
	9,725,919	10.45		1,062.06
	10,031,268	8.40		879.55
	9,896,705	9.58		990.49
	8,996,155	9.90		936.08
	8,749,830	10.99		1,010.86
	8,335,790	11.73		1,027.91
	7,844,209	10.69		881.75
	7,976,048	8.37		701.59
	7,639,805	8.07		647.83

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**Schedule 11**  
**City of Detroit, Michigan**  
**Debt Capacity - Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2011**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City of Detroit</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Detroit Public Schools	\$ 1,891,661	100.00 %	\$ 1,891,661
Wayne County	380,966	19.26	73,374
Wayne County Community College	9,140	30.15	2,756
Subtotal, overlapping debt			<u>1,967,791</u>
City of Detroit direct debt	1,033,233	100.00	1,033,233
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 3,001,024</u></u>

Source: City of Detroit Finance Department, Debt Management Division

**Schedule 12**  
**City of Detroit, Michigan**  
**Debt Capacity - Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Unaudited)**

	<b>Fiscal Year</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limit	\$ 1,218,147	\$ 1,218,793	\$ 1,388,266	\$ 1,505,243	\$ 1,527,708
Total net debt applicable to limit	<u>1,033,233</u>	<u>919,650</u>	<u>820,400</u>	<u>820,400</u>	<u>758,805</u>
Legal debt margin	<u>\$ 184,914</u>	<u>\$ 299,143</u>	<u>\$ 567,866</u>	<u>\$ 684,843</u>	<u>\$ 768,903</u>
Total net debt applicable to the limit as a percentage of debt limit	84.82%	75.46%	59.10%	54.50%	49.67%

Source: City of Detroit Finance Department, Debt Management Division

<b>Fiscal Year</b>				
<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 1,443,061	\$ 1,390,749	\$ 1,320,970	\$ 1,315,574	\$ 1,323,853
815,002	728,229	738,889	579,119	572,817
<u>\$ 628,059</u>	<u>\$ 662,520</u>	<u>\$ 582,081</u>	<u>\$ 736,455</u>	<u>\$ 751,036</u>
56.48%	52.36%	55.94%	44.02%	43.27%

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**Schedule 13**  
**City of Detroit, Michigan**  
**Debt Capacity - Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Sewage Disposal Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Total Available Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt (b) Service</b>	<b>Debt Coverage</b>	
2002	\$ 286,677	\$ 179,185	\$ 107,492	\$ 82,238	1.31%	
2003	294,013	159,235	134,778	102,473	1.32	
2004	320,515	177,747	142,768	115,970	1.23	
2005	297,214	163,400	133,814	136,635	0.98	
2006	352,074	197,604	154,470	151,246	1.02	
2007	403,542	199,955	203,587	156,616	1.30	
2008	373,953	212,885	161,068	175,249	0.92	
2009	413,282	220,740	192,542	192,610	1.00	
2010	365,537	194,716	170,821	207,170	0.82	
2011	410,719	230,811	179,908	210,851	0.85	

<b>Water Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Total Available Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt (b) Service</b>	<b>Debt Coverage</b>	
2002	\$ 219,126	\$ 155,247	\$ 63,879	\$ 72,586	0.88%	
2003	251,236	161,364	89,872	82,913	1.08	
2004	259,641	152,562	107,079	95,331	1.12	
2005	267,789	156,954	110,835	105,575	1.05	
2006	295,075	146,215	148,860	107,305	1.39	
2007	302,351	146,327	156,024	115,450	1.35	
2008	322,296	143,517	178,779	135,157	1.32	
2009	288,185	165,744	122,441	155,960	0.79	
2010	285,470	138,458	147,012	153,458	0.96	
2011	316,002	146,880	169,122	157,702	1.07	

<b>Automobile Parking Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Total (a) Available Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt (b) Service</b>	<b>Debt Coverage</b>	
2002	\$ 20,683	\$ 9,655	\$ 11,028	\$ 10,514	1.05%	
2003	19,254	11,156	8,098	10,670	0.76	
2004	19,478	12,295	7,183	10,510	0.68	
2005	13,628	16,006	(2,378)	8,622	(0.28)	
2006	21,126	10,315	10,811	10,604	1.02	
2007	18,114	9,470	8,644	10,605	0.82	
2008	18,556	7,998	10,558	6,374	1.66	
2009	17,835	10,180	7,655	4,448	1.72	
2010	15,038	12,804	2,234	4,594	0.49	
2011	8,137	6,938	1,199	1,671	0.72	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

- (a) Includes investment earnings on System Funds.
- (b) Reflects accrued deposits to the Bond and Interest Redemption Funds for principal and interest payments due on January 1 and July 1. Excludes interest paid from capitalized interest funds. Includes principal and interest on State Revolving Fund Loans.

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**Schedule 14**  
**City of Detroit, Michigan**  
**Demographic and Economic Information - Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
**(Unaudited)**

<b>Year</b>	<b>Population (Note 1)</b>	<b>Unemployment Rate (Note 2)</b>	<b>Per Capita Personal Income (Note 3)</b>	<b>Total Personal Income (in Thousands)</b>
2011	713,777	24.4 %	*	*
2010	951,270	22.7	*	*
2009	951,270	24.8	\$ 15,310	\$ 14,564
2008	951,270	16.0	15,310	14,564
2007	951,270	14.1	15,310	14,564
2006	951,270	13.6	15,310	14,564
2005	951,270	14.1	15,310	14,564
2004	951,270	14.0	*	*
2003	951,270	13.9	*	*
2002	951,270	12.0	*	*

\* Information not available for years 2002-2004 and 2010-2011

Note 1 Source: U.S. Bureau of Census for 2000; 2011 amount released from the 2010 Census

Note 2 Source: Bureau of Labor Statistics, Detroit, MI

Note 3 Source: U.S. Census Bureau, American Community Survey 5-year estimates

**Schedule 15**  
**City of Detroit, Michigan**  
**Demographic and Economic Information - Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

<b>Employer</b>	<b>2011 (Note 1)</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (Note 3)</b>
Detroit Public Schools	13,039	1	4.7 %
City of Detroit	12,472	2	4.5
Detroit Medical Center	10,502	3	3.8
Henry Ford Health System	8,289	4	3.0
U.S. government	6,840	5	2.5
Wayne State University	5,152	6	1.9
State of Michigan	4,740	7	1.7
Chrysler Group L.L.C.	4,150	8	1.5
U.S. Postal Service	3,987	9	1.4
St. John Providence Health System	3,884	10	1.4

Note 1 Source: Crain's Book of Lists, 2011 Edition (City of Detroit Based)

Note 2 Source: City of Detroit 2003-2004 Executive Budget Summary (Page D-3)

Note 3 Source (Total City employment): Bureau of Labor Statistics

**2001 (Note 2)**

<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (Note 3)</b>
20,050	1	6.0 %
19,000	2	5.7
12,395	3	3.7
7,718	6	2.3
11,851	4	3.6
5,857	10	1.8
6,793	8	2.0
11,244	5	3.4
6,392	9	1.9
N/A	N/A	N/A

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**Schedule 16**  
**City of Detroit, Michigan**  
**Operating Information - Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	FTE Employees as of June 30									
FUNCTION/PROGRAM	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Governmental Agencies</b>										
<b>Executive Agencies</b>										
Arts	-	-	-	-	-	1	1	1	1	1
Budget	16	20	23	22	23	23	28	28	31	29
Building and Safety	235	258	276	296	296	299	294	302	302	285
Civic Center	-	-	33	35	35	59	70	89	85	84
Consumer Affairs	-	-	-	-	-	14	13	17	18	20
Cultural Affairs	-	-	-	-	-	-	10	14	5	5
Public Works	639	649	737	750	748	873	1,226	1,314	1,420	1,290
Workforce Development	73	113	99	91	98	90	79	81	83	82
Environmental	3	10	51	53	51	21	23	29	27	10
Finance	266	285	310	327	310	298	402	506	525	498
Fire-Civilian	7	7	18	6	-	442	442	440	426	413
Fire-Uniform	1,323	1,348	1,388	1,438	1,479	1,069	1,281	1,286	1,368	1,374
General Services	447	481	528	676	670	-	-	-	-	-
Health & Wellness Promotion	243	262	317	348	335	434	505	568	579	552
Historical	-	-	-	-	-	6	24	39	41	33
Human Resources	176	171	168	175	179	174	232	266	285	361
Human Rights	8	-	12	13	7	7	19	25	21	25
Human Services	85	95	91	117	122	128	145	142	149	138
Information Technology Services	46	65	92	99	105	94	112	124	139	133
Law	105	113	122	127	134	140	180	195	191	206
Mayor's Office	52	63	74	108	107	59	97	100	96	86
Planning and Development	154	160	173	172	181	197	239	255	253	265
Police-Civilian	305	317	309	387	373	427	445	514	542	567
Police-Uniform	2,890	2,971	3,379	3,034	3,126	3,162	3,658	3,867	3,981	4,243
Communication and Creative Services	-	-	-	-	-	-	21	17	17	18
Public Lighting	123	160	206	225	217	228	254	281	299	279
Recreation	510	508	385	471	464	399	465	638	728	513
Senior Citizens	-	-	3	-	-	5	8	9	11	9
Youth	-	-	-	-	1	-	-	-	-	4
Zoological Institute	-	-	-	1	-	86	194	213	223	151
Administrative Hearings	6	9	6	6	5	5	4	-	-	-
Homeland Security	2	1	5	5	5	4	6	-	-	-
Housing	3	3	3	3	3	3	3	179	246	314
<b>Legislative Agencies</b>										
Auditor General	15	17	18	21	18	18	16	26	19	10
Board of Zoning Appeals	12	12	12	13	15	11	13	15	15	7
City Council	61	74	97	90	91	92	104	108	106	98
Ombudsman	7	11	11	10	7	6	9	11	13	10
City Clerk	20	22	23	25	25	27	30	31	27	28
Elections	51	55	102	68	60	65	74	75	83	70
<b>Judiciary Agency</b>										
36th District Court	35	33	33	32	31	31	31	31	31	31
<b>Other Agencies</b>										
Non-Departmental	20	21	33	44	37	41	44	29	26	28
Library	371	450	466	460	457	457	463	457	477	362
<b>Total General Governmental Agencies</b>	<b>8,309</b>	<b>8,764</b>	<b>9,603</b>	<b>9,748</b>	<b>9,815</b>	<b>9,495</b>	<b>11,264</b>	<b>12,322</b>	<b>12,889</b>	<b>12,632</b>
<b>Enterprise Agencies</b>										
Airport	8	9	10	11	11	13	22	26	39	33
Department of Transportation	1,292	1,351	1,514	1,512	1,562	1,530	1,588	1,748	1,779	1,750
Municipal Parking	92	97	104	109	114	108	108	118	123	119
Water and Sewage Disposal	2,123	2,081	2,189	2,260	2,224	2,311	2,592	2,735	2,942	2,946
<b>Total Enterprise Agencies</b>	<b>3,515</b>	<b>3,538</b>	<b>3,817</b>	<b>3,892</b>	<b>3,911</b>	<b>3,962</b>	<b>4,310</b>	<b>4,627</b>	<b>4,883</b>	<b>4,848</b>
<b>Grand Total</b>	<b>11,824</b>	<b>12,302</b>	<b>13,420</b>	<b>13,640</b>	<b>13,726</b>	<b>13,457</b>	<b>15,574</b>	<b>16,949</b>	<b>17,772</b>	<b>17,480</b>

Source: City of Detroit, Michigan, Human Resources Department

**Schedule 17**  
**City of Detroit, Michigan**  
**Operating Information - Miscellaneous Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year		
	2011	2010	2009
<b>Public Protection:</b>			
<b>Police</b>			
Number of Stations (Including 19 Mini-Stations)	23	30	19
Number of Employees (Uniform)	2,771	2,928	2,971
Number of Traffic Violations Issued	188,592	206,222	188,780
Number of Traffic Ordinance Violations Issued	38,997	46,359	46,007
Number of Arrests (Traffic + Others)	25,406	30,878	30,743
<b>Fire</b>			
Number of Fire Stations	46	45	49
Number of Employees	1,455	1,535	1,480
Number of Fire Fighting Vehicles	76	93	93
Number of Fire Hydrants	28,000	28,000	28,000
Responses to Fire Alarms (Including False Alarms)	26,813	19,224	19,530
Responses to Special Calls and Emergency Medical Service Calls	136,705	144,101	143,694
Estimated Fire Loss of Property	\$ 285,142,382	\$ 467,135,907	\$ 549,374,611
<b>Public Works</b>			
Number of Employees	655	729	730
Miles of Streets (Paved + Unpaved)	2,572	2,571	2,570
Miles of Alleys (Paved + Unpaved)	1,264	1,264	1,264
Miles of Sidewalks	4,243	4,243	4,243
<b>Public Lighting</b>			
Number of Street Lights	88,000	88,000	88,000
Number of Revenue Customers	116	116	190
Size of Generating Station in Kilowatts	140,000	184,000	184,000
Kilowatt Hours Generated (Net)	29,352,500	121,769,000	134,189,000
Kilowatt Hours Delivered to System	549,972,720	576,292,000	449,929,000
Steam Heating Plants - Steam Produced in Pounds	57,840,415	54,729,562	79,773,679
<b>Recreation and Culture</b>			
Number of Parks, Ornamental Areas, Playfields, and Playgrounds			
Owned (5,108 Acres)	354	354	354
Number of Summer Camps (199 Acres)	-	-	-
Number of Recreation Centers, Playgrounds, and School Facilities			
Operated	17	13	13
Number of Skating Rinks	2	2	2
Number of Swimming Pools	10	10	2
Number of Municipal Beaches	1	1	1
Total Playing Permits Issued at Six Municipal Golf Courses	92,857	104,652	127,915
<b>Library</b>			
Number of Libraries (Including Two Bookmobiles)	27	27	27
Estimated Number of Books	7,030,335	8,304,694	8,314,427
Circulation	2,588,135	2,446,842	2,308,336

Fiscal Year						
2008	2007	2006	2005	2004	2003	2002
8	12	24	28	30	35	52
3,005	3,126	3,162	3,658	3,818	3,965	4,243
13,033	N/A	625,711	736,131	714,517	761,436	770,198
200,585	181,616	38,352	45,121	47,782	124,087	51,861
58,115	34,747	-	79,852	64,539	86,873	102,382
46	48	48	49	49	47	49
1,535	1,479	1,511	1,723	1,726	1,798	1,787
90	212	256	238	238	225	200
28,000	38,000	38,000	38,000	38,000	33,000	36,208
23,174	33,399	33,992	34,160	34,160	35,690	24,138
142,573	142,370	132,432	151,285	151,285	124,122	128,006
\$ 397,605,618	\$ 1,190,738,018	\$ 96,771,056	\$ 1,921,197,050	\$ 1,921,197,050	\$ 81,320,274	\$ 127,250,563
753	748	873	1,124	1,189	1,203	1,290
2,570	2,570	2,784	2,784	2,784	2,785	2,788
1,264	1,264	1,284	1,284	1,264	1,268	1,277
4,243	4,243	4,265	4,265	4,243	4,247	4,250
87,500	87,500	88,000	87,500	87,000	87,000	87,000
235	185	201	179	1,302	1,302	1,058
177,000	177,000	184,000	184,000	184,000	185,000	180,000
136,207,800	94,000,300	256,395,400	308,391,000	253,271,700	220,476,700	384,473,900
608,442,800	631,299,700	634,026,280	567,529,080	541,722,900	542,839,900	620,619,500
104,544,579	85,000,000	62,306,014	71,852,887	75,226,300	67,976,300	70,000,000
354	387	391	391	391	391	391
-	-	1	1	1	1	1
13	14	30	30	30	110	128
1	2	1	1	1	3	4
2	8	17	17	18	18	21
1	1	1	1	1	1	1
132,405	202,403	269,870	269,870	269,870	269,870	209,667
27	27	27	27	26	23	24
7,903,837	7,903,837	3,497,342	3,497,342	3,343,509	3,262,776	3,164,986
1,199,736	1,199,736	889,315	981,689	996,316	1,151,952	972,534

(Continued)

**Schedule 17 (Continued)**  
**City of Detroit, Michigan**  
**Miscellaneous Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year		
	2011	2010	2009
<b>Water System</b>			
Number of Customer Accounts	267,500	268,500	268,500
Average Pumpage - Millions of Gallons per Day	543.4	515.3	557.1
Greatest Pumpage for a Single Day During Fiscal Year - Gallons	968,000,000	793,800,000	963,500,000
Greatest Pumpage for a Single Hour During Fiscal Year - Gallons	43,625,000	37,750,000	42,583,000
Filtration Plant Rated Capacity - Millions of Gallons per Day	1,780	1,780	1,780
Number of Miles of Water Mains	3,840	3,840	3,840
Average Cost (Includes Domestic, Industrial, and Commercial) per 1,000 Cubic Feet	\$ 17.02	\$ 13.73	\$ 13.06
<b>Sewage System</b>			
Number of Sewage Disposal Plants	1	1	1
Number of Pumping Stations	11	12	12
Miles of (Trunk Line + Lateral) Sewers	2,913	2,913	2,913
Miles of Lateral Sewers	2,125	2,125	2,125
<b>Transportation</b>			
Number of Employees	1,341	1,524	1,524
Number of Revenue Vehicles	445	445	445
Seating Capacity	17,570	17,570	17,355
Number of Route Miles	1,091	933	1,291
Number of Passengers (Estimated)	35,615,420	36,555,845	38,612,890
Regular Fare	\$ 1.50	\$ 1.50	\$ 1.50
Tickets	N/A	N/A	N/A
Transfers	\$ 0.25	\$ 0.25	\$ 0.25
Weekly GO Pass	\$ 14.40	\$ 14.40	\$ 14.40
<b>Health</b>			
Number of Employees	271	308	339
Birth Rate per Thousand	21.6	15.1	12.9
Death Rate per Thousand	-	10.60	10.40
Infant Mortality Rate per Thousand Live Births	7.1	14.9	14.9
<b>Educational Development</b>			
School Enrollment	*	84,877	95,494
Operating Expenditures	*	1,169,738,265	1,220,054,459
Cost Per Pupil	*	13,782	12,776
Operating Revenues	*	1,210,725,507	1,297,710,119
Revenue Per Pupil	*	14,264	13,589
Total Teaching Staff	*	5,222	5,797

Source: City of Detroit, Michigan, Various Departments

\* 2011 Information Not Available at Date of Publication of CAFR



Fiscal Year						
2008	2007	2006	2005	2004	2003	2002
275,900	264,173	264,259	281,104	262,415	260,639	270,751
601.7	575.2	599.6	640.0	606.0	654.0	661.0
1,097,900,000	1,031,300,000	1,049,800,000	1,060,500,000	1,082,200,000	1,194,500,000	1,219,600,000
51,992,000	49,125,000	50,333,000	52,208,000	48,667,000	53,750,000	57,600,000
1,780	1,780	1,780	1,670	1,680	1,700	1,600
3,840	3,840	3,840	3,840	3,846	13,251	13,137
\$ 12.92	\$ 12.02	\$ 11.87	\$ 11.49	\$ 11.00	\$ 10.00	\$ 9.00
1	1	1	1	1	1	1
12	12	12	12	12	14	14
2,913	2913	2913	3,383	2,913	2,899	2,864
2,125	-	-	-	-	-	-
1,562	1,562	1,530	1,605	1,757	1,803	1,750
541	541	550	561	572	540	548
21,916	21,916	22,278	22,065	23,887	23,452	23,680
1,291	1,291	1,291	1,198	1,324	1,309	1,316
35,204,863	35,204,863	37,083,344	36,000,000	38,000,000	39,756,458	41,000,000
\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.00	\$ 2.00	\$ 1.00
N/A	5 for \$7.50	5 for \$7.50	5 for \$6.50	5 for \$6.50	5 for \$6.50	5 for \$5.75
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ -	\$ -	\$ -
\$ 14.40	N/A	N/A	N/A	N/A	N/A	N/A
338	335	434	508	578	582	552
13.3	14.6	14.3	14.8	15.0	16.0	17.0
8.97	10.50	9.50	9.50	10.00	10.00	11.00
14.9	15.0	15.5	16.3	17.0	14.0	15.0
106,485	118,394	130,718	141,148	150,415	157,003	159,694
1,330,196,819	1,424,921,672	1,447,382,665	1,586,659,192	1,671,326,148	1,599,127,000	1,566,202,039
12,492	12,035	11,073	11,241	11,111	10,185	9,808
1,345,462,713	1,547,683,775	1,545,022,504	1,593,214,258	1,669,936,585	1,679,687,278	1,684,555,781
12,635	13,072	11,820	11,288	11,102	10,698	10,549
6,269	7,064	7,628	8,149	9,412	9,580	9,463

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## Butzel Summer Youth Jam

Children have a blast at the Butzel Summer Youth Jam on June 16, 2011.



City of Detroit, Michigan



# Summer in the City

People enjoy the sights and sounds of a wonderful summer in Detroit.



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