



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013



Michael E. Duggan, Mayor • John Hill, Chief Financial Officer

CITY OF **DETROIT, MICHIGAN**



*"We hope for
better things."*

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

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

City of Detroit

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2013

Michael E. Duggan, Mayor

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PHOTO CREDITS

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July 25, 2014

The City of Detroit
Kevyn Orr, Honorable Mayor Michael E. Duggan 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, 2013 along with the Independent Auditors' Report. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties.

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 all disclosures. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City's primary government and component units for which it is financially accountable and that the disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles (GAAP)

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of independent auditors.

Independent Audit

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government.



PROFILE OF THE GOVERNMENT

Background and Overviews

Detroit is the largest city in the state of Michigan and is the seat of Wayne County. 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:


Emergency Manager

In February 2013, a financial review team appointed by the Governor of the State of Michigan determined that a local government financial emergency existed in the City. On March 14, 2013, the Local Emergency Financial Assistance Loan Board appointed Kevyn Orr as the emergency financial manager of the City in accordance with the State of Michigan Public Act 72 of 1990, the Local Government and School District Fiscal Responsibility Act. On March 28, 2013, Public Act 436 of 2012, the Local Financial Stability and Choice Act, took effect which replaced Public Act 72. Public Act 436 specified that an emergency financial manager appointed under Public Act 72 of 1990 and serving on the effective date of Public Act 436 of 2012 would continue to serve under the new act. Public Act 436 changed the title of the emergency financial manager to emergency manager and expanded the powers of the emergency manager to include the ability to recommend to the Governor that the City file a petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code").

The emergency manager directly controls the City's Police and Finance departments. The City's Mayor heads all other City executive branch departments and reports to the emergency manager. Under Public Act 436 the City can remove the emergency manager after 18 months with the approval of two-thirds of the City Council and Mayor. If the emergency manager is removed by this action and the City has not breached a consent agreement under this law, the local government is eligible to negotiate a consent agreement option with the state treasurer. There is expected to be State oversight and additional oversight by the Financial Advisory Board of the City's finances long after the emergency manager is unappointed.

The emergency manager delivered a letter to the Governor and the State Treasurer on July 16, 2013, pursuant to Section 18(1) of PA 436 (the "Recommendation Letter"), recommending that the City be authorized to seek relief under chapter 9 of the Bankruptcy Code. The emergency manager stated in the Recommendation Letter: "Based on the current facts and circumstances, I have concluded that no reasonable alternative to rectifying the City's financial emergency exists other than the confirmation of a plan of adjustment for the City's debts pursuant to chapter 9 of the Bankruptcy Code because the City cannot adopt a feasible financial plan that can satisfactorily rectify the financial emergency outside of a chapter 9 process in a timely manner."

On July 18, 2013, the Governor delivered a letter to the emergency manager and the State Treasurer (the "Authorization Letter") authorizing the City to commence a bankruptcy case under chapter 9 of the Bankruptcy Code. In the Authorization Letter, the governor agreed with the emergency manager that chapter 9 offers the only feasible alternative to fix the City's



finances and to complete a sustainable restructuring for the benefit of Detroit's approximately 700,000 residents. Based on the emergency manager's Recommendation Letter, the governor determined that: (a) the City cannot meet its obligations to its citizens; (b) the City cannot meet its basic obligations to its creditors; (c) the City's failure to meet its obligations to its citizens is the primary cause of its inability to meet its obligations to its creditors; and (d) the only feasible path to ensuring the City will be able to meet obligations in the future is to have a successful restructuring under the federal bankruptcy process.


Upon receiving the Authorization Letter, the emergency manager issued an order directing the commencement of the City's chapter 9 bankruptcy case. Consistent with these approvals, on July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case").

On December 3, 2013, the Bankruptcy Court issued a bench decision determining that the City was insolvent and eligible to be a chapter 9 debtor for bankruptcy (the "Bench Decision"). On December 5, 2013, the Bankruptcy Court entered its Opinion Regarding Eligibility (the "Eligibility Order") memorializing the Bench Decision. Also on December 5, 2013, the Bankruptcy Court entered an Order for Relief Under Chapter 9 of the Bankruptcy Code (the "Order for Relief"), determining that the City, among other things, met all of the applicable requirements for eligibility to be a chapter 9 debtor under section 109(c) of the Bankruptcy Code.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. Accordingly, on February 21, 2014, the City filed its plan of adjustment and a related disclosure statement. On March 31, 2014, the City filed its amended plan of adjustment and amended disclosure statement. On April 16, 2014, the City filed its second amended plan of adjustment and second amended disclosure statement. On April 25, 2014, the City filed its third amended plan of adjustment and third amended disclosure statement. On May 5, 2014, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also, on May 5, 2014 the Bankruptcy Court entered an order approving the disclosure statement and the mailing of the disclosure statement and Plan to creditors to vote on. On July 21, 2014, Kurtzman Carson Consultants LLC filed a declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Those impaired classes that voted to accept the Plan included the PFRS pension claims, GRS pension claims, OPEB claims, COP Swap claims and Unlimited Tax General Obligation Bond claims. Those impaired classes that voted to reject the Plan included the COP claims and certain classes of DWSD debt. The plan of adjustment (as it has been and may be further modified, supplemented or amended, the "Plan") is subject to further change. The Plan represents a critical step toward the City's rehabilitation and recovery from a decades-long downward spiral. The Plan provides for the adjustment of up to as much as \$18 billion in secured and unsecured debt and allows for meaningful and necessary investment in the City.

Executive Branch

As noted above, the Mayor heads the executive branch except for the Police and Finance departments and reports to the emergency manager. 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 the City Council are also elected to four-year terms. 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.

LOCAL ECONOMY

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 (a 14.5% unemployment rate in April 2014 compared to the State unemployment rate of 7.3%), which hinders personal income tax collections. Resident home foreclosures and delinquent property tax levels are another financial concern.

Although the City's current economic condition is poor, the future outlook for recovery and improvement is positive. Businesses are transferring employees from suburban cities to the City of Detroit. New residents are moving into the City's mid-town area.

The Great Lakes contain 20 percent of the world's fresh water supply. There are three top-tier universities within 90 minutes of the City. And Michigan, due to the Detroit metropolitan area and the auto industry, has America's highest concentration of engineers.

The Detroit metro area economy remains dominated by the auto industry. Severe winter weather held auto sales to a 15.2 million unit annual rate in January 2014, after reaching a 16.4 million unit rate in November 2013. It is expected that auto sales will resume their moderate upward track early this year.

New International Trade Crossing

The City's border with Ontario, Canada, is the most frequently crossed in North America, allowing for significant international commercial cooperation. A second bridge, the "New International Trade Crossing" (NITC), between Canada and Detroit has been approved and is expected to contribute to improvements in the City's economy through increased commerce and jobs for residents. Pursuant to an agreement between the Canadian federal government and the State of Michigan announced June 15, 2012, the Canadian federal government would fund bridge construction, land acquisition in Michigan and the construction of ramps from Interstate 75. The Canadian contribution would be repaid from bridge tolls. On April 12, 2013, the U.S.



State Department issued a Presidential permit to the State of Michigan for the new bridge. On May 22, 2013, the Canadian government allocated \$25 million to begin land acquisition on the Detroit side. The crossing, as proposed, would connect Detroit and Windsor by linking Interstate 75 and Interstate 94 in Michigan with the new Windsor–Essex Parkway connection to Highway 401 in Ontario. The bridge is tentatively scheduled for completion in 2016, according to the Michigan Department of Transportation. With traffic crossing the border anticipated to grow from 18,500 vehicles a day in 2016 to 26,500 by 2025, the NITC is expected to provide an orderly flow of people and goods between the two countries.

M-1 Rail Project

The construction of the new 3.3 mile streetcar light rail line to run along the City's main street - Woodward Avenue, with \$100 million in local funding from non-governmental sources, is expected to revitalize the City's core and in time connect it with the older, mixed use suburbs. Utility work for the M-1 Rail project has already begun, and it is expected to officially break ground for the light rail track this summer. The project is expected to be completed in two years.

Detroit Future City

The Kresge Foundation's Detroit Future City initiative provides a broad strategic framework to strengthen and rebuild disadvantaged neighborhoods, create jobs and spur a new model of development across the city. The framework identifies assets that the community can build on and highlights opportunities for creating jobs, fostering economic growth and ensuring vibrant, healthy neighborhoods.

LONG-TERM FINANCIAL PLANNING

The City's current financial planning process is primarily driven by the terms of the Plan. In previous years it was primarily driven by the budget process. The Administration has prepared a triennial budget for the FY 2014-2015 proposed budget in accordance with the Plan.

The City currently prepares a five year Capital Agenda. It is a capital improvement plan and includes all capital projects to be financed in the next five years with funds subject to control or appropriation by the City. The intent of the Capital Agenda is to provide a planning vehicle for City projects and infrastructure. The City's capital planning process includes analyzing future capital needs, monitoring and evaluating capital projects throughout their implementation, and conducting appropriate maintenance of capital assets.

The Amended Financial Stability Agreement (FSA) between the City and the State of Michigan Treasury Department includes the following: (1) Financial Advisory Board (FAB) will assist the City in achieving and maintaining financial stability; (2) Chief Financial Officer (CFO) will supervise all finance and Budget activities of the City; and (3) revenue estimating conferences will be held twice each year. The FAB will serve in an advisory capacity to the emergency manager. The CFO will report monthly to the FAB. The amended FSA also requires a Triennial Budget beginning with the fiscal year 2015 budget.

The FAB is responsible for: (1) consulting with and assisting the City on implementation of operational improvements; (2) monitoring and reporting upon the City's ongoing financial



performance; (3) making certain findings and recommendations to and assisting the City with the City's preparation, implementation, and execution of an annual Triennial Budget and General Appropriations Act, which shall include the City's annual Budget; (4) assisting the City in achieving and maintaining fiscal stability; and (5) monitoring compliance with the FSA. It is anticipated that the FAB or a similar oversight body will remain after the emergency manager's term ends to ensure the City maintains financial stability.

RELEVANT FINANCIAL POLICIES

Internal Control Structure

Management of the City is responsible to establish and maintain an internal control structure that ensures the assets of the government are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for preparation of financial statements in conformity with U.S. generally accepted accounting principles. The City adheres to the GASB (Governmental Accounting Standards Board) standards for financial reporting and internal accounting purposes. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the General Fund, and other City funds.

ACCOMPLISHMENTS/ACKNOWLEDGEMENTS

Accomplishments

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Detroit for its CAFR for the fiscal year ended June 30, 2012.

Acknowledgements

I wish to express my appreciation to the City's Finance Department, other City personnel and the fiscal staff at each of our component units whose professionalism, dedication and efficiency contributed to the preparation of this report. I also would like to extend my thanks to the Mayor's Office, Members of City Council and the Auditor General for their support.

Sincerely,

A handwritten signature in black ink, appearing to read "John Naglick, Jr.".

John Naglick, Jr.

Finance Director / Interim Treasurer



City of Detroit

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2 Woodward Avenue, Suite 216
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www.detroitmi.gov

Mark W. Lockridge
AUDITOR GENERAL

AUDITOR GENERAL'S LETTER

July 25, 2014

The Honorable Mayor Michael E. Duggan
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, 2013, 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 7.5-105.

Respectfully,

A handwritten signature in cursive script that reads "Mark W. Lockridge".

Mark W. Lockridge
Auditor General



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Detroit
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Detroit, Michigan



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date September 18, 2013

PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Executive (Elected)



Mayor
MICHAEL E. DUGGAN

Legislative (Elected)

City Council



BRENDA JONES
President



GEORGE CUSHINGBERRY
President Pro Tem



SAUNTEEL JENKINS



SCOTT BENSON



RAQUEL
CASTANEDA-LOPEZ



GABE LELAND



MARY SHEFFIELD



ANDRE SPIVEY



JAMES TATE

PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Legislative (Elected)



City Clerk
JANICE WINFREY

Other Executive Officials (Appointed)



JOHN HILL
Chief Financial Officer



JOHN NAGLICK
Finance Director



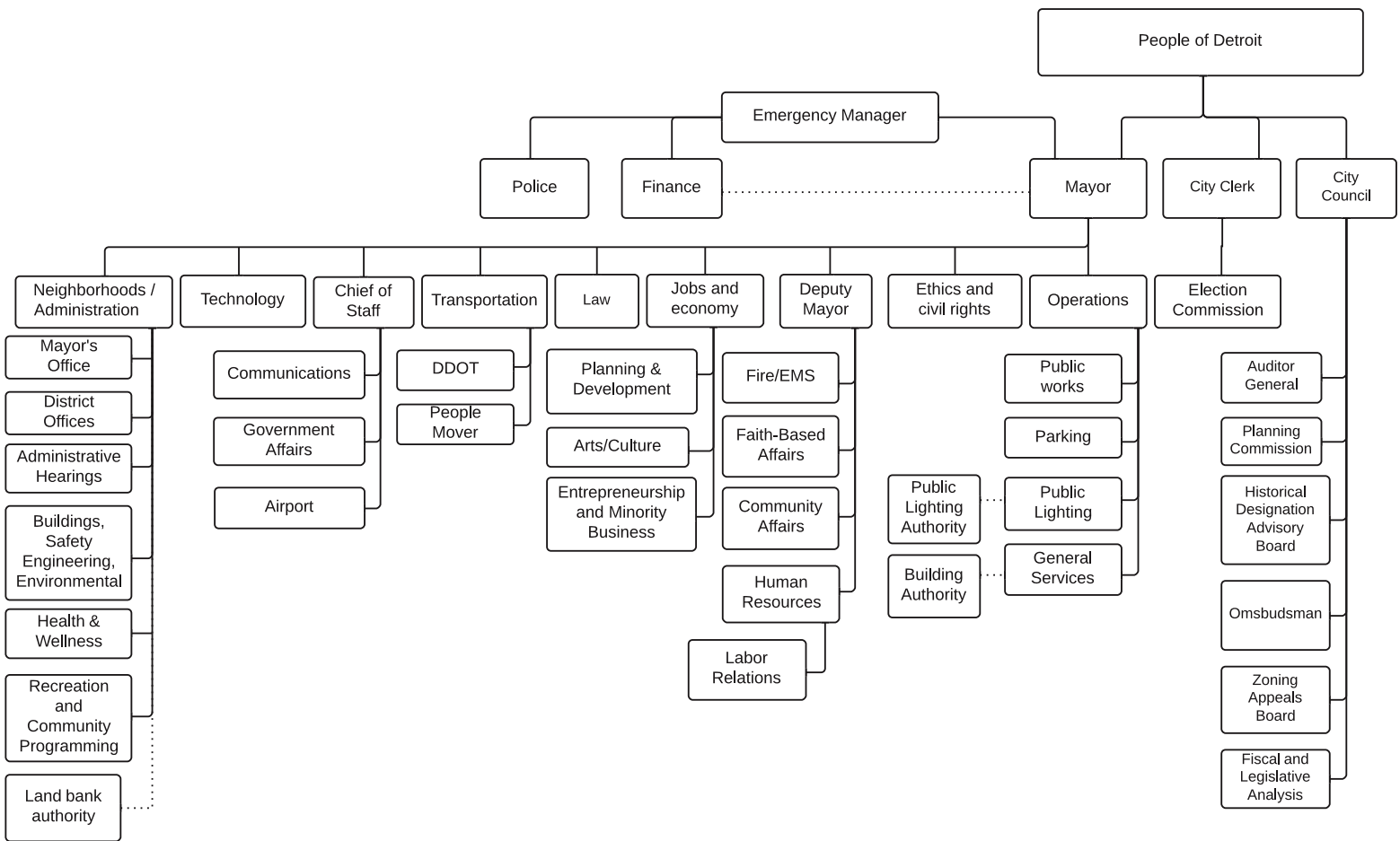
Whole Foods



A large crowd of enthusiastic shoppers attended the grand opening of the Whole Foods Market on Mack near Woodward in Detroit's Midtown area on June 5, 2013.

CITY OF **DETROIT, MICHIGAN**

Organization of City of Detroit Agencies





Metro Detroit Youth Day



Tens of thousands of children had a blast at the 30th annual Metro Detroit Youth Day on July 11, 2012, on Belle Isle.

CITY OF **DETROIT, MICHIGAN**

FINANCIAL

The Financial Section Contains:

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

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INDEPENDENT AUDITOR'S REPORT



KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

Independent Auditors' Report

Kevyn Orr, Emergency Financial Manager,
the Honorable Mayor Mike Duggan, and
the Honorable Members of the City Council
City of Detroit, Michigan:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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) to the financial statements, 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 50% 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 have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and aggregate remaining fund information, are based solely 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair



presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Emphasis of Matter Regarding Uncertainty About Ability to Continue as a Going Concern – Primary Government

The accompanying financial statements of the City have been prepared assuming that the City will continue as a going concern. As discussed in Note II (a) to the financial statements, the City (primary government) was insolvent on June 30, 2013 as the General Fund liabilities exceeded its assets by \$73.0 million and cash and investments on hand totaling \$102.2 million were insufficient to meet obligations due. The City's accumulated unassigned General Fund deficit was \$132.6 million on June 30, 2013. On June 15, 2013, due to liquidity constraints, the City did not make a principal or interest payment totaling \$41.0 million (\$33.3 million due from the General Fund) due on its pension obligation certificates of participation (POCs). In addition, as of June 30, 2013, the City had defaulted on \$105.6 million (\$96.9 million General Fund) of pension contributions due to the General Retirement and Police and Fire Retirement systems. As discussed in Note XIII to the financial statements, on July 18, 2013 the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code. These matters raise substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note II (a) to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding Discretely Presented Component Unit Uncertainties

As discussed in Note XIII to the financial statements, the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code. There is considerable uncertainty associated with the process, and the effects of the process on the discretely presented component units listed in Note I (a) are not currently known. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding Pension Plans

As discussed in Note IX(f) and (g) and Note XIII to the financial statements, the City and the Retirement Systems utilized different actuarial assumptions in calculating the unfunded actuarial accrued liability. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding the Fair Value of Pension Investments

As discussed in Note IX (b), the financial statements of the General Retirement System and the Police and Fire Retirement System include investments valued at \$702,000,000 and \$722,000,000, respectively, as of



June 30, 2013 whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on various methods, which may include information provided by investment managers, general partners, real estate advisors, and other means. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the other supplementary information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Detroit, Michigan
July 25, 2014

MANAGEMENT'S

DISCUSSION

AND ANALYSIS

(MD&A)

(UNAUDITED)

The following Management's Discussion and Analysis is a required supplement to the City of Detroit's (the "City") 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, 2013. 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.

RECENT DEVELOPMENTS

On July 18, 2013, the Governor delivered a letter to the emergency manager and the State treasurer (the "Authorization Letter") authorizing the City to commence the Bankruptcy Case under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code"). In the Authorization Letter, the Governor agreed with the emergency manager that chapter 9 offers the only feasible alternative to fix the City's finances and to complete a sustainable restructuring for the benefit of Detroit's approximately 700,000 residents. Based on the emergency manager's Recommendation Letter, the Governor determined that: (a) the City cannot meet its basic obligations to its citizens; (b) the City cannot meet its obligations to its creditors; (c) the City's failure to meet its obligations to its citizens is the primary cause of its inability to meet its obligations to its creditors; and (d) the only feasible path to ensuring the City will be able to meet obligations in the future is to have a successful restructuring under the federal bankruptcy process.

Upon receiving the Authorization Letter, the emergency manager issued an order directing the commencement of the City's chapter 9 bankruptcy case. Consistent with these approvals, on July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.).

On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit.

On December 5, 2013, the Bankruptcy Court entered (a) the Eligibility Order stating that the City is eligible to be a debtor under chapter 9 of the Bankruptcy Code and (b) the Order for Relief entitling the City to proceed with the Bankruptcy Case.

As of June 14, 2013, the City had stopped making payments related to unsecured funded debt and legacy liabilities, with the exception of retiree healthcare benefits and certain vendors providing essential goods and services.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment. On February 21, 2014, the City filed its plan of adjustment and related disclosure statement. On March 31, 2014, the City filed its amended plan of adjustment and amended disclosure statement. On April 16, 2014, the City filed its second amended plan of adjustment and second amended disclosure statement. On April 25, 2014, the City filed its third amended plan of adjustment and third amended disclosure statement. On May 5, 2014, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also on May 5, 2014, the Bankruptcy Court entered an order approving the disclosure statement and the mailing of the

disclosure statement and Plan to creditors to vote on. On July 21, 2014, Kurtzman Carson Consultants LLC filed a declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Those impaired classes that voted to accept the Plan included the PFRS pension claims, GRS pension claims, OPEB claims, COP Swap claims and Unlimited Tax General Obligation Bond claims. Those impaired classes that voted to reject the Plan included the COP claims and certain classes of DWSD debt. The plan is subject to further change. The City's proposed plan of adjustment (as it has been and may be further modified, supplemented or amended, the "Plan") provides a framework to restructure the City's long-term obligations so that the City can exit bankruptcy and return to fiscal stability.

The Plan represents a critical step toward the City's rehabilitation and recovery from a decades-long downward spiral. The City believes that the Plan, which provides for the adjustment of up to as much as \$18 billion in secured and unsecured debt, offers the greatest possible recoveries for the City's creditors while simultaneously allowing for meaningful and necessary investment in the City.

In connection with the Plan, the City intends to invest approximately \$1.4 billion over ten years to, among other things: (i) improve and provide essential municipal services to the City's approximately 700,000 residents, including police, fire and emergency medical services, garbage removal and functioning streetlights; (ii) attract and retain residents and businesses to foster growth and redevelopment; and (iii) improve the City's information technology systems, thereby increasing efficiency and decreasing costs.

See the Note XIII (Subsequent Events) for more details on the City's chapter 9 bankruptcy.

Copies of the Plan and the related disclosure statement can be found on the City's website at: <http://www.detroitmi.gov/EmergencyManager/BankruptcyChapter9.aspx>

FINANCIAL HIGHLIGHTS

- The City of Detroit was insolvent on June 30, 2013 as the General Fund liabilities exceeded its assets by \$73.0 million and cash and investments on hand totaling \$102.2 million were insufficient to meet obligations then due. The City's accumulated unassigned General Fund deficit was \$132.6 million on June 30, 2013. On June 15, 2013, due to liquidity constraints, the City defaulted on its pension obligation certificates of participation ("POCs") principal and interest payment due totaling \$41.0 million (\$33.3 million due from the General Fund). In addition, as of June 30, 2013, the City had defaulted on \$105.6 million (\$96.9 million from the General Fund) in pension contributions due to the General Retirement and Police and Fire Retirement Systems. Also, the City's General Fund owed the Benefits Fund \$44.4 million as of June 30, 2013. Furthermore, as of June 30, 2013, the City's General Fund had borrowed \$69.6 million from its Risk Management, Solid Waste and Vehicle Funds to fund other obligations.
- The Unassigned General Fund Balance (page 38) had a \$132.6 million cumulative deficit at June 30, 2013, a \$194.0 million decrease from the \$326.6 million deficit at the end of fiscal

year 2012. The decrease was primarily due to the \$138.6 million in proceeds from borrowing \$129.5 million of limited tax general obligation bonds with maturities extending to November 2032, issued at a premium of \$9.1 million, with the assistance of the State of Michigan through the Michigan Finance Authority. The \$138.6 million in bond proceeds were used to defease the \$76.5 million remaining of the \$80.0 million of short-term debt issued in March 2012 and pay \$1.6 million of issuance costs. The remainder totaling \$60.5 million was set aside with a trustee bank in an escrow account to provide funds for the City reforms and provide liquidity in fiscal year 2013. Also, significantly contributing to the decrease in the General Fund deficit was the default on the \$96.9 million required pension contributions at June 30, 2013. The defaulted pension expenses and related obligations are not included in the governmental fund financial statements because there are no available financial resources to pay them. However, the defaulted pension expenses and related obligations are recorded in the government wide statements. While the City is in bankruptcy and has stated its intention not to pay the pension contributions, the City still has a legal requirement to pay them until the Plan of Adjustment is approved by the Bankruptcy Court.

- The City's General Fund agencies made substantial efforts to reduce the deficit for the year ended June 30, 2013 including the: (1) \$81.0 million reduction in salaries and wages through 10% pay-cuts, furlough days, attrition and other measures; (2) \$15.0 million increase in income tax revenue due to stronger collection efforts and an improving local economy; (3) \$9.7 million increase in State Revenue sharing; and (4) \$13.3 million reduction in benefits costs.
- The City of Detroit, the Detroit Workforce Development Board ("DWDD"), and the Detroit Employment Solutions Corporation ("DESC") entered into a governance agreement dated June 28, 2012 pursuant to which DESC (a Michigan non-profit corporation) became the depository and primary administrative and fiscal agent effective July 1, 2012 for DWDD funds available to the DWDD and City of Detroit. The City's administration determined that moving the City's workforce development operations and oversight functions to an external corporation would best serve the citizens of Detroit by improving service delivery and reducing costs. In addition, the non-profit entity has the flexibility to leverage corporate and philanthropic resources to sustain programs and supplement public funding. The City appoints the voting majority of the DESC board members and may impose its will. As a result, the DESC financial statements are included in the CAFR's Discretely Presented Component Units section. As of June 30, 2013, the DESC had net position of \$0.2 million resulting from revenues of \$40.8 million (\$40.6 million grant revenues) offset by \$40.6 million of expenses during the year ended June 30, 2013.
- As of July 1, 2012, the Department of Human Services ("DHS") Headstart programs had been transitioned to independent agencies. The remaining DHS operations, including the Community Services Block Grant program, were transitioned to independent agencies in January 2013. The City's administration determined that moving DHS operations and oversight to external agencies would best serve the citizens of Detroit by improving service delivery and reducing costs.

- On October 1, 2012, the state grant-funded programs of the Department of Health and Wellness Promotion (“DHWP”) were transitioned to the Institute for Population Health, an independent agency. The City’s administration, in conjunction with the State of Michigan, determined that moving the DHWP operations and oversight to the Institute for Population Health would best serve the citizens of Detroit by improving service delivery and reducing costs.
- The Public Lighting Authority of Detroit (“PLAD”) was authorized by the Michigan Legislature in 2012 per the Michigan Lighting Authority Act (Public Act 392 of 2012). The PLAD is a legally separate entity that was created by the City on February 5, 2013. The PLAD is governed by a Board of Trustees in which the City appoints the voting majority and may impose its will. Because the PLAD is in substance a part of the City’s operation, its financial statements are blended (Blended Component Unit) with the City’s financial statements in the CAFR’s Special Revenue Funds section. The PLAD was created for the purpose of providing an equitable and reasonable method and means of financing, operating, and maintaining a street lighting system in the City. The PLAD anticipates making a multi-year investment in public lighting infrastructure. The City expects that the PLAD street lighting system infrastructure costs will be funded through the sale of approximately \$185.0 million in bonds. The bonds would be repaid with funds generated from the City’s utility user tax, which are currently expected to be up to \$12.5 million per year. For the period from April 5, 2013 through June 30, 2013, the PLAD was in a start-up phase. The PLAD received a \$1.2 million allocation of utility user tax from the City to fund its start-up activities. The PLAD incurred \$162,000 in expenses for the year ended June 30, 2013 for professional fees, including legal and public relations.
- For the year ended June 30, 2013, the General Fund recorded \$24.5 million in liabilities due to Wayne County for estimated chargebacks/recoveries of uncollectible delinquent property 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 chargeback to the City prior year taxes purchased that it determines to be uncollectible. As of June 30, 2012, the liability totaled \$30.5 million. The \$6.0 million decrease in the liability for the year ended June 30, 2013 was due to improvements in county collections.
- The City’s pension obligations, retiree benefits, debt service, and derivatives associated with the POCs, present a substantial financial challenge for the City and were a contributing factor in the City’s bankruptcy filing. As of June 30, 2013, a total of \$296.5 million of the negative fair value of derivatives related to interest rate swaps associated with the City’s POCs. The POCs, totaling approximately \$1.5 billion, were issued in fiscal years 2005 and 2006 to provide funding for obligations of the City’s two pension plans. The City had an approximately \$1.5 billion long-term obligation payable at June 30, 2013 for the POCs, including a \$23.1 million principal payment due June 15, 2013 that was not paid when due. The obligations of the City’s two pension plans for retiree pensions totaled \$7.5 billion at June 30, 2012 (the most recent valuation date), of which approximately \$985 million was unfunded (according to the pension plans’ actuarial estimates). In addition, the City had a \$5.7 billion unfunded obligation for other postemployment benefits at June 30, 2011 (the

most recent valuation date). The primary government's pension, retiree benefits, and other pension related costs totaled \$694.6 million for the year ended June 30, 2013.

- The General Fund's hospitalization, dental, vision, and life insurance benefits costs present some of the biggest challenges for the City and are major contributors to the structural deficit. For the year ended June 30, 2013, these costs were \$193.4 million, down \$14.3 million from \$207.7 million for year ended June 30, 2012. The portion of the fiscal year 2013 costs relating to retirees was \$142.8 million, or 73.8% of the total amount. The portion of the fiscal year 2013 costs relating to active employees costs was \$50.6 million, or 26.2% of the total amount. The retiree share decreased \$3.6 million from the \$146.4 million in the year ended June 30, 2012, while the active share decreased \$10.7 million. The number of retirees exceeds the number of active employees by a factor of two to one.
- The City's business-type activities had net position of \$129.6 million at June 30, 2013, a decrease of \$178.8 million from the \$308.4 million at June 30, 2012. The business-type activities cumulative unrestricted net position was a deficit totaling \$640.4 million, a \$560.8 million decrease from the \$1.2 billion deficit at June 30, 2012. The Sewage Disposal Fund's net position decreased by \$105.1 million, to \$52.4 million at June 30, 2013 and the Water Fund's net position decreased by \$51.5 million, to a deficit of \$41.6 million at June 30, 2013.
- The City's total bonded debt at June 30, 2013 was \$6.4 billion, a decrease of \$27.9 million from June 30, 2012. This decrease was primarily due to the retirement of debt by the Water and Sewerage departments without any new issuance of debt. The Governmental Funds issued \$129.5 million of new debt and retired \$82.7 million of general obligation bonds during the year ended June 30, 2013. The Sewage Disposal, Transportation, Water, and Parking Funds retired \$39.4 million, \$0.8 million, \$31.6 million, and \$1.2 million, respectively, of revenue bonds during the year ended June 30, 2013.
- Total primary government long-term obligations were \$9.6 billion at June 30, 2013, an increase of \$173.3 million from \$9.4 billion at June 30, 2012. The long-term obligations increased mainly due to the \$191.8 million increase in other postemployment benefits. The City did not make payment on its POC long-term obligation totaling \$41.0 million due June 15, 2013 due to cash flow concerns.
- At June 30, 2013, the fair value of the POC swap liabilities was \$239.7 million for the governmental activities and totaled \$296.5 million for the primary government (see Note VIII (f) for more details). There was an adjustment for derivatives (POC interest rate swaps) that reduced investment earnings by \$109.2 million for the primary government (\$88.1 million for governmental activities). The adjustments were made due to the anticipation of a termination of the derivatives due to the bankruptcy filing and final settlement with the swap counterparties. As a result, the balance in the deferral (asset) account (i.e., deferred outflows) totaling \$252.0 million for the primary government was written off to investment revenue. This was offset by a \$142.8 million adjustment for the decrease in the fair market value of the swaps at June 30, 2013.

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 35-37) 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 Position 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 Position 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 Position (page 35) presents all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the City's financial position is improving or eroding.

The Statement of Activities (pages 36 and 37) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 12 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 38 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 Position and Changes in Fiduciary Net Position (pages 53 and 54). 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 61 of this 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.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(UNAUDITED)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Government-wide Net Position

Net position (assets less liabilities) serves as a useful indicator of a government's financial position. The City's liabilities exceeded assets by \$678.2 million at June 30, 2013. The net position decreased \$306.2 million from the deficit of \$372.0 million at June 30, 2012.

Summary of Net Position
June 30, 2013 and 2012
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other non-current assets	\$ 1,583,883	\$ 1,627,459	\$ 1,513,742	\$ 1,589,855	\$ 3,097,625	\$ 3,217,314
Capital assets	<u>1,511,817</u>	<u>1,480,001</u>	<u>5,200,965</u>	<u>5,361,908</u>	<u>6,712,782</u>	<u>6,841,909</u>
Total assets	3,095,700	3,107,460	6,714,707	6,951,763	9,810,407	10,311,197
Deferred outflows of resources	-	203,118	-	48,856	-	251,974
Current and other liabilities	608,324	871,310	344,803	392,871	953,127	1,264,181
Long-term obligations	<u>3,295,168</u>	<u>3,119,669</u>	<u>6,240,290</u>	<u>6,299,321</u>	<u>9,535,458</u>	<u>9,418,990</u>
Total liabilities	3,903,492	3,990,979	6,585,093	6,692,192	10,488,585	10,683,171
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:						
Net investment						
in capital assets	832,127	803,654	525,964	1,047,594	1,358,091	1,851,248
Restricted	75,056	73,786	244,040	461,973	319,096	535,759
Unrestricted (deficit)	<u>(1,714,975)</u>	<u>(1,557,841)</u>	<u>(640,390)</u>	<u>(1,201,140)</u>	<u>(2,355,365)</u>	<u>(2,758,981)</u>
Total net position (deficit)	<u>\$ (807,792)</u>	<u>\$ (680,401)</u>	<u>\$ 129,614</u>	<u>\$ 308,427</u>	<u>\$ (678,178)</u>	<u>\$ (371,974)</u>

Total Primary Government

The City's net 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 at June 30, 2013 was \$1.4 billion, \$493.2 million less than the \$1.9 billion at June 30, 2012. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position totaling \$319.1 million at June 30, 2013 are resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City presents restricted net position for Highway and Street Improvement (\$40.0 million), Capital Projects and Acquisitions (\$1.9 million), Debt Service (\$275.4 million), and Endowments and Trusts (\$1.8 million).

The remaining balance is an unrestricted accumulated deficit of \$2.4 billion at June 30, 2013. 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 \$403.6 million from the \$2.8 billion at June 30, 2012, primarily as a result of reclassifications of net position categories within the Water and Sewer Funds.

Governmental Activities

At June 30, 2013, the City's governmental activities had a net position deficit (liabilities exceeded assets) of \$807.8 million, an increase of \$127.4 million from the deficit at June 30, 2012. Other postemployment benefits payable accounted for \$146.7 million of the governmental activities increases in the net position deficit. In addition, the weak economy in fiscal year 2013 and resulting high unemployment and depressed property values slowed revenue growth and contributed to the increase in the deficit. Expenses were down \$227.2 million due to the transition of the grant agencies (Workforce Development, Human Services and Health) to non-profits and cost cutting measures such as the 10% pay-cut, and attrition. However, revenues, mainly grant revenues (a \$119.9 million decrease) and investment earnings (a \$96.9 million decrease) due to the derivatives (interest rate swaps) fair market value adjustment, were down \$247.3 million from the prior fiscal year, which contributed to the net position deficit.

Net investment in capital assets totaled \$832.1 million at June 30, 2013, an increase of \$28.4 million from the prior fiscal year. Restricted net position totaled \$75.1 million at June 30, 2013. The remaining unrestricted net position deficit totaled \$1.7 billion at June 30, 2013, a \$157.1 million increase from the \$1.6 billion deficit at June 30, 2012.

Business-type Activities

The business-type activities had net position totaling \$129.6 million at June 30, 2013, a decrease of \$178.8 million from the \$308.4 million of net position at June 30, 2012. The unrestricted net position deficit decreased \$560.8 million to \$640.4 million at June 30, 2013 from the \$1.2 billion deficit at June 30, 2012. The Water Fund had a \$41.6 million net position deficit at June 30, 2013. The Sewage Disposal Funds had net position of \$52.4 million at June 30, 2013. The Transportation Fund had \$46.9 million net position at June 30, 2013, a decrease of \$18.4 million from June 30, 2012. The Parking Fund had \$55.4 million net position at June 30, 2013, a decrease of \$2.9 million from June 30, 2012.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(UNAUDITED)

Government-wide Changes in Net Position

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

Summary of Changes in Net Position
June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 288,971	\$ 309,746	\$ 835,754	\$ 807,953	\$ 1,124,725	\$ 1,117,699
Operating Grants and Contributions	211,471	326,570	70,142	77,297	281,613	403,867
Capital Grants and Contributions	19,741	24,516	11,855	30,345	31,596	54,861
General Revenues:						
Property Taxes	199,192	216,932	-	-	199,192	216,932
Municipal Income Tax	248,017	233,036	-	-	248,017	233,036
Utility Users Tax	35,300	39,828	-	-	35,300	39,828
Wagering Tax	174,357	181,575	-	-	174,357	181,575
Other Local Taxes	14,385	16,528	-	-	14,385	16,528
State Shared Taxes	182,454	172,704	-	-	182,454	172,704
State Returnable Liquor License Fees	604	588	-	-	604	588
Investment Earnings (Losses)	(88,533)	8,367	(46,469)	(152,916)	(135,002)	(144,549)
Miscellaneous	3,950	6,843	7,263	2,300	11,213	9,143
Total Revenues	1,289,909	1,537,233	878,545	764,979	2,168,454	2,302,212
Expenses:						
Public Protection	694,708	800,229	-	-	694,708	800,229
Health	38,070	142,584	-	-	38,070	142,584
Recreation and Culture	26,856	30,112	-	-	26,856	30,112
Economic Development	81,455	73,600	-	-	81,455	73,600
Educational Development	37,041	51,975	-	-	37,041	51,975
Housing Supply and Conditions	5,087	4,432	-	-	5,087	4,432
Physical Environment	121,192	130,992	-	-	121,192	130,992
Transportation Facilitation	20,746	33,697	-	-	20,746	33,697
Development and Management	205,938	195,168	-	-	205,938	195,168
Interest on Long-term Debt	133,545	129,098	-	-	133,545	129,098
Sewage Disposal	-	-	523,910	456,113	523,910	456,113
Transportation	-	-	166,024	212,857	166,024	212,857
Water	-	-	398,087	370,558	398,087	370,558
Automobile Parking	-	-	20,089	11,643	20,089	11,643
Airport	-	-	1,910	2,120	1,910	2,120
Total Expenses	1,364,638	1,591,887	1,110,020	1,053,291	2,474,658	2,645,178
Excess (Deficiency) Before						
Transfers	(74,729)	(54,654)	(231,475)	(288,312)	(306,204)	(342,966)
Transfers, Net	(52,662)	(87,676)	52,662	87,676	-	-
Decrease in Net Position	(127,391)	(142,330)	(178,813)	(200,636)	(306,204)	(342,966)
Net Position, July 1	(680,401)	(538,071)	308,427	509,063	(371,974)	(29,008)
Net Position, June 30	\$ (807,792)	\$ (680,401)	\$ 129,614	\$ 308,427	\$ (678,178)	\$ (371,974)

Total Primary Government

Total revenues for the year ended June 30, 2013 were \$2.2 billion, a decrease of \$133.8 million from the prior fiscal year. Charges for services increased \$7.0 million mainly due to water and sewer rate increases. Sewer and water revenues from customer charges for services increased \$2.1 million and \$20.7 million, respectively, from the prior fiscal year. Grant revenues decreased \$145.5 million for the year ended June 30, 2013 because of the transition of the Health, Workforce Development and Human Services departments to non-profit agencies during

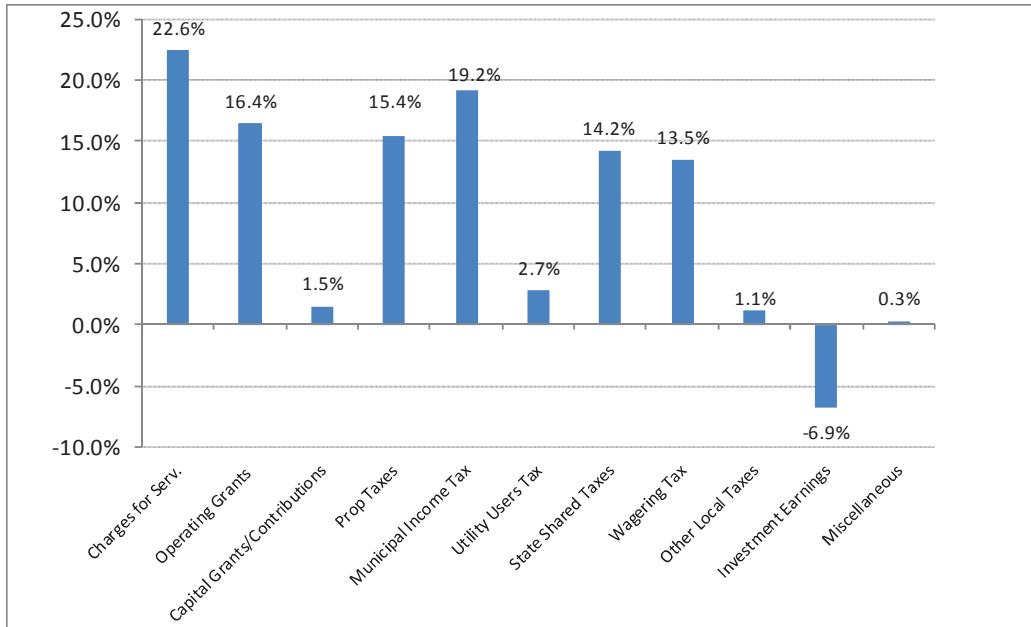
the year. Total tax revenues decreased by \$16.6 million from the prior fiscal year mainly due to the \$17.7 million decrease in property taxes due to depressed home values and declining population. Income tax revenues were up \$15.0 million in fiscal year 2013 as the economy and employment improved. Wagering tax revenues were down \$7.2 million for the year ended June 30, 2013, due to competition from other casinos in the region such as the Toledo casino. Utility user tax revenues were down \$4.5 million due to the declining population and tax base in the City. Shared tax revenues increased \$9.7 million during the year ended June 30, 2013, as the State economy improved. Investment revenues improved by \$9.5 million mainly due to the difference for the adjustment of the Water and Sewage Disposal Funds termination of its non-POC derivative obligations for the year ended June 30, 2012 and the adjustment for the anticipated termination of the POC derivative obligations for the year ended June 30, 2013. Miscellaneous revenues were up \$2.1 million from the prior fiscal year, primarily due to Water and Sewer fund activity.

Total expenses for the year ended June 30, 2013 were \$2.5 billion, a decrease of \$170.5 million from the prior fiscal year. The decrease is mainly attributable to the transition of the City grant agencies to non-profit agencies described above. Also, significantly contributing to the decrease in expenses were the City labor cost cutting initiatives, including a 10% "pay-cut", and attrition that saved the General Fund \$81.0 million in salaries and wages and \$13.3 million in benefits costs. The Sewage Disposal Fund expenses were \$523.9 million during the year ended June 30, 2013, an increase of \$67.8 million compared to \$456.1 million during the prior fiscal year. The Water Fund expenses increased \$27.5 million during the year ended June 30, 2013 mainly due to the increase in OPEB and other operating expenses. The Transportation Fund expenses were \$46.8 million less than the prior fiscal year mainly due to a decrease of \$13.6 million in salaries and benefits expense resulting from the 10% "pay-cut" and attrition and a \$17.8 million decrease in operating expenses resulting from the funding of DDOT's risk management contributions from the proceeds of the \$129.5 million of bonds issued in August 2012.

Public Protection expenses decreased \$105.5 million primarily due to reductions in salaries and wages and benefit costs. Health expenses were down \$104.5 million mainly due to the transition of the Health and Human Services departments' grant activities to non-profit agencies. Education expenses decreased \$14.9 million as the Workforce Development department grant activities were transitioned to a non-profit agency. Recreation and Culture expenses decreased \$3.3 million due to the salary and wage cuts and attrition. Economic Development expenses increased \$7.9 million mainly due to the \$13.0 million increase in the Urban Development fund for HOME grants. The HOME grants are used to rehabilitate homes and create affordable housing for low-income households. Physical Environment expenses decreased \$9.8 million mainly due to salary and wage cuts and attrition. Development and Management expenses increased \$10.8 from the prior fiscal year. Salaries and wages decreased \$16.3 million due to pay cuts and attrition. Also, other expenses were down from the prior year. These decreases were offset by increases totaling \$19.2 million for contractual and miscellaneous expenses associated with the State intervention due to the financial emergency and restructuring.

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2013:



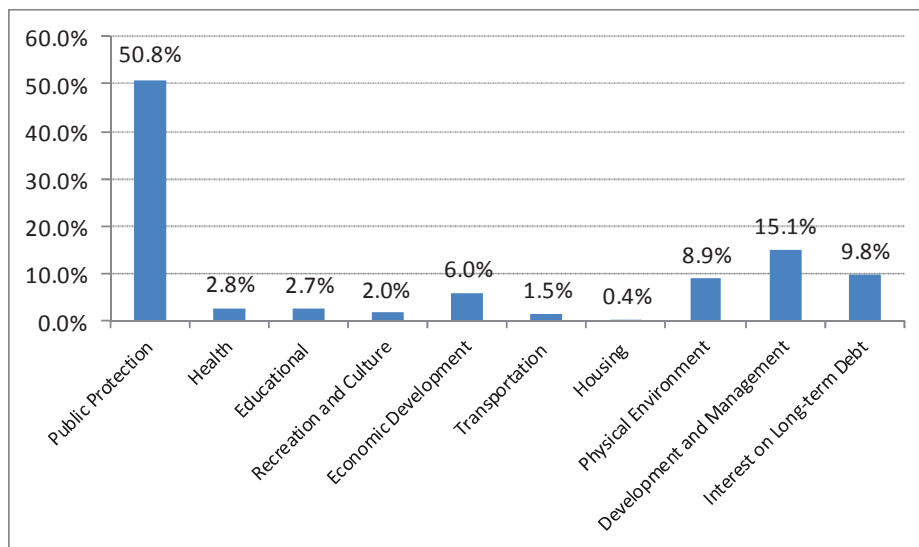
The governmental activities revenues totaled \$1.3 billion for the year ended June 30, 2013, a \$247.3 million decrease from the year ended June 30, 2012. The amount that taxpayers paid for these activities through City taxes was \$671.3 million. Income taxes were the largest category of taxes collected and totaled \$248.0 million, a \$15.0 million increase from the prior fiscal year mainly resulting from improvement in the local economy. Property taxes were \$17.7 million less than the prior fiscal year due to declining home values and population. Wagering (casino) tax revenues decreased \$7.2 million from the prior fiscal year due to competition from other casinos opening in the region such as the Toledo casino. Utility users taxes were down \$4.5 million due to the declining tax base and population in the City. Other funding for governmental activities was provided from the following sources for the year ended June 30, 2013:

- Charges for services paid by those who directly benefited totaled \$289.0 million or 22.6% of total revenues. These services included permits, parking fines, licenses, and solid waste fees. Charges for services were \$20.8 million less than the \$309.7 million for the year ended June 30, 2012. Charges for services decreased mainly due to the reduction in central staff services revenue for which Water and Sewer had a \$5.5 million decrease due to it taking over more of the services formerly provided by the City. Also, DDOT contributed \$12.1 million less to the risk management fund for its annual premium due as the premium was funded by the issuance of the \$129.5 million bonds discussed previously. Further, contributing to the decrease was a significant payment

related to delinquent invoices made by the Detroit Public Schools in the year ended June 30, 2012, which increased revenue in the prior fiscal year.

- Other governments and organizations subsidized programs such as health related activities and community development projects with grants and contributions totaling \$231.2 million. This was \$119.9 million less than the \$351.1 million of subsidies during the year ended June 30, 2012. The major reason for the decrease was the transition of the Health, Workforce Development, and Human Service departments' grant activities to non-profit entities outside the City's direct control. The City did benefit from the receipt in the 2013 fiscal year of \$9.5 million in FEMA (Federal Emergency Management Agency) SAFER (Staffing for Adequate Fire and Emergency Response) grant funds to provide for fire fighters.
- Other revenues such as state aid (revenue sharing), interest, and miscellaneous income funded the "public benefit" portion of various programs and totaled \$98.5 million. This was \$90.0 million less than the \$188.5 million for the year ended June 30, 2012 mainly due to the \$88.1 million adjustment for derivatives (POC interest rate swaps). The adjustments were made due to the anticipation of a termination of the derivatives due to the potential bankruptcy filing and final settlement with the counterparties. As a result, the balance in the deferral (asset) account (i.e., deferred outflows) totaling \$203.1 million for the governmental activities was written off to investment revenue. This was offset by a \$115.0 million adjustment for the decrease in the fair market value of the swaps at June 30, 2013. State aid was up \$9.7 million for the year ended June 30, 2013 compared to the prior fiscal year due to the improving State and local economy.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2013:



City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
(UNAUDITED)

The governmental activities expenses totaled \$1.4 billion, a \$227.2 million decrease from the \$1.6 billion for the year ended June 30, 2012. 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, 2012.

Public protection (police and fire) was the largest component of current expenses, accounting for 50.8% of total expenses. Public protection expenses decreased by \$105.5 million from the \$800.2 million for the year ended June 30, 2012 mainly due to decreases in salaries costs (\$54.0 million decrease) for police and fire uniform employees due to the 10% pay-cut, reduction in overtime and attrition. Benefits expenses, mainly hospitalization, were down \$11.4 million for public protection from the prior fiscal year. The City also saved \$2.5 million by replacing the police officers who provided security service to the 36th District Court with a private agency. Public protection legal claim costs were \$4.9 million less than the prior fiscal year. Also, compensated absences were down \$6.5 million due to the attrition in the number of police officers.

Development and management expense was the next largest component at 15.1% of total expenses. Development and management expenses totaled \$205.9 million for the year ended June 30, 2013, an increase of \$10.7 million from the \$195.2 million for the year ended June 30, 2012. Salaries and wages decreased \$16.3 million due to pay cuts and attrition. Also, other expenses were down from the prior year. These decreases were offset by increases totaling \$19.2 million for contractual and miscellaneous expenses associated with State intervention due to the financial emergency and restructuring.

Health expenses were 2.8% of total expenses and totaled \$38.1 million for the year ended June 30, 2013, a decrease of \$104.5 million from the prior fiscal year amount of \$142.6 million. The primary reason for the decrease in health expenses was the transition of the Health and Human Services departments' grant activities to non-profit agencies that were not under the City's direct control. Also, contributing to the decrease was the City's 10% pay-cut and attrition.

Physical environment expenses were 8.9% of total expenses and decreased by \$9.8 million from the prior fiscal year. The decrease was mainly due to the decrease in salaries and wages costs resulting from the 10% pay-cut and attrition.

Economic development expenses were 6.0% of total expenses and increased by \$7.9 million for the year ended June 30, 2013. The increase was mainly due to a \$13.0 million increase in grant funding for Urban Renewal. The Capital Projects economic development expense increased by \$4.7 million due to the construction of the public safety headquarters. These increases were offset by a \$5.2 million reduction relating to the Targeted Business Development fund which had no expenses for the year ended June 30, 2013.

Educational development expenses were 2.7% of total expenses and decreased by \$14.9 million for the year ended June 30, 2013 compared to the prior fiscal year. This was due to the transition

of the Workforce Development department grant activities to a non-profit agency not under direct control of the City.

Transportation facilitation expenses were 1.5% of total expenses and decreased \$13.0 million for the year ended June 30, 2013 from the prior fiscal year. The decrease was due to an \$8.2 million increase in capital outlays for street work that were subtracted from transportation facilitation expenses. Also contributing to the decrease were cuts in salaries and wages costs resulting from the 10% pay-cut and attrition. These decreases were offset by a \$4.4 million increase in depreciation expenses.

Recreation and culture expenses were 2.0% of total expenses. Recreation and culture expenses decreased \$3.3 million for the year ended June 30, 2013 compared to the prior fiscal year. The decrease was due to salary and wages reductions and reduced utility expenses, primarily sewage.

Interest expense on long-term debt was 9.8% of total expenses. Interest expense on long-term debt was \$133.5 million for the year ended June 30, 2013 and increased \$4.4 million from the \$129.1 million for the year ended June 30, 2012. The increase was due to interest for the \$80.0 million short-term loan retired in August 2012 and the interest on the pension contributions due to the retirement funds.

Business-type Activities

The net positions of the business-type activities decreased \$178.8 million to \$129.6 million for the year ended June 30, 2013. Detailed below are the results for the major business-type funds:

Water Fund

The Water Fund had a decrease in net position of \$51.5 million for the year ended June 30, 2013. This was an improvement of \$62.1 million from the \$113.6 million decrease in net position for the year ended June 30, 2012. Water sales revenues from Detroit and suburban customers increased \$20.7 million to \$350.8 million for the year ended June 30, 2013 compared to \$330.1 million for the year ended June 30, 2012. The adjustment relating to the anticipated termination of the POC derivatives for the Water Fund was a negative \$6.1 million which was \$68.2 million less than the prior fiscal year adjustment for the Fund's non-POC derivatives. OPEB expenses increased \$17.2 million. Interest expense was \$127.9 million for the year ended June 30, 2013, an increase of \$19.1 million from the prior fiscal year. As of June 30, 2013, the Water Fund had \$2.5 billion of revenue bonds payable issued in part for major infrastructure projects, which contributed to the \$127.9 million of interest expense for the year.

Sewage Disposal Fund

The Sewage Disposal Fund had a decrease in net position of \$105.1 million for the year ended June 30, 2013. Sewage Disposal Fund revenues from Detroit and Suburban customers increased \$2.1 million to \$432.0 million for the year ended June 30, 2013 compared to \$429.9 million for the year ended June 30, 2012. Salaries, wages, and benefits were down \$13.7 million from the prior fiscal year. Contractual expenses increased \$31.3 million. Materials, supplies and other expenses increased \$11.7 million. Depreciation expense was \$5.9 million higher than the prior fiscal year. The adjustment

for the anticipated termination of the POC derivatives for the Sewage Disposal Fund was a negative \$6.9 million which was \$59.1 million less than the prior fiscal year adjustment for the Fund's non-POC derivatives. OPEB expenses increased \$13.6 million. Interest expense was \$142.1 million for the year ended June 30, 2013, an increase of \$33.9 million from the prior fiscal year. As of June 30, 2013, the Sewage Disposal Fund had \$2.8 billion of revenue bonds payable issued in part for major infrastructure projects, which contributed to the \$142.1 million interest expense for the year.

Transportation Fund

The Transportation Fund ("DDOT") had a decrease in net position of \$18.4 million for the year ended June 30, 2013. This was a decrease of \$22.9 million from the \$4.5 million increase for the year ended June 30, 2012. DDOT revenues increased \$4.1 million from the prior fiscal year. Salaries, wages, and benefits were \$99.7 million, a decrease of \$13.6 million from the \$113.3 million for the year ended June 30, 2012. This was due to the 10% pay-cut and attrition. Contractual services expenses were down \$5.4 million. Operating expenses decreased \$17.8 million from the prior fiscal year mainly due to the funding of DDOT's risk management contributions from the proceeds of the \$129.5 million of bonds issued in August 2012. The reduction in expenses was offset by the \$8.0 million negative adjustment to investment earnings for the anticipated termination of the POC derivatives. Also, the Federal and State grants were \$7.2 million less than the \$77.3 million for the year ended June 30, 2012. Further, the General Fund subsidy to the transportation Fund was \$47.2 million for the year ended June 30, 2013, a decrease of \$40.0 million from the \$87.2 million for the year ended June 30, 2012.

Automobile Parking Fund

The Automobile Parking Fund recorded a decrease of \$2.9 million in net position for the year ended June 30, 2013. This was mainly due to the impairment loss of \$9.7 million for the reduction in the effective life of the Joe Louis Arena and parking garage because of the new hockey arena being built in midtown Detroit. The Joe Louis Arena will be demolished after the new arena becomes operational, which is anticipated to be in 2017. Also, the City's General Fund reduced the advance payable from the Parking Fund by \$5.2 million for the settlement with the Joe Louis Arena and parking garage vendor. This is shown as a \$5.2 million transfer-in on the Parking Fund's Statement of Revenues, Expenses and Changes in Fund Net Position. The Fund revenues increased \$1.4 million to \$12.0 million for the year ended June 30, 2013 compared to the prior fiscal year. Operating expenses decreased \$1.4 million.

Airport Fund (Other Enterprise Fund)

The Airport Fund had a \$0.9 million decrease in net position for the year ended June 30, 2013. Airport revenues were \$0.7 million for the year ended June 30, 2013 compared to \$1.0 million for the prior fiscal year. Airport operating expenses were \$1.9 million, or \$0.2 million less than in the prior fiscal year. The General Fund contribution to the Airport was \$0.3 million for the year ended June 30, 2013, which was \$0.2 million less than in the prior fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds (statements begin on page 38) reported a combined ending fund balance of \$109.5 million at June 30, 2013, a \$149.7 million increase from the \$40.2 million fund balance deficit at June 30, 2012. The fund balances include an unassigned deficit of \$132.6 million, a \$194.0 million decrease from June 30, 2012. In addition, the remaining fund balances totaling \$242.1 million are classified as follows: (1) nonspendable - \$29.0 million; (2) restricted - \$150.6 million; (3) assigned - \$7.9 million; and (4) committed - \$54.6 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) and vehicle fund.

General Fund

The General Fund is the chief operating fund of the City. The fund had a \$73.0 million deficit at June 30, 2013, a \$196.5 million decrease from the \$269.5 million deficit at June 30, 2012. The fund balance includes an unassigned deficit of \$132.6 million, a \$194.0 million decrease from the \$326.6 million deficit at June 30, 2012. The remaining General Fund balance includes: (1) nonspendable (long-term receivables) - \$4.0 million; (2) restricted (capital acquisitions) - \$1.0 million; and (3) committed (risk management) - \$54.6 million.

General Fund Balance Sheet

June 30, 2013 and 2012

(in millions)

	2013	2012
Assets	\$ 292.5	\$ 246.9
Liabilities	365.5	516.4
Fund Balance		
Nonspendable	4.0	20.9
Restricted	1.0	1.0
Committed	54.6	35.2
Unassigned for:		
General Fund Deficit	(132.6)	(326.6)
Total Fund Balance (Deficit)	(73.0)	(269.5)
Total Liabilities and Fund Balance (Deficit)	\$ 292.5	\$ 246.9

Contributing to the reduction in the General Fund deficit at June 30, 2013 was the \$138.6 million in proceeds from the borrowing of \$129.5 million of limited tax general obligation bonds with maturities extending to November 2032, issued at a premium of \$9.1 million, with the assistance of the State of Michigan through the Michigan Finance Authority. Also, significantly

contributing to the decrease in the General Fund deficit was the default on the \$96.9 million required pension contributions at June 30, 2013. The defaulted pension expenses and related obligations are not included in the governmental fund financial statements because there are no available financial resources to pay them. However, the defaulted pension expenses and related obligations are recorded in the government wide statements. While the City is in bankruptcy and has stated its intention not to pay the pension contributions, the City still has a legal requirement to pay them until the Plan of Adjustment is approved by the Bankruptcy Court.

The City made great improvements in reducing costs and would have had only a slight deficit without the borrowing proceeds for the year ended June 30, 2013. However, the reduction in costs did adversely impact city services such as public protection for the year ended June 30, 2013. Contributing to the City's deficit reduction efforts were the: (1) \$81.0 million reduction in salaries and wages through 10% pay-cuts, furlough days, attrition and other measures; (2) \$15.0 million increase in income tax revenue due to stronger collection efforts and an improving local economy; (3) \$9.7 million increase in State Revenue sharing; (4) \$9.5 million of SAFER grants to fund fire fighters; and (5) \$13.3 million reduction in benefits costs.

General Fund Budgetary Highlights

The City's fiscal year 2013 General Fund budget (pages 142-144) was \$1.5 billion. The City's fiscal year 2013 General Fund budget contained no additions or material changes to existing taxes. Within the fiscal year adopted budget, the City Council appropriated \$78.5 million to reduce the prior fiscal years' deficit. The City's fiscal year 2013 budget was approved by the City Council in June 2012.

The estimated revenues in the budget exceeded actual revenues by \$427.3 million for the year ended June 30, 2013. The revenue shortfall is mainly attributable to actual intergovernmental (including grant) revenues, other revenues, and sales and charges for services being \$171.3 million, \$199.0 million, and \$91.8 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 \$61.1 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 the other reimbursements such as Medicare reimbursements being \$76.8 million less than budget. Also, personal services revenues due from other City funds such as the Water Fund were \$12.7 million less than budget due to reductions in staff costs and untimely payments and inability to pay. Tax revenues were \$25.6 million more than budget mainly because income taxes were \$22.8 million over budget as initiatives to improve income taxes such as the tax amnesty were carried out during the year ended June 30, 2013. Property taxes were \$8.5 million over budget due to better than expected collections and reductions to the chargeback liability.

Actual expenditures were less than budgeted expenditures by \$569.3 million for the year ended June 30, 2013 due to grant expenditures being less than budgeted (see explanation below), pension default of 96.9 million (see above for details), appropriation of \$78.5 million for the prior fiscal year deficit, elimination of intra-fund transactions, and unfilled positions. Public protection expenses were \$181.6 million less than budgeted appropriations mainly due to salary

City of Detroit, Michigan
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and benefit reductions, and pension default. Health expenses were \$80.7 million less than budget due to the transfer of Health grant activities to a non-profit entity. Development and management expenditures were \$147.9 million under budgeted appropriations mainly due to the carry-forward of the prior fiscal years' deficit and elimination of intra-fund billings such as the Risk Management Fund premium.

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 \$299.4 million and a total net increase in appropriations of \$177.8 million. The difference was offset by a total net decrease in other financing sources and uses of \$106.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total Government

At June 30, 2013, the City had invested \$6.7 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). This was a decrease of \$129.1 million from the balance at June 30, 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and Land Rights	\$ 412,818	\$ 412,818	\$ 49,731	\$ 48,449	\$ 462,549	\$ 461,267
Land Improvements	-	-	137,563	140,089	137,563	140,089
Building, Improvements, and Structures	626,888	642,540	2,150,499	2,071,498	2,777,387	2,714,038
Sewer and Water Lines	-	-	890,974	904,598	890,974	904,598
Machinery, Equipment, Fixtures, and Vehicles	71,409	102,609	1,599,455	1,667,023	1,670,864	1,769,632
Works of Art	29,805	29,805	-	-	29,805	29,805
Infrastructure	304,551	270,731	-	-	304,551	270,731
Construction in Progress	66,346	21,498	372,743	530,251	439,089	551,749
Total	<u>\$ 1,511,817</u>	<u>\$ 1,480,001</u>	<u>\$ 5,200,965</u>	<u>\$ 5,361,908</u>	<u>\$ 6,712,782</u>	<u>\$ 6,841,909</u>

Governmental Activities

Governmental Activities capital assets at June 30, 2013 were \$31.8 million more than the \$1.5 billion at June 30, 2012. The City acquired \$127.1 million in new assets including \$7.5 million of construction in progress, which was completed during the year ended June 30, 2013. Depreciation expenses totaled \$86.4 million for the year ended June 30, 2013, which was \$5.4 million greater than the prior fiscal year.

At June 30, 2013, the City governmental activities had commitments for future capital asset construction contracts of \$36.4 million.

Major capital assets acquired and projects completed or in progress during the year ended June 30, 2013 included the following:

- \$56.3 million for traffic light modernization and replacement as well as road construction and resurfacing;
- \$40.9 million for construction of the new public safety headquarters, which is still included in construction in progress;
- \$10.5 million for improvements to various police precincts, upgrades of police electronic systems and purchases of new police vehicles; and
- \$3.1 million for improvements to various recreational facilities, parks and play grounds.

Business-type Activities

Business-type activities capital assets at June 30, 2013 were \$5.2 billion, a decrease of \$160.9 million from the balance at June 30, 2012.

Construction work in progress, major capital assets acquired, and projects completed during the year ended June 30, 2013 included the following:

- The Transportation Fund expended \$4.9 million on improvements of the Shoemaker maintenance facility.
- 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 \$504.0 million through fiscal year 2017. 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, 2013 was approximately \$112.3 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.

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- 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 \$736.0 million through fiscal year 2017. The program is being financed primarily from revenues of the Sewage Disposal Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2013 was approximately \$808.3 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.

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, 2013 and 2012
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 1,003,937	\$ 957,128	\$ 5,458	\$ 6,272	\$ 1,009,395	\$ 963,400
Revenue bonds	-	-	5,377,390	5,451,330	5,377,390	5,451,330
Total	<u>\$ 1,003,937</u>	<u>\$ 957,128</u>	<u>\$ 5,382,848</u>	<u>\$ 5,457,602</u>	<u>\$ 6,386,785</u>	<u>\$ 6,414,730</u>

At the end of the current fiscal year, the City had total bonded debt of \$6.4 billion outstanding. Of this amount, \$1.0 billion are general obligation bonds backed by the full faith and credit of the City and \$5.4 billion are revenue bonds of the City's business enterprises.

The City's total governmental activities general obligation bonded debt increased by \$46.8 million during year ended June 30, 2013 because of the issuance of \$129.5 million of limited tax general obligation bonds with maturities extending to November 2032, issued at a premium of \$9.1 million with the assistance of the State of Michigan through the Michigan Finance Authority. A portion of the proceeds from this bond issuance was used to retire \$82.7 million of general obligation bonds. Business-type activities' bonded debt decreased by \$74.8 million for the year ended June 30, 2013. The Sewage Disposal, Water, and Parking Funds retired \$41.1 million, \$31.6 million, and \$1.2 million, respectively, of revenue bonds in 2013. The Business-type activities did not issue any new bonded debt during the year ended June 30, 2013 due to the City's financial emergency and inability to access credit markets. The Transportation Fund retired \$0.8 million of its general obligation bonds for the year ended June 30, 2013.

In addition to the bonded debt, the City's governmental activities had a total debt of \$2.3 billion at June 30, 2013 for POCs (\$1.2 billion), notes payable (\$88.3 million), loans payable (\$37.8 million), other postemployment benefits (\$767.0 million) and other debt (\$217.8 million) such as accrued compensated absences, workers' compensation, and claims and judgments. The City's governmental activities did not make payment on its POC long-term obligation totaling \$18.8 million during the year ended June 30, 2013 due to the City's financial emergency and insolvency.

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The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred, which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities. Not all of the general bonded debt is subject to the general debt limitation. The City's legal debt limitation at June 30, 2013 was \$1.0 billion, of which \$519.1 million is available for use. Pursuant to a lawsuit commenced on January 31, 2014, however, the City is challenging the validity of the sale of the POCs to the public on the grounds that such sale exceeded the City's legal debt limitation.

The City's ratings on uninsured general obligation bonds as of June 30, 2013 were:

Moody's Investors Service, Inc.	Caa2
Standard & Poor's Corporation	C-
Fitch IBCA, Inc.	CCC

The City's credit ratings were below investment grade due to its financial emergency. A significant impact of the City's credit ratings below investment grade status comes in the form of greater limitations on the access to capital and higher borrowing costs.

The City has entered into interest rate swap agreements to hedge its cash flows related to interest on its POC obligations. As of June 30, 2013, the City had eight interest rate swap agreements (the "Swap Agreements"). These eight Swap Agreements were executed by service corporations formed by the City in connection with the POCs. The City's legal obligation relating to the Swap Agreements results from the City's contractual obligation to make service payments to the service corporations.

In March 2012, the risk of the Swap Agreements' terminations arose with the City's credit rating downgrade below "Ba3". The payments required to be made by the City upon termination of the Swap Agreements would be based upon a variety of factors such as the various financial pricing models of the counterparties to the Swap Agreements (the "Swap Counterparties"), underlying variable debt, index or reference rates, and the point of pricing. Any termination payments would be allocated based on the notional allocation percentage of the affected POCs, between the governmental and business-type activities as of the point of liability accrual.

Prior to the Petition Date, the emergency manager reached a consensual resolution with the Swap Counterparties that would, among other things, allow the City to terminate its obligations under the Swap Agreements in exchange for approximately \$235.0 million (the "Settlement Payments"). This agreement was memorialized in a Forbearance and Optional Termination Agreement (the "FOTA") between the City and the Swap Counterparties. On the Petition Date, the City filed a motion with the Bankruptcy Court to assume the FOTA under section 365 of the Bankruptcy Code and approve the parties' settlement under Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Settlement Motion"). There was significant opposition to the Settlement Motion, which resulted in litigation regarding, among other things, the

appropriateness of the compromises in the FOTA, the Swap Counterparties' ability to consummate the FOTA and the City's ability to make the Settlement Payment. An evidentiary hearing on the Settlement Motion commenced on December 17, 2013. On December 18, 2013, the Bankruptcy Court ordered the parties back to mediation to discuss a reduction of the Settlement Payment. On December 24, 2013, the parties agreed to fix the Settlement Payment at the reduced amount of \$165 million. A hearing on the Settlement Motion was concluded on January 13, 2014, and, on January 17, 2014, the Bankruptcy Court issued an order denying the Settlement Motion. On February 6, 2014, the City filed a notice of termination of the FOTA.

After the termination of the FOTA, the City continued to negotiate with the Swap Counterparties in an effort to reduce the City's obligations under the Swap Agreements. These negotiations resulted in the parties' agreement on the principal terms of a settlement and plan support agreement pursuant to which, among other things, the City would pay, over time, the aggregate sum of \$85 million in full satisfaction of the claims between the parties (the "Plan Support Agreement"). On March 3, 2014, the City filed a motion seeking the Bankruptcy Court's approval of the Plan Support Agreement pursuant to section 105(a) of the Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Renewed Settlement Motion"). On April 15, 2014, the Bankruptcy Court entered an order approving the Renewed Settlement Motion, which was subsequently appealed by certain parties in interest.

At June 30, 2013, the negative fair value of the POC swap liabilities was \$239.7 million for the governmental activities and totaled \$296.5 million for the primary government. This was a \$142.8 million decrease from the \$439.3 million fair value for the primary government at June 30, 2012 (see Note VIII (f) 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 (a 14.5% unemployment rate in April 2014 compared to the State unemployment rate of 7.3%), which hinders personal income tax collections. Resident home foreclosures and delinquent property tax levels are another financial concern.

Although the City's current economic condition is poor, the future outlook for recovery and improvement is positive. Businesses are transferring employees from suburban cities to the City of Detroit. New residents are moving into the City's mid-town area.

The City is partnering with the State and Federal governments 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. A second bridge between Canada and Detroit has been approved and would contribute to the improvement of the City's economy providing jobs for residents and improving commerce.

Next Year's Budget

The fiscal year 2014 budget includes:

- Five key initiatives on which to focus: public safety, transportation, blight elimination, public lighting, and recreation.
- A portion of utility user tax redirected to PLAD.
- Assignment of more resources to assist in the collection of revenue owed to the City.
- A restructuring budget of \$14.0 million.
- Uniform police positions maintained at the same level as the fiscal year 2013 budget.
- Increase in employee and retiree cost sharing for health insurance.
- Airport subsidy increased by \$0.3 million to \$0.6 million.
- DDOT subsidy increased by \$17.8 million to \$65.0 million.
- A \$1.0 million subsidy for the Charles H. Wright Museum of African American History, \$0.5 million subsidy for the Detroit Zoo, \$0.1 million subsidy to Eastern Market, and \$0.2 million subsidy to the Historical Museum.

Critical items not funded include: (1) sufficient fleet repair services in the Solid Waste Fund; (2) sufficient resurfacing and other district maintenance operations in the Street Fund; (3) an increase in number of revenue collection staff; (4) software maintenance and modernization of software and architecture for information technology services; (5) upgraded case management software for the Law department; and (6) janitorial service enhancements in City-owned facilities.

The fiscal year 2014 budget has 509 fewer positions than the budget for the year ended June 30, 2013. Budgeted positions are as follows:

<u>Description</u>	<u>Positions FY 2013-14</u>	<u>Positions FY 2012-13</u>	<u>Variance</u>
General City	6,461	6,575	(114)
Enterprise Agencies	3,467	3,862	(395)
Total Budgeted	<u>9,928</u>	<u>10,437</u>	<u>(509)</u>

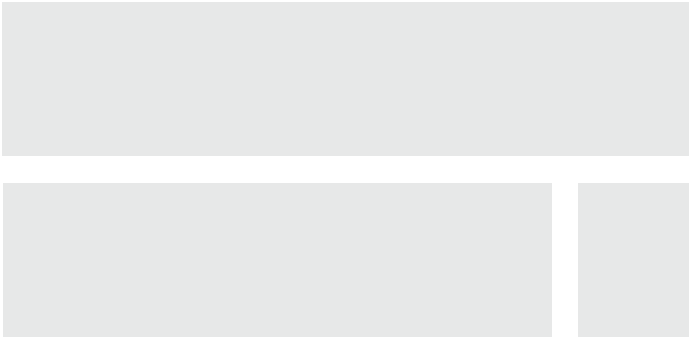
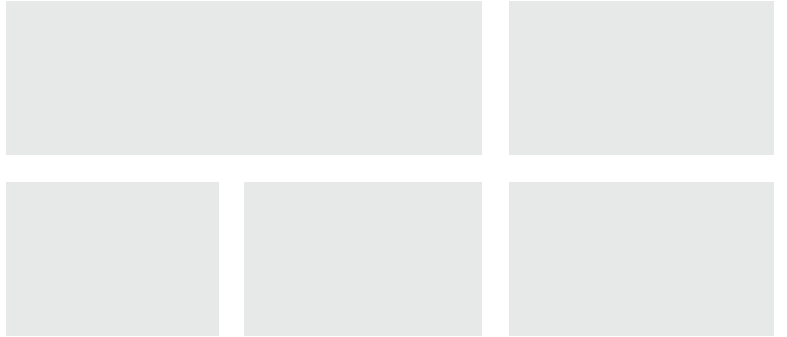
CONTACTING THE CITY'S FINANCE DEPARTMENT

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.detroitmi.gov/DepartmentsandAgencies/Finance.aspx. 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 pages 63 and 64 of this report.



Southwest Side Building Demolition



A number of dangerous, vacant structures were demolished in southwest Detroit to make way for new development on July 19, 2012.

BASIC
FINANCIAL
STATEMENTS

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City of Detroit, Michigan
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and Cash Equivalents	\$ 82,396,105	\$ 163,352,329	\$ 245,748,434	\$ 35,375,087
Investments	236,561,977	710,436,306	946,998,283	151,640,111
Accounts and Contracts Receivable - Net	76,382,614	224,365,022	300,747,636	7,335,636
Internal Balances	1,102,689	(1,102,689)	—	—
Due from Primary Government	—	—	—	9,125,372
Due from Component Units	2,890,675	—	2,890,675	—
Due from Other Governmental Agencies	100,682,629	11,041,400	111,724,029	6,871,396
Inventory	—	20,559,223	20,559,223	3,592,677
Prepaid Expenses	600	4,917,278	4,917,878	1,188,283
Long-Term Receivable	—	9,521,918	9,521,918	—
Loans and Notes Receivable	—	—	—	39,495,536
Advance to Component Unit/Library	24,016,604	—	24,016,604	—
Other Assets	1,044,242	—	1,044,242	32,192,037
Restricted Assets	—	—	—	6,062,086
Net Pension Asset	999,385,296	286,840,419	1,286,225,715	24,656,163
Deferred Charges	59,419,593	83,810,516	143,230,109	2,174,130
Capital Assets:				
Non-Depreciable	508,968,614	422,474,218	931,442,832	28,026,898
Depreciable, Net	1,002,848,043	4,778,491,205	5,781,339,248	127,268,202
Total Capital Assets - Net	<u>1,511,816,657</u>	<u>5,200,965,423</u>	<u>6,712,782,080</u>	<u>155,295,100</u>
Total Assets	<u>3,095,699,681</u>	<u>6,714,707,145</u>	<u>9,810,406,826</u>	<u>475,003,614</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
LIABILITIES				
Accounts and Contracts Payable	94,616,102	87,698,473	182,314,575	12,911,529
Accrued Liabilities	53,467,821	—	53,467,821	—
Accrued Salaries and Wages	20,284,637	3,045,460	23,330,097	794,279
Accrued Interest Payable	30,143,758	139,288,344	169,432,102	4,687,685
Due to Other Governmental Agencies	130,821,686	2,234	130,823,920	25,298,855
Due to Primary Government	—	—	—	2,890,675
Due to Fiduciary Funds	—	—	—	453,995
Due to Component Units	9,125,372	—	9,125,372	—
Deposits and Refunds	14,172,507	—	14,172,507	—
Deferred Revenue	354,457	18,324,142	18,678,599	1,178,707
Derivative Instruments - Swap Liability	239,677,971	56,810,773	296,488,744	—
Other Liabilities	15,660,102	39,633,175	55,293,277	34,363,129
Long-Term Obligations:				
Advance Payable to Primary Government	—	—	—	24,016,604
Due within one year	186,609,253	155,870,841	342,480,094	15,389,225
Due in more than one year	3,108,558,449	6,084,419,489	9,192,977,938	157,741,570
Total Liabilities	<u>3,903,492,115</u>	<u>6,585,092,931</u>	<u>10,488,585,046</u>	<u>279,726,253</u>
DEFERRED INFLOWS OF RESOURCES	<u>—</u>	<u>—</u>	<u>—</u>	<u>613,240</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	832,127,493	525,963,518	1,358,091,011	154,943,519
Restricted for:				
Highway and Street Improvement	39,980,142	—	39,980,142	—
Endowments and Trust (Expendable)	819,870	—	819,870	8,368,366
Endowments and Trust (Non-Expendable)	937,861	—	937,861	1,706,866
Capital Projects and Acquisitions	1,401,358	505,880	1,907,238	50,517,985
Debt Service	31,916,306	243,534,045	275,450,351	33,752,311
Unrestricted (Deficit)	<u>(1,714,975,464)</u>	<u>(640,389,229)</u>	<u>(2,355,364,693)</u>	<u>(54,624,926)</u>
Total Net Position (Deficit)	<u>\$ (807,792,434)</u>	<u>\$ 129,614,214</u>	<u>\$ (678,178,220)</u>	<u>\$ 194,664,121</u>

See accompanying notes to basic financial statements.

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Protection	\$ 694,708,112	\$ 76,800,124	\$ 30,231,917	\$ —
Health	38,070,128	224,847	26,856,938	—
Recreation and Culture	26,856,182	17,697,563	289,383	—
Economic Development	81,455,649	7,192,630	61,239,323	—
Educational Development	37,040,734	—	37,039,664	—
Housing Supply and Conditions	5,086,777	3,196,447	1,763,521	—
Physical Environment	121,192,467	102,363,179	645,902	—
Transportation Facilitation	20,745,859	—	52,081,248	19,740,930
Development and Management	205,937,823	81,496,108	1,323,462	—
Interest on Long-Term Debt	133,545,027	—	—	—
Total Governmental Activities	<u>1,364,638,758</u>	<u>288,970,898</u>	<u>211,471,358</u>	<u>19,740,930</u>
Business-type Activities:				
Sewage Disposal	523,909,799	440,863,260	—	—
Transportation	166,024,287	26,643,760	70,142,182	11,689,225
Water	398,086,572	355,527,761	—	165,403
Automobile Parking	20,089,165	11,992,637	—	—
Airport	1,910,151	726,855	—	—
Total Business-type Activities	<u>1,110,019,974</u>	<u>835,754,273</u>	<u>70,142,182</u>	<u>11,854,628</u>
Total Primary Government	<u>\$ 2,474,658,732</u>	<u>\$ 1,124,725,171</u>	<u>\$ 281,613,540</u>	<u>\$ 31,595,558</u>
Component Units:				
Detroit Brownfield Redevelopment Authority	\$ 2,230,542	\$ —	\$ 14,811	\$ —
Detroit Public Library	39,050,363	583,329	1,206,062	—
Detroit Transportation Corporation	18,994,213	1,556,301	3,838,603	—
Downtown Development Authority	21,030,847	4,090,143	—	—
Eastern Market Corporation	3,729,265	1,088,894	264,444	—
Economic Development Corporation	6,592,082	5,685,954	—	—
Greater Detroit Resource Recovery Authority	10,291,159	102,461	—	—
Local Development Finance Authority	3,441,526	—	—	—
Museum of African American History	5,835,693	2,002,895	1,061,199	—
Detroit Land Bank Authority	9,316,543	—	9,489,767	—
Eight Mile/Woodward Corridor Imp. Authority	1,518,658	75,587	1,451,987	—
Detroit Employment Solutions Corporation	40,582,334	—	40,827,302	—
Total Component Units	<u>\$ 162,613,225</u>	<u>\$ 15,185,564</u>	<u>\$ 58,154,175</u>	<u>\$ —</u>
General Revenues:				
Taxes:				
Property Taxes				
Municipal Income Tax				
Utility Users' Tax				
Wagering Tax				
Other Taxes and Assessments				
State Shared Taxes				
State Returnable Liquor License Fees				
Interest and Penalties on Taxes				
Tipping Fees				
Contributions				
Investment Earnings (Losses)				
Miscellaneous Revenues				
Loss on Disposal of Capital Assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position (Deficit) - Beginning of Year, as Restated (Note I(t))				
Net Position (Deficit) - End of Year				

See accompanying notes to basic financial statements.

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

Primary Government				
Governmental Activities	Business-type Activities	Totals	Component Units	
\$ (587,676,071)	\$ —	\$ (587,676,071)	\$ —	—
(10,988,343)	—	(10,988,343)	—	—
(8,869,236)	—	(8,869,236)	—	—
(13,023,696)	—	(13,023,696)	—	—
(1,070)	—	(1,070)	—	—
(126,809)	—	(126,809)	—	—
(18,183,386)	—	(18,183,386)	—	—
51,076,319	—	51,076,319	—	—
(123,118,253)	—	(123,118,253)	—	—
(133,545,027)	—	(133,545,027)	—	—
<u>(844,455,572)</u>	<u>—</u>	<u>(844,455,572)</u>	<u>—</u>	<u>—</u>
—	(83,046,539)	(83,046,539)	—	—
—	(57,549,120)	(57,549,120)	—	—
—	(42,393,408)	(42,393,408)	—	—
—	(8,096,528)	(8,096,528)	—	—
—	(1,183,296)	(1,183,296)	—	—
<u>—</u>	<u>(192,268,891)</u>	<u>(192,268,891)</u>	<u>—</u>	<u>—</u>
<u>(844,455,572)</u>	<u>(192,268,891)</u>	<u>(1,036,724,463)</u>	<u>—</u>	<u>—</u>
—	—	—	—	(2,215,731)
—	—	—	—	(37,260,972)
—	—	—	—	(13,599,309)
—	—	—	—	(16,940,704)
—	—	—	—	(2,375,927)
—	—	—	—	(906,128)
—	—	—	—	(10,188,698)
—	—	—	—	(3,441,526)
—	—	—	—	(2,771,599)
—	—	—	—	173,224
—	—	—	—	8,916
—	—	—	—	244,968
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(89,273,486)</u>
199,191,923	—	199,191,923	60,517,630	—
248,017,356	—	248,017,356	—	—
35,299,844	—	35,299,844	—	—
174,357,416	—	174,357,416	—	—
14,384,429	—	14,384,429	934,906	—
182,454,314	—	182,454,314	427,987	—
604,206	—	604,206	—	—
924,928	—	924,928	—	—
—	—	—	8,989,224	—
—	—	—	6,484,761	—
(88,533,105)	(46,468,811)	(135,001,916)	773,264	—
11,854,410	7,265,917	19,120,327	1,714,831	—
(8,829,927)	(2,752)	(8,832,679)	—	—
(52,662,094)	52,662,094	—	—	—
<u>717,063,700</u>	<u>13,456,448</u>	<u>730,520,148</u>	<u>79,842,603</u>	<u>—</u>
<u>(127,391,872)</u>	<u>(178,812,443)</u>	<u>(306,204,315)</u>	<u>(9,430,883)</u>	<u>—</u>
<u>(680,400,562)</u>	<u>308,426,657</u>	<u>(371,973,905)</u>	<u>204,095,004</u>	<u>—</u>
\$ <u>(807,792,434)</u>	\$ <u>129,614,214</u>	\$ <u>(678,178,220)</u>	\$ <u>194,664,121</u>	<u>—</u>

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 3,745,156	\$ —	\$ —	\$ 78,650,949	\$ 82,396,105
Investments	98,431,798	539,863	460,345	137,129,971	236,561,977
Accounts and Contracts Receivable:					
Estimated Withheld Income Taxes Receivable	26,324,313	—	—	—	26,324,313
Utility Users' Taxes Receivable	922,059	—	—	—	922,059
Property Taxes Receivable	229,037,260	—	—	88,241,438	317,278,698
Income Tax Assessments	34,395,579	—	—	—	34,395,579
Special Assessments	24,678,690	—	—	541,890	25,220,580
Loans Receivable	—	—	—	18,000,000	18,000,000
Trade Receivables	182,223,491	—	—	17,886,570	200,110,061
Total Accounts and Contracts Receivable	497,581,392	—	—	124,669,898	622,251,290
Allowance for Uncollectible Accounts	(438,864,254)	—	—	(110,529,671)	(549,393,925)
Total Accounts and Contracts Receivable - Net	58,717,138	—	—	14,140,227	72,857,365
Due from Other Funds	37,213,151	13,775,063	18,860,547	32,662,558	102,511,319
Due from Fiduciary Funds	2,795,937	—	—	729,312	3,525,249
Due from Component Units	1,696,589	676,972	—	517,114	2,890,675
Due from Other Governmental Agencies	84,993,602	—	—	15,689,027	100,682,629
Inventory	—	—	—	—	—
Prepaid Expenditures	—	—	—	600	600
Working Capital Advances to Other Funds	4,050,006	—	—	—	4,050,006
Advances to Component Units	—	24,016,604	—	—	24,016,604
Other Assets	895,271	—	—	148,971	1,044,242
Total Assets	\$ 292,538,648	\$ 39,008,502	\$ 19,320,892	\$ 279,668,729	\$ 630,536,771
LIABILITIES					
Accounts and Contracts Payable	\$ 18,854,370	\$ —	\$ —	\$ 31,322,467	\$ 50,176,837
Accrued Liabilities	34,807,913	—	—	18,659,908	53,467,821
Accrued Salaries and Wages	19,265,344	—	—	1,019,293	20,284,637
Due to Other Funds	86,548,889	530,944	460,345	17,918,458	105,458,636
Due to Fiduciary Funds	44,439,265	—	—	—	44,439,265
Due to Other Governmental Agencies	81,863,033	—	—	34,280,978	116,144,011
Due to Component Units	1,985,328	8,919	—	7,131,125	9,125,372
Income Tax Refunds Payable	8,373,617	—	—	—	8,373,617
Deposits from Vendors and Customers	4,986,969	—	—	811,921	5,798,890
Deferred Revenue - Unavailable	45,260,341	—	—	9,241,759	54,502,100
Other Liabilities	14,892,981	—	—	767,121	15,660,102
POC Obligation Payable	—	8,148,441	10,634,077	—	18,782,518
Accrued Interest Payable	—	6,303,594	8,226,470	—	14,530,064
Accrued Compensated Absences	—	—	—	49,100	49,100
Claims and Judgments	4,241,347	—	—	—	4,241,347
Total Liabilities	\$ 365,519,397	\$ 14,991,898	\$ 19,320,892	\$ 121,202,130	\$ 521,034,317
FUND BALANCES (DEFICIT)					
Nonspendable:					
Long-Term Receivables	4,050,006	24,016,604	—	—	28,066,610
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	—	—	—	39,980,142	39,980,142
Police	—	—	—	10,009,758	10,009,758
Endowments and Trusts	—	—	—	819,870	819,870
Capital Acquisitions	979,826	—	—	79,371,566	80,351,392
Local Business Growth	—	—	—	478,084	478,084
Rubbish Collection and Disposal	—	—	—	5,921,872	5,921,872
Grants	—	—	—	12,009,293	12,009,293
Public Lighting	—	—	—	1,038,451	1,038,451
Committed for:					
Risk Management Operations	54,550,314	—	—	—	54,550,314
Assigned for:					
Debt Service	—	—	—	7,899,702	7,899,702
Unassigned:					
General Fund (Deficit)	(132,560,895)	—	—	—	(132,560,895)
Total Fund Balances (Deficit)	(72,980,749)	24,016,604	—	158,466,599	109,502,454
Total Liabilities and Fund Balances (Deficit)	\$ 292,538,648	\$ 39,008,502	\$ 19,320,892	\$ 279,668,729	\$ 630,536,771

See accompanying notes to basic financial statements.

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Fund Balances (Deficit) - Total Governmental Funds \$ 109,502,454

Amounts reported for governmental activities in the statement
of net position 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	\$ 3,343,472,235	
Less accumulated depreciation	<u>(1,831,655,578)</u>	1,511,816,657

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		54,147,643
Net pension asset		999,385,296
Bond and pension obligation certificate issuance costs	108,725,919	
Less accumulated amortization	<u>(49,306,326)</u>	59,419,593
Derivative instruments - swap liability	<u>(239,677,971)</u>	(239,677,971)

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 position:

Accrued interest payable on bonds and other long-term obligations	(15,613,694)	
Accrued interest and penalties on escheatment payable	(14,677,675)	
General obligation bonds	(1,003,936,968)	
Notes payable	(88,310,000)	
Loans payable	(37,820,074)	
Unamortized premiums	(20,882,155)	
Swap termination fees	(29,563,298)	
Accrued compensated absences	(66,451,192)	
Accrued workers' compensation	(61,849,000)	
Accrued other postemployment benefits	(766,985,393)	
Claims and judgments	(50,258,116)	
Accrued pollution remediation	(156,765)	
Pension obligation certificates payable	(1,161,502,717)	
Deferred amounts on refunding	<u>15,620,941</u>	<u>(3,302,386,106)</u>

Net Position (Deficit) of Governmental Activities \$ (807,792,434)

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Totals
REVENUES:					
Taxes:					
Property Taxes	\$ 132,755,307	\$ —	\$ —	\$ 66,436,616	\$ 199,191,923
Municipal Income Tax	248,017,356	—	—	—	248,017,356
Utility Users' Tax	35,299,844	—	—	—	35,299,844
Wagering Tax	174,599,992	—	—	—	174,599,992
Gas and Weight Tax	—	—	—	52,081,247	52,081,247
Other Taxes and Assessments	11,689,666	—	—	2,694,763	14,384,429
Interest and Penalties on Taxes	924,928	—	—	—	924,928
Licenses, Permits, and Inspection Charges	10,665,160	—	—	21,950,285	32,615,445
Intergovernmental:					
Federal	47,517,680	—	—	105,062,180	152,579,860
State:					
State Shared Revenue	182,454,314	—	—	—	182,454,314
State Returnable Liquor License Fees	604,206	—	—	—	604,206
Other State Sourced Revenue	6,202,375	—	—	19,792,161	25,994,536
Other	2,788,419	—	—	3,241,128	6,029,547
Sales and Charges for Services	138,617,705	—	—	37,411,940	176,029,645
Ordinance Fines and Forfeitures	18,941,254	—	—	2,213,340	21,154,594
Revenue from Use of Assets	12,017,348	—	—	—	12,017,348
Loss on Investments	(532,986)	—	—	133,332	(399,654)
Other Revenue	20,750,950	1,768,659	—	13,438,541	35,958,150
Total Revenues	1,043,313,518	1,768,659	—	324,455,533	1,369,537,710
EXPENDITURES:					
Current:					
Public Protection	452,422,790	—	—	24,517,238	476,940,028
Health	32,705,761	—	—	4,743,051	37,448,812
Recreation and Culture	13,149,199	—	—	196,440	13,345,639
Economic Development	—	—	—	76,109,395	76,109,395
Educational Development	—	—	—	37,126,254	37,126,254
Housing Supply and Conditions	4,188,991	—	—	—	4,188,991
Physical Environment	68,268,583	—	—	38,534,303	106,802,886
Transportation Facilitation	—	—	—	1,749,362	1,749,362
Development and Management	191,052,907	—	—	—	191,052,907
Debt Service:					
Principal	—	8,148,441	10,634,077	85,098,097	103,880,615
Interest	2,570,598	29,608,995	38,641,052	62,498,847	133,319,492
Bond Issuance Costs	1,612,046	—	—	—	1,612,046
Capital Outlay	25,338,872	—	—	101,740,448	127,079,320
Total Expenditures	791,309,747	37,757,436	49,275,129	432,313,435	1,310,655,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	252,003,771	(35,988,777)	(49,275,129)	(107,857,902)	58,881,963
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In	9,256,416	35,988,777	49,275,129	80,305,492	174,825,814
Bonds and Notes Issued	134,438,642	—	—	—	134,438,642
Premium on Debt Issuance	9,092,046	—	—	—	9,092,046
Uses:					
Transfers Out	(208,284,967)	—	—	(19,202,941)	(227,487,908)
Total Other Financing Sources (Uses)	(55,497,863)	35,988,777	49,275,129	61,102,551	90,868,594
Net Change in Fund Balances	196,505,908	—	—	(46,755,351)	149,750,557
Fund Balances (Deficit) at Beginning of Year	(269,486,657)	24,016,604	—	205,221,950	(40,248,103)
Fund Balances (Deficit) at End of Year	\$ (72,980,749)	\$ 24,016,604	\$ —	\$ 158,466,599	\$ 109,502,454

See accompanying notes to basic financial statements.

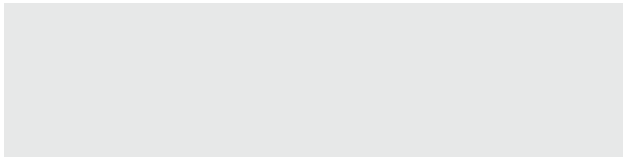
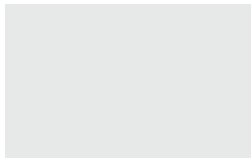
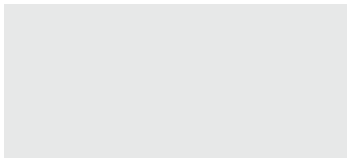
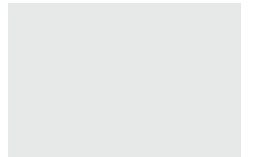
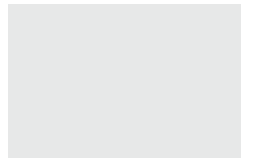
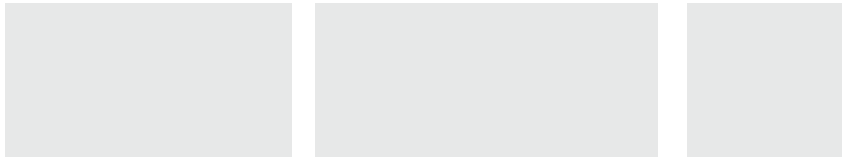
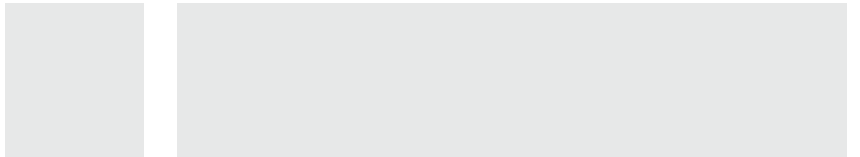
City of Detroit, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Change in Fund Balances - Total Governmental Funds	\$	149,750,557
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		23,367,769
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	\$ 127,079,320	
Less current year depreciation	<u>(86,434,008)</u>	40,645,312
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(8,829,927)
Payments to the pension systems increased the net pension asset		(86,352,695)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(134,438,642)
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 position		103,880,615
Change in deferred outflows of resources related to derivatives is not reported in the governmental funds		(88,133,451)
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	(2,710,379)	
Change in accrued interest payable	1,322,035	
Interest and penalties on escheatment	438,325	
Amortization of bond premiums	(6,797,563)	
Amortization of swap termination fees	1,343,787	
Amortization of deferred amounts on refunding	(1,301,745)	
Change in accrued compensated absences	15,611,461	
Change in accrued workers' compensation claims	4,382,000	
Change in accrued claims and judgments	7,318,335	
Change in accrued pollution remediation	(156,765)	
Change in accrued other postemployment benefits	<u>(146,730,901)</u>	<u>(127,281,410)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(127,391,872)</u></u>

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Motor City Makeover



More than 9,000 volunteers helped clean and beautify neighborhoods throughout Detroit during Motor City Makeover in May. Motor City Makeover is the City's annual effort to clean Detroit by district on Saturdays in May.



CITY OF **DETROIT, MICHIGAN**

City of Detroit, Michigan
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2013

	Sewage Disposal Fund	Transportation Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,445,997	\$ 5,452,316
Investments	32,851,568	14,323
Accounts and Contracts Receivable:		
Other Receivables - Trade	204,835,991	649,936
Allowance for Uncollectible Accounts	(68,548,573)	(28,476)
Total Accounts and Contracts Receivable - Net	136,287,418	621,460
Due from Other Funds	14,751,256	5,761,800
Due from Fiduciary Funds	1,409,855	—
Due from Other Governmental Agencies	—	11,040,920
Inventory	9,762,803	4,534,696
Prepaid Expenses	853,192	154,683
Restricted:		
Cash and Cash Equivalents	8,602,053	—
Investments	146,839,849	—
Total Current Assets	368,803,991	27,580,198
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents	85,061,154	—
Investments	175,791,347	—
Other Receivables	3,750,000	650,000
Net Pension Asset	86,248,463	104,330,131
Deferred Charges	43,193,749	4,336,481
Capital Assets:		
Land and Land Rights	13,369,777	7,578,462
Land Improvements	75,477,901	—
Buildings and Structures	2,104,024,856	150,858,601
Interceptors and Regulators	207,261,372	—
Mains	—	—
Services and Meters	—	—
Vehicles and Buses	—	146,071,582
Machinery, Equipment, and Fixtures	1,697,620,776	49,900,963
Construction in Progress	211,789,383	1,316,641
Total Capital Assets	4,309,544,065	355,726,249
Less: Accumulated Depreciation	(1,448,287,409)	(189,395,339)
Capital Assets - Net	2,861,256,656	166,330,910
Total Noncurrent Assets	3,255,301,369	275,647,522
Total Assets	3,624,105,360	303,227,720

Water Fund	Automobile Parking Fund	Other Enterprise Fund	Totals
\$ 16,273,604	\$ 759,509	\$ 662,001	\$ 40,593,427
31,400,752	609	334	64,267,586
111,060,632	241,244	1,251,757	318,039,560
(27,158,423)	—	(1,029,235)	(96,764,707)
83,902,209	241,244	222,522	221,274,853
48,334,968	1,072,401	31,166	69,951,591
1,680,314	—	—	3,090,169
—	480	—	11,041,400
6,261,724	—	—	20,559,223
3,819,179	90,224	—	4,917,278
4,792,279	—	2,395	13,396,727
105,703,197	8,200,493	—	260,743,539
302,168,226	10,364,960	918,418	709,835,793
24,301,021	—	—	109,362,175
199,563,737	10,070,097	—	385,425,181
5,121,918	—	—	9,521,918
96,261,825	—	—	286,840,419
36,280,286	—	—	83,810,516
6,466,486	4,967,313	17,349,458	49,731,496
101,297,526	214,908	8,020,718	185,011,053
806,692,081	200,066,403	5,853,773	3,267,495,714
—	—	—	207,261,372
1,007,719,701	—	—	1,007,719,701
175,677,274	—	—	175,677,274
—	1,254,151	1,326,693	148,652,426
1,060,563,086	3,608,421	1,825,327	2,813,518,573
159,078,519	445,679	112,500	372,742,722
3,317,494,673	210,556,875	34,488,469	8,227,810,331
(1,233,862,292)	(139,479,726)	(15,820,142)	(3,026,844,908)
2,083,632,381	71,077,149	18,668,327	5,200,965,423
2,445,161,168	81,147,246	18,668,327	6,075,925,632
2,747,329,394	91,512,206	19,586,745	6,785,761,425

(Continued)

City of Detroit, Michigan
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2013

	Sewage Disposal Fund	Transportation Fund
LIABILITIES AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts and Contracts Payable	\$ 50,488,373	\$ 9,010,129
Accrued Salaries and Wages	602,720	1,377,435
Due to Other Funds	52,036,220	6,245,893
Due to Fiduciary Funds	—	3,322,880
Due to Other Governmental Agencies	—	—
Accrued Interest	70,858,984	1,737,106
Other Liabilities	23,327,269	—
Deferred Revenue	—	139,757
Bonds, Notes, and Capital Leases	78,385,000	8,243,938
Accrued Compensated Absences	717,569	3,436,935
Accrued Workers' Compensation and Claims and Judgments	551,000	976,068
Pension Obligation Certificates - Net	3,236,213	3,776,373
	<u>280,203,348</u>	<u>38,266,514</u>
Total Current Liabilities		
Noncurrent Liabilities:		
Advances From Other Funds	—	—
Bonds and Notes Payable - Net	3,112,192,669	5,458,032
Pension Obligation Certificates Payable (POCs) - Net	86,914,659	101,408,868
Accrued Compensated Absences	477,410	—
Accrued Workers' Compensation and Claims and Judgments	2,932,000	3,326,625
Accrued Other Postemployment Benefits	70,445,095	86,090,281
Derivative instruments - swap liability	18,581,500	21,739,808
	<u>3,291,543,333</u>	<u>218,023,614</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>3,571,746,681</u>	<u>256,290,128</u>
Net Position:		
Net Investment in Capital Assets	248,910,555	152,628,939
Restricted for Capital Acquisitions	—	—
Restricted for Debt Service	135,156,679	—
Unrestricted (Deficit)	(331,708,555)	(105,691,347)
	<u>(331,708,555)</u>	<u>(105,691,347)</u>
Total Net Position (Deficit)	<u>\$ 52,358,679</u>	<u>\$ 46,937,592</u>

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$ 23,947,477	\$ 349,573	\$ 102,394	\$ 83,897,946
969,965	92,403	2,937	3,045,460
8,247,469	190,851	283,841	67,004,274
25,278	—	452,369	3,800,527
—	—	2,234	2,234
66,454,704	237,550	—	139,288,344
13,592,704	658,573	2,054,629	39,633,175
—	18,184,385	—	18,324,142
41,380,000	1,220,000	—	129,228,938
9,340,642	179,633	17,349	13,692,128
1,452,236	90,000	12,000	3,081,304
2,855,885	—	—	9,868,471
<u>168,266,360</u>	<u>21,202,968</u>	<u>2,927,753</u>	<u>510,866,943</u>
—	4,050,006	—	4,050,006
2,447,241,502	7,904,774	—	5,572,796,977
76,699,025	—	—	265,022,552
1,282,223	—	—	1,759,633
8,381,750	620,997	71,000	15,332,372
70,552,075	2,372,228	48,276	229,507,955
16,489,465	—	—	56,810,773
<u>2,620,646,040</u>	<u>14,948,005</u>	<u>119,276</u>	<u>6,145,280,268</u>
<u>2,788,912,400</u>	<u>36,150,973</u>	<u>3,047,029</u>	<u>6,656,147,211</u>
37,874,003	67,881,694	18,668,327	525,963,518
—	505,880	—	505,880
106,687,859	1,689,507	—	243,534,045
<u>(186,144,868)</u>	<u>(14,715,848)</u>	<u>(2,128,611)</u>	<u>(640,389,229)</u>
<u>\$ (41,583,006)</u>	<u>\$ 55,361,233</u>	<u>\$ 16,539,716</u>	<u>\$ 129,614,214</u>

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	Sewage Disposal Fund	Transportation Fund
	Fund	Fund
Operating Revenues:		
Sales and Charges for Services	\$ 432,034,610	\$ 21,341,905
Rentals, Fees, and Surcharges	5,204,732	632,226
Miscellaneous	3,623,918	4,669,629
Total Operating Revenues	440,863,260	26,643,760
Operating Expenses:		
Salaries, Wages, and Benefits	95,591,261	99,747,317
Contractual Services	91,899,076	13,195,654
Operating	38,382,697	2,816,365
Maintenance	8,596,341	—
Materials, Supplies, and Other Expenses	25,894,955	23,920,039
Impairment Loss	—	230,957
Depreciation	121,464,302	19,022,022
Total Operating Expenses	381,828,632	158,932,354
Operating Income (Loss)	59,034,628	(132,288,594)
Non-Operating Revenues (Expenses):		
Investment Earnings (Losses)	(1,061,942)	3
Investment Earnings (Losses) - Changes in Fair Value of Derivatives	(6,877,343)	(8,047,641)
Federal and State Grants	—	70,142,182
Interest on Bonds, Notes Payable, and Loans	(142,081,167)	(7,091,933)
Loss on Disposal of Capital Assets	(2,752)	—
Amortization of Bond Issuance Costs and Deferrals	(14,978,455)	—
Other Revenues	861,759	—
Total Non-Operating Revenues (Expenses), Net	(164,139,900)	55,002,611
Net Income (Loss) Before Contributions and Transfers	(105,105,272)	(77,285,983)
Capital Contributions	—	11,689,225
Transfers In	—	47,212,094
Increase (Decrease) in Net Position	(105,105,272)	(18,384,664)
Net Position (Deficit) - Beginning of Year	157,463,951	65,322,256
Net Position (Deficit) - End of Year	\$ 52,358,679	\$ 46,937,592

Water Fund	Automobile Parking Fund	Other Enterprise Fund	Totals
\$ 350,839,004	\$ —	\$ 68,356	\$ 804,283,875
—	11,992,637	605,508	18,435,103
4,688,757	—	52,991	13,035,295
<u>355,527,761</u>	<u>11,992,637</u>	<u>726,855</u>	<u>835,754,273</u>
82,154,682	2,128,076	330,322	279,951,658
40,713,207	3,330,396	—	149,138,333
48,190,189	320,202	1,377,694	91,087,147
6,961,435	345,153	64,373	15,967,302
9,169,445	241,354	23,982	59,249,775
—	10,074,344	—	10,305,301
83,031,094	3,174,349	113,780	226,805,547
<u>270,220,052</u>	<u>19,613,874</u>	<u>1,910,151</u>	<u>832,505,063</u>
<u>85,307,709</u>	<u>(7,621,237)</u>	<u>(1,183,296)</u>	<u>3,249,210</u>
(840,377)	1,622	3	(1,900,691)
(6,101,602)	—	—	(21,026,586)
—	—	—	70,142,182
(127,866,520)	(475,291)	—	(277,514,911)
—	—	—	(2,752)
(8,533,883)	(29,196)	—	(23,541,534)
6,404,158	—	—	7,265,917
<u>(136,938,224)</u>	<u>(502,865)</u>	<u>3</u>	<u>(246,578,375)</u>
(51,630,515)	(8,124,102)	(1,183,293)	(243,329,165)
165,403	—	—	11,854,628
—	5,175,000	275,000	52,662,094
(51,465,112)	(2,949,102)	(908,293)	(178,812,443)
<u>9,882,106</u>	<u>58,310,335</u>	<u>17,448,009</u>	<u>308,426,657</u>
<u>\$ (41,583,006)</u>	<u>\$ 55,361,233</u>	<u>\$ 16,539,716</u>	<u>\$ 129,614,214</u>

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 444,716,374	\$ 25,916,153
Receipts from (to) Other Funds	22,740,653	(183,395)
Loans from Other Funds	—	—
Payments to Suppliers	(135,974,669)	(54,958,673)
Payments to Employees	(80,467,547)	(79,308,982)
Net Cash Provided by (Used in) Operating Activities	<u>251,014,811</u>	<u>(108,534,897)</u>
Cash Flows from Non-Capital Financing Activities:		
Interest Paid - Pension Obligation Certificates	(4,674,284)	(6,756,496)
Principal Paid - Pension Obligation Certificates	—	(3,602)
Grants and Contributions from Other Governments	—	68,428,453
Transfers from Other Funds	—	47,212,094
Miscellaneous Non-Capital Financing	861,759	—
Net Cash Provided by Non-Capital Financing Activities	<u>(3,812,525)</u>	<u>108,880,449</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	—	11,129,997
Proceeds from Sales of Capital Assets	—	—
Acquisition and Construction of Capital Assets	(101,431,436)	(6,493,281)
Proceeds from Bond and Note Issuances	10,070,762	—
Principal Paid on Bonds, Notes, and Capital Leases	(76,590,000)	(5,361,524)
Interest Paid on Bonds, Notes, and Leases - Net	(127,531,521)	1,226,571
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(295,482,195)</u>	<u>501,763</u>
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	768,587,656	—
Purchases of Investments	(850,103,038)	(3)
Earnings (Losses) from Investment Securities	11,553	3
Net Cash Provided by (Used in) Investing Activities	<u>(81,503,829)</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(129,783,738)	847,315
Cash and Cash Equivalents at Beginning of Year	<u>240,892,942</u>	<u>4,605,001</u>
Cash and Cash Equivalents at End of Year	<u>\$ 111,109,204</u>	<u>\$ 5,452,316</u>

Water Fund	Automobile Parking Fund	Other Enterprise Fund	Totals
\$ 366,533,111	\$ 14,150,871	\$ 644,486	\$ 851,960,995
—	(867,696)	306,719	21,996,281
(15,255,345)	—	—	(15,255,345)
(112,927,039)	(7,631,102)	(1,036,747)	(312,528,230)
(61,797,221)	(1,997,462)	(485,483)	(224,056,695)
<u>176,553,506</u>	<u>3,654,611</u>	<u>(571,025)</u>	<u>322,117,006</u>
(5,021,870)	—	—	(16,452,650)
—	—	—	(3,602)
—	—	—	68,428,453
—	—	275,000	47,487,094
<u>6,404,158</u>	<u>—</u>	<u>—</u>	<u>7,265,917</u>
<u>1,382,288</u>	<u>—</u>	<u>275,000</u>	<u>106,725,212</u>
—	—	—	11,129,997
234,062	—	—	234,062
(25,388,614)	(475,293)	(23,665)	(133,812,289)
—	—	—	10,070,762
(33,120,000)	(1,165,000)	—	(116,236,524)
(131,184,555)	(504,416)	—	(257,993,921)
<u>(189,459,107)</u>	<u>(2,144,709)</u>	<u>(23,665)</u>	<u>(486,607,913)</u>
910,487,630	8,690,904	—	1,687,766,190
(915,942,700)	(10,421,933)	—	(1,776,467,674)
<u>1,630,634</u>	<u>1,622</u>	<u>3</u>	<u>1,643,815</u>
<u>(3,824,436)</u>	<u>(1,729,407)</u>	<u>3</u>	<u>(87,057,669)</u>
(15,347,749)	(219,505)	(319,687)	(144,823,364)
<u>60,714,653</u>	<u>979,014</u>	<u>984,083</u>	<u>308,175,693</u>
<u>\$ 45,366,904</u>	<u>\$ 759,509</u>	<u>\$ 664,396</u>	<u>\$ 163,352,329</u>

(Continued)

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	<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)	\$ 59,034,628	\$ (132,288,594)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	121,464,302	19,022,022
Bad Debt Expense	39,483,522	—
Write-off of Capital Assets, including Construction in Progress	36,970,235	230,957
Loss on Disposal of Capital Assets	5,134,577	—
Changes in Assets and Liabilities:		
Accounts and Contracts Receivable	(35,630,408)	(571,071)
Inventory	(878,124)	(131,154)
Net Pension Asset	(2,567)	2,742,950
Prepaid Expenses	965,959	(35,171)
Due from Other Funds	10,788,347	(5,648,982)
Deferred Revenue	—	(156,536)
Accounts and Contracts Payable	(2,652,660)	(4,712,419)
Due to Other Funds	11,952,306	5,465,587
Due to Fiduciary Funds	(8,399,139)	(4,738,159)
Other Liabilities	947,279	—
Accrued Compensated Absences	—	(458,481)
Accrued Workers' Compensation and Claims and Judgments	(1,329,500)	(1,267,119)
Accrued Other Postemployment Benefits	13,609,014	13,683,089
Accrued Salaries and Wages	(102,347)	328,184
Pollution Remediation Obligations	(340,613)	—
Net Cash Provided by (Used in) Operating Activities	<u>\$ 251,014,811</u>	<u>\$ (108,534,897)</u>
Noncash activities:		
Fair value of derivatives	\$ (9,102,234)	\$ 10,649,348
Deferred outflows of resources - hedging derivatives	15,979,577	(18,696,989)

	<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
\$	85,307,709	\$ (7,621,237)	\$ (1,183,296)	\$ 3,249,210
	83,031,094	3,174,349	113,780	226,805,547
	15,930,757	—	—	55,414,279
	18,735,709	10,074,344	—	66,011,245
	1,945,313	—	—	7,079,890
	(4,925,407)	2,866,270	(82,369)	(38,342,985)
	(601,398)	—	(28,646)	(1,639,322)
	(5,584,729)	—	—	(2,844,346)
	678,366	(62,415)	34,568	1,581,307
	(8,555,773)	(954,218)	—	(4,370,626)
	—	(708,036)	—	(864,572)
	(12,788,553)	(55,788)	(63,778)	(20,273,198)
	(6,699,572)	86,522	335,366	11,140,209
	(10,952,567)	(245,232)	—	(24,335,097)
	3,952,333	(3,275,794)	458,511	2,082,329
	—	(97,181)	(36,093)	(591,755)
	(42,514)	(66,500)	(11,000)	(2,716,633)
	17,248,910	567,801	(88,655)	45,020,159
	(126,172)	(28,274)	(19,413)	51,978
	—	—	—	(340,613)
\$	<u>176,553,506</u>	\$ <u>3,654,611</u>	\$ <u>(571,025)</u>	\$ <u>322,117,006</u>
\$	(8,077,440)	\$ —	\$ —	\$ (6,530,326)
	14,179,042	—	—	11,461,630

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 60,071,032	\$ 1,200,404
Investments at Fair Value:		
Short-Term Investments	119,271,381	—
Money Market Funds	—	20,606,287
Bonds and Stocks	3,508,338,827	—
Mortgage-Backed Securities	103,331,989	—
Mortgage and Construction Loans	216,152,068	—
Equity Interest in Real Estate	513,627,947	—
Real Estate Investment Trusts Held by Custodian	23,523,860	—
Pooled Investments	239,988,159	—
Private Placements	448,576,565	—
Total Investments	5,172,810,796	20,606,287
Accrued Interest Receivable	21,852,133	—
Accounts Receivable:		
Due from Primary Government	48,282,254	—
Due from Component Units	453,995	—
Allowance for Uncollectible Receivable	(312,956)	—
From Investment Sales	31,990,292	—
Other Receivables	12,272,945	—
Total Accounts Receivable	92,686,530	—
Cash and Investments Held as Collateral for Securities Lending	377,265,326	—
Capital Assets	2,513,037	—
Total Assets	5,727,198,854	\$ 21,806,691
LIABILITIES		
Accounts and Contracts Payable	11,760	294,904
Payables for Investment Purchases	41,076,906	—
Benefits and Claims Payable	12,295,731	—
Due to Primary Government	6,046,500	611,380
Amount Due to Broker for Securities Lending	417,534,267	—
Other Liabilities	75,044,112	20,900,407
Total Liabilities	552,009,276	\$ 21,806,691
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 5,175,189,578	

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Employer Contributions	\$ 285,976,651
Plan Member Contributions	60,790,850
Other Income	224,552
Total Contributions	346,992,053
Investment Earnings:	
Interest and Dividend Income	220,219,952
Net Appreciation in Fair Value	469,457,541
Investment Expense	(46,594,984)
Securities Lending Income	2,243,108
Net Gain on Collateralized Securities	10,802,972
Other Income	33,602,632
Total Investment Earnings	689,731,221
Total Additions	1,036,723,274
DEDUCTIONS:	
Pension and Annuity Benefits	526,503,679
Premiums to Insurers and Damage Claims	298,929,103
Changes in Estimate - Prior Year Contribution	29,026,800
Member Refunds and Withdrawals	162,150,895
General and Administrative Expenses	15,205,344
Total Deductions	1,031,815,821
Net Increase	4,907,453
Net Position Held in Trust for Pension and Other Employee Benefits, Beginning of Year	5,170,282,125
Net Position Held in Trust for Pension and Other Employee Benefits, End of Year	\$ 5,175,189,578

City of Detroit, Michigan
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2013

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority	Eastern Market Corporation
ASSETS:					
Cash and Cash Equivalents	\$ 5,000	\$ 16,354,946	\$ 529,338	\$ 1,944,130	\$ 1,191,157
Investments	3,324,708	12,299,337	3,599,966	74,842,510	—
Accounts and Contracts Receivable, Taxes, Interest, and Penalties Receivable - Net	1,923,396	117,295	490,099	3,048,032	623,025
Due from Primary Government	1,587,665	424,120	—	(17,538)	—
Due from Other Governmental Agencies	—	5,126,827	382,408	—	—
Inventory	—	—	3,485,756	—	20,241
Prepaid Expenses	8,952	102,976	273,049	606,852	30,670
Loans and Notes Receivable	—	—	—	35,217,182	—
Other Assets	38,987	13,006	—	27,055,370	126,564
Restricted Assets	—	—	—	—	—
Net Pension Asset	—	24,656,163	—	—	—
Bond and Note Issue Costs	—	—	—	2,174,130	—
Capital Assets:					
Non-Depreciable	—	1,603,632	7,108,237	7,544,670	2,735,775
Depreciable, Net	—	24,171,213	44,557,580	38,038,140	2,147,465
Capital Assets, Net	<u>—</u>	<u>25,774,845</u>	<u>51,665,817</u>	<u>45,582,810</u>	<u>4,883,240</u>
Total Assets	<u>6,888,708</u>	<u>84,869,515</u>	<u>60,426,433</u>	<u>190,453,478</u>	<u>6,874,897</u>
LIABILITIES:					
Accounts and Contracts Payable	29,707	429,083	2,946,895	1,857,782	659,710
Accrued Salaries and Wages	—	503,294	101,953	—	65,350
Accrued Interest Payable	—	—	—	4,116,215	—
Due to Primary Government	—	2,055,173	319,728	7,797	—
Due to Fiduciary Funds	—	453,995	—	—	—
Due to Other Governmental Agencies	—	7,184,586	—	17,992,203	—
Deferred Revenue	—	—	374,000	—	313,149
Other Liabilities	5,312,562	719,522	1,308,563	24,707,192	400,692
Long-term Obligations:					
Advance Payable to Primary Government for POCs	—	24,016,604	—	—	—
Due within one year	—	1,603,788	—	6,777,175	—
Due in more than one year	—	21,986,464	621,495	86,784,224	—
Total Liabilities	<u>5,342,269</u>	<u>58,952,509</u>	<u>5,672,634</u>	<u>142,242,588</u>	<u>1,438,901</u>
DEFERRED INFLOWS OF RESOURCES:	<u>—</u>	<u>613,240</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET POSITION (DEFICIT):					
Net Investment in Capital Assets	—	25,774,845	51,665,817	45,582,810	4,883,240
Restricted for:					
Endowments and Trusts (Expendable)	—	7,433,010	—	—	—
Endowments and Trusts (Non-Expendable)	—	703,355	—	—	—
Capital Projects	474,542	—	2,862,151	1,618,666	945,376
Debt Service	—	—	—	—	—
Unrestricted (Deficit)	<u>1,071,897</u>	<u>(8,607,444)</u>	<u>225,831</u>	<u>1,009,414</u>	<u>(392,620)</u>
Total Net Position (Deficit)	<u>\$ 1,546,439</u>	<u>\$ 25,303,766</u>	<u>\$ 54,753,799</u>	<u>\$ 48,210,890</u>	<u>\$ 5,435,996</u>

See accompanying notes to basic financial statements.

Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Totals
\$ 13,660,503	\$ 277	\$ 1,091,419	\$ 278,558	\$ 218,973	\$ 81	\$ 100,705	\$ 35,375,087
21,819,817	771,066	33,902,311	1,080,396	—	—	—	151,640,111
234,371	23,189	—	30,830	1,462,170	21,752	(638,523)	7,335,636
—	1,741,068	—	—	—	—	5,390,057	9,125,372
1,362,161	—	—	—	—	—	—	6,871,396
—	—	—	86,680	—	—	—	3,592,677
—	—	9,251	17,496	72,608	8,835	57,594	1,188,283
4,278,354	—	—	—	—	—	—	39,495,536
—	—	—	—	4,958,110	—	—	32,192,037
—	6,062,086	—	—	—	—	—	6,062,086
—	—	—	—	—	—	—	24,656,163
—	—	—	—	—	—	—	2,174,130
—	8,873,234	—	161,350	—	—	—	28,026,898
—	16,159,355	—	1,531,544	66,755	—	596,150	127,268,202
—	25,032,589	—	1,692,894	66,755	—	596,150	155,295,100
41,355,206	33,630,275	35,002,981	3,186,854	6,778,616	30,668	5,505,983	475,003,614
1,525,063	1,835,861	15,714	663,655	321,164	21,752	2,605,143	12,911,529
—	—	—	100,106	23,576	—	—	794,279
74,183	—	497,287	—	—	—	—	4,687,685
—	—	—	—	—	—	507,977	2,890,675
—	—	—	—	—	—	—	453,995
97,346	—	—	—	—	—	24,720	25,298,855
154,667	15,000	—	—	321,891	—	—	1,178,707
—	—	—	100,000	43,004	—	1,771,594	34,363,129
—	—	—	—	—	—	—	24,016,604
262,796	—	5,715,000	—	913,272	—	117,194	15,389,225
750,000	—	47,365,000	—	—	—	234,387	157,741,570
2,864,055	1,850,861	53,593,001	863,761	1,622,907	21,752	5,261,015	279,726,253
—	—	—	—	—	—	—	613,240
—	25,032,589	—	1,692,894	66,755	—	244,569	154,943,519
—	—	—	935,356	—	—	—	8,368,366
—	—	1,003,511	—	—	—	—	1,706,866
38,347,534	6,062,086	—	207,630	—	—	—	50,517,985
—	—	33,752,311	—	—	—	—	33,752,311
143,617	684,739	(53,345,842)	(512,787)	5,088,954	8,916	399	(54,624,926)
\$ 38,491,151	\$ 31,779,414	\$ (18,590,020)	\$ 2,323,093	\$ 5,155,709	\$ 8,916	\$ 244,968	\$ 194,664,121

City of Detroit, Michigan
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2013

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority	Eastern Market Corporation
Expenses	\$ (2,230,542)	\$ (39,050,363)	\$ (18,994,213)	\$ (21,030,847)	\$ (3,729,265)
Program Revenues:					
Charges for Services	—	583,329	1,556,301	4,090,143	1,088,894
Operating Grants and Contributions	14,811	1,206,062	3,838,603	—	264,444
Total Program Revenues	<u>14,811</u>	<u>1,789,391</u>	<u>5,394,904</u>	<u>4,090,143</u>	<u>1,353,338</u>
Net Program (Expenses) Revenues	<u>(2,215,731)</u>	<u>(37,260,972)</u>	<u>(13,599,309)</u>	<u>(16,940,704)</u>	<u>(2,375,927)</u>
General Revenues:					
Property Taxes	2,153,263	29,810,438	—	16,872,133	—
Other Taxes	—	934,906	—	—	—
Shared Taxes	—	427,987	—	—	—
Tipping Fees	—	—	—	—	—
Contributions	—	—	1,834,210	—	1,937,634
Investment Earnings (Losses)	5,846	871,128	(258,427)	—	87,241
Miscellaneous Revenues	—	60,046	588,500	1,015,314	—
Total General Revenues	<u>2,159,109</u>	<u>32,104,505</u>	<u>2,164,283</u>	<u>17,887,447</u>	<u>2,024,875</u>
Change in Net Position	(56,622)	(5,156,467)	(11,435,026)	946,743	(351,052)
Net Position (Deficit) - Beginning of Year, as Restated*	<u>1,603,061</u>	<u>30,460,233</u>	<u>66,188,825</u>	<u>47,264,147</u>	<u>5,787,048</u>
Net Position (Deficit) - End of Year	<u>\$ 1,546,439</u>	<u>\$ 25,303,766</u>	<u>\$ 54,753,799</u>	<u>\$ 48,210,890</u>	<u>\$ 5,435,996</u>

* The Detroit Public Library restated its beginning net assets at July 1, 2012. Prior to restatement, beginning net assets were \$40,429,952.

* The Detroit Transportation Corporation restated its beginning net assets at July 1, 2012. Prior to restatement, beginning net assets were \$66,254,992.

Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Totals
\$ (6,592,082)	\$ (10,291,159)	\$ (3,441,526)	\$ (5,835,693)	\$ (9,316,543)	\$ (1,518,658)	\$ (40,582,334)	\$ (162,613,225)
5,685,954	102,461	—	2,002,895	—	75,587	—	15,185,564
—	—	—	1,061,199	9,489,767	1,451,987	40,827,302	58,154,175
5,685,954	102,461	—	3,064,094	9,489,767	1,527,574	40,827,302	73,339,739
(906,128)	(10,188,698)	(3,441,526)	(2,771,599)	173,224	8,916	244,968	(89,273,486)
—	—	11,681,796	—	—	—	—	60,517,630
—	—	—	—	—	—	—	934,906
—	—	—	—	—	—	—	427,987
—	8,989,224	—	—	—	—	—	8,989,224
1,021,619	—	—	1,691,298	—	—	—	6,484,761
29,023	7,081	31,372	—	—	—	—	773,264
—	—	—	50,971	—	—	—	1,714,831
1,050,642	8,996,305	11,713,168	1,742,269	—	—	—	79,842,603
144,514	(1,192,393)	8,271,642	(1,029,330)	173,224	8,916	244,968	(9,430,883)
38,346,637	32,971,807	(26,861,662)	3,352,423	4,982,485	—	—	204,095,004
\$ 38,491,151	\$ 31,779,414	\$ (18,590,020)	\$ 2,323,093	\$ 5,155,709	\$ 8,916	\$ 244,968	\$ 194,664,121

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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.

Public Lighting Authority (PLA) - The PLA under the provisions of Act 392, Public Acts of MI of 2012 and is governed by a Board in which the City appoints the voting majority of the PLA’s Board Members and is able to impose its will. The PLA is a legally separate entity and was formed to develop and implement a plan to improve the City’s public lighting system. The PLA will be funded through the issuance of bonds to be paid back with revenue from the City’s utility tax.

Detroit General Retirement System Service Corporation (DGRSSC) and Detroit Police and Fire Retirement System Service Corporation (DPFRSSC) - DGRSSC and DPFRSSC are Michigan (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 purported to contractually obligate itself to make periodic payments to the corporations. 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. The City is currently involved in litigation regarding this transaction, in which it maintains that the service contracts created indebtedness not allowed by law and are, therefore, invalid and unenforceable.

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 the 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.

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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.

Eight Mile/Woodward Corridor Improvement Authority (EMWCIA) - The EMWCIA was established to correct and prevent deterioration in the Eight Mile/Woodward area. The EMWCIA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The EMWCIA is primarily funded by the first \$100,000 of Tax Increment Capture.

Detroit Employment Solutions Corporation (DESC) - The DESC was established to be the administrative and fiscal agency responsible for providing workforce programs and services to the citizens and businesses of Detroit. The DESC is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The DESC is primarily funded by grants.

* 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
1301 Third Street
Suite 328
Detroit, MI 48226
(313) 224-0174

Detroit Police and Fire Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 908
2 Woodward Avenue
Detroit, MI 48226
(313) 224-3380

Detroit General Retirement System
Service Corporation
Coleman A. Young Municipal Center, Room 908
2 Woodward Avenue
Detroit, MI 48226
(313) 224-3362

Detroit Public Lighting Authority
65 Cadillac Square, Suite 2900
Detroit, MI 48226
(313) 224-8290

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Discretely Presented Component Units:

Detroit Brownfield Redevelopment Authority 500 Griswold, Suite 2200 Detroit, MI 48226 (313) 963-2940	Greater Detroit Resource Recovery Authority 5700 Russell Street Detroit, MI 48211 (313) 876-0449
Detroit Public Library 5201 Woodward Avenue Detroit, MI 48226 (313) 833-1000	Local Development Finance Authority 500 Griswold, Suite 2200 Detroit, MI 48226 (313) 237-4616
Detroit Transportation Corporation 1420 Washington Blvd., 3rd Floor Detroit, MI 48226 (313) 224-2160	Museum of African American History 315 East Warren Avenue Detroit, MI 48201 (313) 494-5800
Downtown Development 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
Eastern Market Corporation 2934 Russell Street Detroit, MI 48226 (313) 833-9300	Eight Mile/Woodward Corridor Improvement Authority 500 Griswold, Suite 2200 Detroit, MI 48226 (313) 237-4616
Economic Development Corporation 500 Griswold, Suite 2200 Detroit, MI 48226 (313) 237-4616	Detroit Employment Solutions Corporation 440 East Congress Street Detroit, MI 48226 (313) 876-0674

Related Organizations

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

Detroit Historical Society
Founders 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., and the Detroit Economic Growth Association, private nonprofit corporations, but the City's accountability for these organizations 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 Wayne County. The DWJBA receives its revenues through a lease

agreement with the City and the County, which expires on March 1, 2028. The lease provides that the DWJBA shall maintain and operate the building at 2 Woodward Ave, Detroit, (known as the Coleman A. Young Municipal Center), 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 position 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 nonexchange 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 462 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. Nonexchange 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.

As disclosed in Note XIII, the City of Detroit is engaged in bankruptcy proceedings as of the date of this report. The recorded and disclosed balances contained within this report are subject to change pursuant to the City's plan of adjustment.

(d) Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as certificates of deposits with an original 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 position.

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.

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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, 2013 for the Sewage Disposal and Water Funds was \$11,400,250 and \$7,244,644, respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred.

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

	Years
Land improvements	5-67
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. Further information regarding City-owned art can be found in Note V.

(j) Deferred Revenue

Deferred revenue represents 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). The liability current year accruals are based on estimates and payments are based on actuals. 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.

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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 2012 taxable valuation of the City totaled approximately \$9.0 billion (a portion of which is abated and a portion of which is captured by the LDFA, DDA, and DBRA), on which taxes consisted of 19.952 mills for operating purposes and 9.6136 mills for debt service. This resulted in approximately \$156.1 million for operations and approximately \$84.5 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, 2013, approximately \$163 million of delinquent property taxes receivable was transferred (sold) to the County, and \$117 million was charged back to the City from prior year sales. As of June 30, 2013, the City has recorded an approximate liability of \$72 million (\$25 million in the General Fund, \$28 million in the Non-Major Governmental Funds, and \$19 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 2012 consists of an annualized tax of 2.45 percent on the income of resident individuals, 1.23 percent on income earned in the City by non-residents, and 2.00 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 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.

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- **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 Position

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

- **Net Investment in Capital Assets** - 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 position that is 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.
- **Unrestricted** - This consists of net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

(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 March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities—an Amendment of GASB Statement No. 25*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as

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assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. 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, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—an Amendment of GASB Statements No. 10 and No. 62*. This statement amends or removes certain provisions of GASB Statements No. 10 and No. 62 related to fund-based reporting of a state and local government's risk financing activities, accounting for operating lease payments, differences between the initial investment and the principal amount of a purchased loan or group of loans, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from the current (normal) servicing fee rate. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2014 fiscal year.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. 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, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). 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, 2015.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. 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, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of the Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions* (see above). The Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. 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, 2015.

(t) Prior Period Adjustment and Restatement of Beginning Net Position

The Detroit Public Library restated its beginning net position at July 1, 2012. Beginning net position was decreased \$9,969,719 to correct accounts payable, due from other governmental units, and to adjust for a change in accounting principles. Prior to restatement, beginning net position was \$40,429,952.

(u) New Accounting Pronouncements

During the year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement impacted the format and reporting of the balance sheet at the government-wide level and also at the fund level.

During the fiscal year ended June 30, 2013, the City adopted 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.

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. The City of Detroit was insolvent on June 30, 2013 as the General Fund liabilities exceeded its assets by \$73.0 million and cash and investments on hand totaling \$102.2 million were insufficient to meet obligations due. The City's accumulated unassigned General Fund deficit was \$132.6 million on June 30, 2013. On June 15, 2013, due to liquidity constraints, the City did not make a principal and interest payment totaling \$41.0 million (\$33.3 million due from the General Fund) due on its pension obligation certificates of participation (POCs). In addition, as of June 30, 2013, the City did not make a payment of \$105.6 million (\$96.9 million General Fund) of pension contributions due to the General Retirement and Police and Fire Retirement systems. Also, the City's General Fund owed the Other Post Employment Benefits Fund \$44.4 million on June 30, 2013. Furthermore, as of June 30, 2013, the City's General Fund has utilized restricted funds of \$69.6 million from the Risk management and Motor Vehicle accounts and the Solid Waste Fund to cover other obligations.

Over the past several decades, the City has experienced significant economic and social challenges that have negatively impacted employment, business conditions and quality of life. 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. Population decline and home foreclosures have adversely impacted City property valuations and property and income tax collections. Further stressing the City's liquidity are legacy costs such as retiree health care and debt service. As the City's tax base and revenues decline, the legacy costs become an increasing percentage of the General Fund budget reducing funding available for essential services such as police and fire.

In February 2013, a financial review team appointed by the Governor of the State of Michigan determined that a local government financial emergency existed in the City. On March 14, 2013, the Local Emergency Financial Assistance Loan Board appointed Kevyn Orr as the emergency financial manager of the City in accordance with Public Act 72 of 1990, the Local Government and School District Fiscal Responsibility Act. On March 28, 2013, Public Act 436 of 2012, the Local Financial Stability and Choice Act, took effect which replaced Public Act 72. Public Act 436 specified that an emergency financial manager appointed under Public Act 72 of 1990 and serving on the effective date of Public Act 436 of 2012 would continue to serve under the new act. Public Act 436 changed the title of the emergency financial manager to emergency manager and expanded the powers of the emergency manager to include the ability to recommend to the Governor that the City file a petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code").

On May 12, 2013, the emergency manager presented his Financial and Operating Plan to the State Treasurer as required by Public Act 436. The Financial and Operating Plan summarized the financial condition of the City and the strategic and operational considerations facing the emergency manager and presented the emergency

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manager's preliminary views on the development of a restructuring plan with respect to the City. The Financial and Operating Plan, under "Cash Flows and Liquidity," noted that "[t]he City is projecting negative cash flows of approximately \$90 million in fiscal year 2013 and would run out of cash by year end if not for (i) the deferral of payments for City obligations, including pension contributions, and (ii) the receipt of proceeds from the escrow account established as part of the \$137 million August 2012 bond refinancing transaction, disbursements from which are controlled by the State." The Financial and Operating Plan further stated: "As of April 26, 2013, the City had actual cash on hand of \$64 million but had current obligations of \$226 million to other funds and entities in the form of loans, property tax distributions, and deferred pension contributions and other payments. Therefore, the City's net cash position was actually negative \$162 million as of April 26, 2013. The City has been deferring, and will need to continue to defer, payments on its current obligations in order to avoid running out of cash."

Unable to reach a workable out-of-court solution to the impending liquidity crisis, and with no prospect of being able to do so, the emergency manager delivered a letter to the Governor and the State Treasurer on July 16, 2013, pursuant to Section 18(1) of PA 436 (the "Recommendation Letter"), recommending that the City be authorized to seek relief under chapter 9 of the Bankruptcy Code.

The emergency manager stated in the Recommendation Letter: "Based on the current facts and circumstances, I have concluded that no reasonable alternative to rectifying the City's financial emergency exists other than the confirmation of a plan of adjustment for the City's debts pursuant to chapter 9 of the Bankruptcy Code because the City cannot adopt a feasible financial plan that can satisfactorily rectify the financial emergency outside of a chapter 9 process in a timely manner."

The emergency manager's Recommendation Letter also included the following:

- "For an extended period of time, the City has simply failed to make the investments required to provide its residents with an adequate quality of life, as limited resources have been diverted elsewhere. The City's urgent need to address large and growing legacy liabilities, and other substantial debts, is self-evident. Failure to address these liabilities will prevent the City from devoting sufficient resources to providing basic and essential services to its residents."
- "Indeed, significant additional resources are required to improve public health and safety. The City must devote a larger share of its revenues to: (a) effectively provide basic, essential services to current residents; (b) attract new residents and businesses to foster growth and redevelopment; and (c) ultimately begin what will be a long process of rehabilitation and revitalization for the City. The City's debt and legacy liabilities must be significantly reduced to permit this reinvestment. Failure to do so directly endangers the health, safety and welfare of all residents of the City."
- "This level of debt is simply unsustainable. This situation has been managed to date only by deferring other obligations, cutting services to the bone and ignoring the substantial and obvious need for reinvestment in the City. Residents have paid for this approach with a diminishing quality of life in a City that, over time, has increasingly struggled to protect the health, safety and welfare of its citizens."
- "The City has funded its continuing deficits in a variety of unorthodox and financially imprudent ways, including: (a) the deferring of pension contributions (resulting in larger funding deficits and requirements for additional contributions in later periods); (b) the issuance of both short-term and long-term debt; (c) the deferral of trade payments; (d) borrowing by the City's General Fund from other funds, deferrals and cash pooling; and (e) significant furloughs and reductions-in-force. As of June 30, 2013, the City's general fund had outstanding deferrals and amounts due to other funds and entities of approximately \$272 million. Instead of solving the City's financial troubles, these tactics mask the City's true financial condition and continue to bury the City in an ever deepening financial crisis that exacerbates the City's already precarious condition."
- "The City also has experienced continued liquidity problems and year after year of negative cash flows, which trends are expected to continue absent intervention. All of the borrowing and cash conservation tactics — including the deferrals described above, as well as wage cuts, employee furloughs/layoffs and other operational cuts — have not stemmed the losses."

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- "With respect to the City's cash flows, the City had negative cash flows of \$115.5 million in fiscal year 2012, excluding the impact of proceeds from short-term borrowings. The City had positive net cash flows of \$41.5 million in fiscal year 2013, but only as a result of deferring approximately \$119 million of current and prior year pension contributions and other payments, among other cash conservation measures. Absent intervention and/or restructuring, the City: (a) is projecting negative cash flows of \$198.5 million in the current fiscal year 2014; and (b) will be left in a net cash position (after required property tax distributions) of negative \$11.6 million as early as December 2013."
- "The City has not been — and currently is not — paying debts as they come due. The City has deferred payment of certain of its General Retirement System ("GRS") and Police and Fire Retirement System ("PFRS") pension funding contributions, and it accrues interest on such deferrals at a rate of 8%. As of June 30, 2013, the City had deferred approximately \$106 million in GRS and PFRS pension contributions in the aggregate. Moreover, the City's estimated liability with respect to OPEBs is \$6.4 billion, which is almost entirely unfunded. To conserve cash for City operations, including payroll, the City did not make the scheduled \$39.7 million in payments on its pension-related COPs [POCs] that were due on June 14, 2013. The City is insolvent."
- "Unable to negotiate an out-of-court resolution that simultaneously addresses the City's dire financial situation while laying the foundation for a strong and prosperous City going forward, and having exhausted all other available options, I hereby recommended, in accordance with Section 18(1) of PA 436, that the City be authorized to file for relief under chapter 9 of the Bankruptcy Code. This recommendation is based on my determination that, without such a filing, no reasonable alternative to rectifying the financial emergency of the City exists because the City cannot adopt a feasible financial plan that can satisfactorily rectify the financial emergency in a timely manner, as described herein."
- "I believe that chapter 9 provides a framework that will permit the City to rectify its financial emergency. Chapter 9 will enable the City to negotiate with and bind creditors in a way that has proven to be impossible outside of chapter 9. For example, the City intends to seek the appointment of an official committee of retirees that can negotiate for and bind retirees. The plan of adjustment process set forth in the Bankruptcy Code likewise creates a mechanism by which the City may bind all of its creditors, even if all creditors do not assent to the City's restructuring plan. Given the impracticability of negotiating with the City's various stakeholders outside of chapter 9, and in light of the City's cash crisis and the urgent need to move forward with its restructuring, the time to seek chapter 9 relief is now."

The emergency manager's Recommendation Letter concluded with the following: "In sum, despite aggressive cost cutting measures already implemented by the City and despite good faith negotiations (where they could be had), no reasonable alternative for the restructuring of the City's operations and obligations exists other than through chapter 9. Without chapter 9 relief, there is no clear path for rectifying the City's financial emergency and the City's deteriorating financial cycle will not only continue, but accelerate. As such, I respectfully recommend that the City be authorized to proceed under chapter 9 so that we may, at last, stop the City's downward spiral and correct the City's financial condition in a sustainable fashion."

On July 18, 2013, the Governor delivered a letter to the emergency manager and the State Treasurer (the "Authorization Letter") authorizing the City to commence a bankruptcy case under chapter 9 of the Bankruptcy Code. In the Authorization Letter, the governor agreed with the emergency manager that chapter 9 offers the only feasible alternative to fix the City's finances and to complete a sustainable restructuring for the benefit of Detroit's approximately 700,000 residents. Based on the emergency manager's Recommendation Letter, the governor determined that: (a) the City cannot meet its basic obligations to its citizens; (b) the City cannot meet its basic obligations to its creditors; (c) the City's failure to meet its obligations to its citizens is the primary cause of its inability to meet its obligations to its creditors; and (d) the only feasible path to ensuring the City will be able to meet obligations in the future is to have a successful restructuring under the federal bankruptcy process.

Upon receiving the Authorization Letter, the emergency manager issued an order directing the commencement of the City's chapter 9 bankruptcy case. Consistent with these approvals, on July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under chapter 9 of the Bankruptcy Code in the United States Bankruptcy

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Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case").

On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit.

The emergency manager has stated his intent to move the Bankruptcy Case as expeditiously as possible to complete an adjustment of the City's debts under the Bankruptcy Code by the fall of 2014. The emergency manager stated:

- "Completing the Bankruptcy Case in a timely and efficient manner is important to the City's revitalization and reinvestment activities because it will free the City from burdensome and unsustainable debt obligations and allow it to reinvest in the City's operations and infrastructure, which will in turn attract new businesses and residents to the City and promote the health, safety and welfare of the public."
- "The financial condition of the City of Detroit continues to be dire. On July 18, 2013, the City filed for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code"). The City has stopped making payments related to unsecured funded debt and legacy liabilities, with the exception of retiree healthcare benefits, which the City has continued to pay in the ordinary course, and certain important vendors."

Since filing the Bankruptcy Case, the emergency manager has coordinated the City's legal strategy related to the Bankruptcy Case with his professional advisors. Certain of the primary activities to date in the Bankruptcy Case are summarized in Note XIII.

Certain component units of the City as listed in Note I(a) are separate legal entities and are not chapter 9 debtors like the City. However, there is considerable uncertainty associated with this process and the effects of this process on the City and its component units are not currently known.

(b) Compliance with Finance Related Legal and Contractual Provisions

The City is required by State of Michigan law to fund its minimally required pension contributions for the fiscal year ended June 30, 2013, prior to said date. Notwithstanding this requirement, the City failed to remit its complete contribution prior to June 30, 2013. Contributions to the General Retirement and Police and Fire Retirement Systems of \$35.8 million and \$72.4 million respectively, due as of June 30, 2013, remain unpaid as of July 25, 2014.

The City is required by the State of Michigan, Public Act 206 of 1893 and the General Property Tax Act, MCL 211.43 (3) (a), to deliver within 10 business days after the first and fifteenth of each month, the tax collections on hand to the county treasurer and other tax assessing units such as the Detroit Public Library and Detroit Public Schools. As of June 30, 2013, the City failed to remit approximately \$17.5 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, 2013 were subsequently remitted.

The City is required by the State of Michigan, Public Act 346 of 1966 to distribute payments received in lieu of taxes (PILOT) due to the other tax assessing units such as the State of Michigan and Detroit Public Schools for the year for which the distribution is calculated. The City was not in compliance with Public Act 346 of 1966 because it did not remit the distributions due the State of Michigan for the 2010 (\$2.1 million) and 2012 (\$2.1 million) PILOT until February 2014 and January 2014, respectively.

The City is not in compliance with State of Michigan Public Act 451, Part 115. The General, Construction Code, and Employee Disability Income Protection Plan Funds borrowed \$8.0 million, \$.8 million and \$.1 million respectively from the Solid Waste Fund, which is a violation of Public Act 451, which restricts the use of funds for solid waste collection and disposal.

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The City is not in compliance with the State of Michigan's Uniform Unclaimed Property Act, Public Act 29 of 1995. The City failed to properly escheat unclaimed property tax overpayments to the state as required. As a result, the City is subject to interest and penalties on the amount that should have been escheated.

The City is not in compliance with State of Michigan Public Act 2 of 1968 which requires a local unit to pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the legislative body may pass a special appropriation act. The City did not pass a general appropriation act for the new Public Lighting Authority Fund, a special revenue fund.

The City is not in compliance with the State of Michigan Public Act 2 of 1968, Uniform Budgeting and Accounting Act, Section 141.438 (3), which requires the City to not incur expenditures against an appropriation account in excess of the amount appropriated by the City Council. As noted in the footnote II (d), some of the City agency's actual expenditures exceeded their appropriations for the year ended June 30, 2013.

The City is not in compliance with the United States, Office of Management and Budget (OMB), Circular A-133, Section 300, which requires the City to: "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received." The City's general ledger records were not always accurate at the individual grant level, as required. For the year ended June 30, 2013, the City did not have a centralized grants management department which contributed to the inadequate internal control over the grants accounting and reporting.

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, 2013, 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, 2013 and made the principal and interest payments on a timely basis.

(c) Deficit Fund Equity

The General Fund had a deficit of unassigned fund balance of \$132,560,895 at June 30, 2013. The Detroit Public Library (a Component Unit) had a deficit of unrestricted net position of \$8,607,444. Local Development Finance Authority (a Component Unit) (LDFA) had a deficit of unrestricted net position of \$53,345,842. Eastern Market Corporation (a Component Unit) had a deficit of unrestricted net position of \$392,620. The Museum of African American History (a Component Unit) had a deficit of unrestricted net position of \$512,787. The City's Plan of Adjustment submitted to the Bankruptcy Court is its deficit elimination plan. LDFA'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. Eastern Market Corporation's plan for elimination of its deficit involves ongoing cost containment. The Museum of African American History's plan for to eliminate its deficit includes a focus on expense reduction.

The Sewage Disposal Fund (an Enterprise Fund), had a deficit of unrestricted net position of \$331,708,555. The Transportation Fund (an Enterprise Fund), had a deficit of unrestricted net position of \$105,691,347. The Water Fund (an Enterprise Fund), had a deficit of unrestricted net position of \$186,144,868. The Parking Fund (an Enterprise Fund), had a deficit of unrestricted net position of \$14,715,848. The Other Enterprise Fund (the Airport, an Enterprise Fund), had a deficit of unrestricted net position of \$2,128,611. As of the date of this report, The City has not yet filed deficit elimination plans with the State of Michigan related to the Transportation, Parking, and Airport Funds.

(d) Excess of Expenditures Over General Fund Appropriations

The City amended the budget in a legally permissible manner in compliance with State of Michigan Public Act 2 of 1968.

The Public Lighting Authority (PLA), a blended component unit of the City was established during the fiscal year ended June 30, 2013; however, the PLA did not adopt a budget prior to year end.

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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, 2013:

<u>Agency Description</u>	<u>Appropriation Description</u>	<u>YTD Budget Final</u>	<u>YTD Actual</u>	<u>Variance</u>
Building and Safety Engineer	Business License Center	\$ 563,705	\$ 585,998	\$ (22,293)
	Environmental Affairs Department	431,585	453,441	(21,856)
Public Works	Vacant Lot Clean Up	80,599	326,404	(245,805)
Finance	Assessment Division	6,062,634	6,219,945	(157,311)
	Purchase Division	1,611,057	1,704,979	(93,922)
	Treasury Division	5,270,415	5,678,029	(407,614)
	Accounts Division - Administration	6,294,242	6,609,018	(314,776)
	Accounts - City Income Tax Operation	4,069,950	4,213,941	(143,991)
	Departmental Accounting Operations	1,715,585	1,869,381	(153,796)
Health and Wellness Promotions	Community Health Services	398,283	417,583	(19,300)
	Community and Industrial Hygiene	192,999	205,485	(12,486)
Human Resources	Administration	2,608,742	2,643,379	(34,637)
	Personnel Selection	517,664	563,660	(45,996)
	Labor Relations	1,922,674	1,952,436	(29,762)
	Employee Services	4,669,567	5,124,878	(455,311)
	Hearings and Policy Development	200,592	205,195	(4,603)
Human Services	Senior Advocacy	1,392	23,959	(22,567)
Law	Administration and Operations	15,327,708	16,575,706	(1,247,998)
Mayor's Office	Executive Office	4,736,257	4,767,038	(30,781)
	Community Access Center	4,058	138,416	(134,358)
Non-Departmental	Parking Systems Operating Advance	4,669,179	5,117,404	(448,225)
	Adjustments and Undistributed Costs	7,937,653	7,937,653	(7,937,653)
	Distributable State Aid Bond	12,566,138	16,781,431	(4,215,293)
Police	Police Commission	4,020,094	4,179,446	(159,352)
	Criminal Investigation Bureau	65,586,452	67,112,974	(1,526,522)
	Support Services Bureau	9,521,243	9,898,725	(377,482)
	Rape Counseling Unit	408,556	419,391	(10,835)
	Operations	192,751,974	200,825,619	(8,073,645)
	Casino Municipal Services - Police	7,005,633	7,171,659	(166,026)
	Technology Bureau	31,336,763	31,940,768	(604,005)
Public Lighting	Engineering	1,162,611	1,209,091	(46,480)
	Street Lighting	12,218,866	13,489,960	(1,271,094)
	Operating Division	3,537,865	3,626,346	(88,481)
Recreation	Recreation Management	808,511	853,450	(44,939)
	Strategic Planning & Grants	9,841	10,903	(1,062)
General Services Department	Inventory Management	5,298,602	5,580,929	(282,327)
	Ground Maintenance	3,736,329	5,138,642	(1,402,313)
	36th District Madison Center	3,941,862	4,131,810	(189,948)
Auditor General	Auditing - CAFR	1,284,973	1,584,696	(299,723)
City Council	Council Member Office 1	525,799	540,767	(14,968)
	Council Member Office 3	522,097	522,789	(692)
Ombudsperson	Investigation of Complaints	922,539	931,448	(8,909)
36th District Court	State Transferred Functions	26,614,794	29,657,415	(3,042,621)
City Clerk	City Clerk Operations	2,134,555	2,183,874	(49,319)
Total All Agencies		<u>\$ 447,264,984</u>	<u>\$ 481,126,061</u>	<u>\$ (33,861,077)</u>

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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, 2013 is as follows:

	Governmental Activities	Business-type Activities	Total
Demand Deposits	\$ 82,396,105	\$ 163,352,329	\$ 245,748,434
U.S. Treasury Notes	—	—	—
U.S. Government Agency Securities	76,619,616	334,054,816	410,674,432
Money Market Funds	5,456,850	—	5,456,850
Governmental Investment Pools	154,485,511	371,372,418	525,857,929
Commercial Paper	—	4,999,045	4,999,045
Certificates of Deposit	—	10,027	10,027
Total	<u>\$ 318,958,082</u>	<u>\$ 873,788,635</u>	<u>\$ 1,192,746,717</u>

Deposits and investments of the governmental and business-type activities at June 30, 2013 are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 82,396,105	\$ 163,352,329	\$ 245,748,434
Investments	<u>236,561,977</u>	<u>710,436,306</u>	<u>946,998,283</u>
Total	<u>\$ 318,958,082</u>	<u>\$ 873,788,635</u>	<u>\$ 1,192,746,717</u>

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 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, 2013, the governmental and business-type activities had deposits of \$84,751,557 and \$156,891,179, respectively, of bank deposits (certificates of deposit, checking, and savings accounts) that 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.

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The City (governmental and business-type activities) had the following debt investments and maturities at June 30, 2013:

	Total Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1 – 5 Years	6 – 10 Years
Governmental Activities				
U.S. Government Agency Securities	\$ 76,619,623	\$ —	\$ 76,619,623	\$ —
Governmental Investment Pools	154,485,046	154,485,046	—	—
Money Market Funds	5,457,308	5,457,308	—	—
Total Governmental Activities	\$ 236,561,977	\$ 159,942,354	\$ 76,619,623	\$ —
Business-type Activities				
U.S. Government Agency Securities	\$ 334,054,817	\$ —	\$ 311,781,497	\$ 22,273,320
Governmental Investment Pools	371,372,417	371,372,417	—	—
Certificates of Deposit	10,027	—	10,027	—
Commercial Paper	4,999,045	4,999,045	—	—
Total Business-type Activities	\$ 710,436,306	\$ 376,371,462	\$ 311,791,524	\$ 22,273,320

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).

The City's debt investments (governmental and business-type activities) have the following ratings at June 30, 2013 as rated by S&P or Moody's:

	AAA	AAA _m	AA+	A-1	Not Rated	Total
Governmental Activities						
U.S. Government Agency Securities	\$ 76,619,623	\$ —	\$ —	\$ —	\$ —	\$ 76,619,623
Governmental Investment Pools	—	147,290,246	—	—	7,194,800	154,485,046
Money Market Funds	—	5,457,308	—	—	—	5,457,308
Total Governmental Activities	\$ 76,619,623	\$ 152,747,554	\$ —	\$ —	\$ 7,194,800	\$ 236,561,977
Business-type Activities						
U.S. Government Agency Securities	\$ —	\$ —	\$ 334,054,817	\$ —	\$ —	\$ 334,054,817
Governmental Investment Pools	—	353,097,197	—	—	18,275,220	371,372,417
Certificates of Deposit	—	—	—	—	10,027	10,027
Commercial Paper	—	—	—	4,999,045	—	4,999,045
Total Business-type Activities	\$ —	\$ 353,097,197	\$ 334,054,817	\$ 4,999,045	\$ 18,285,247	\$ 710,436,306

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 (8.4 percent), Federal Farm Credit Bank (7.0 percent), and Federal National Mortgage Association (25.2 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, 2013 is as follows:

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	Pension and Other Employee Benefit Trust Funds				
	General Retirement System	Police & Fire Retirement System	Other Employee Benefits	Total	Agency Funds
Demand Deposits	\$ 16,852,995	\$ 39,561,392	\$ 3,656,645	\$ 60,071,032	\$ 1,200,404
Money Market Funds	—	—	—	—	20,606,287
Short-Term Investments	37,680,539	44,476,502	37,114,340	119,271,381	—
Stocks	1,054,606,782	1,546,808,302	5,785,865	2,607,200,949	—
Commingled Equity Funds	135,823,322	—	—	135,823,322	—
Bonds	144,296,396	621,018,160	—	765,314,556	—
Mortgage-Backed Securities	27,285,952	76,038,940	7,097	103,331,989	—
Governmental Investment Pools	7,839,000	232,149,159	—	239,988,159	—
Equity Interest in Real Estate	223,433,016	290,194,931	—	513,627,947	—
Private Placements	361,144,405	85,647,423	1,784,737	448,576,565	—
Mortgage and Construction Loans	109,134,461	107,017,607	—	216,152,068	—
Real Estate Investment Trusts Held by Custodian	—	23,523,860	—	23,523,860	—
Total	\$ 2,118,096,868	\$ 3,066,436,276	\$ 48,348,684	\$ 5,232,881,828	\$ 21,806,691

Cash and investments for fiduciary activities at June 30, 2013 are reported in the financial statements as follows:

	Pension and Other Employee Benefit Trust Funds				
	General Retirement System	Police & Fire Retirement System	Other Employee Benefits	Total	Agency Funds
Cash and Cash Equivalents	\$ 16,852,995	\$ 39,561,392	\$ 3,656,645	\$ 60,071,032	\$ 1,200,404
Investments	2,101,243,873	3,026,874,884	44,692,039	5,172,810,796	20,606,287
Total	\$ 2,118,096,868	\$ 3,066,436,276	\$ 48,348,684	\$ 5,232,881,828	\$ 21,806,691

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 of trustees 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.

Custodial Credit Risk of Bank Deposits

At June 30, 2013, the General Retirement System had approximately \$15.0 million in checking account balances that were uninsured and uncollateralized. At June 30, 2013, the Police and Fire Retirement System had approximately \$21.0 million in checking account balances 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.

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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, 2013 (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>
General Retirement System					
U.S. Government	\$ 29,880	\$ 3,430	\$ 7,007	\$ 6,145	\$ 13,298
Mortgage-Backed Securities	7,522	2,335	1,460	261	3,466
Treasuries	19,085	2,715	5,412	5,680	5,278
Corporate	46,774	3,774	17,808	18,789	6,403
Other Fixed Income	5	—	5	—	—
Convertible Stocks	400	400	—	—	—
Convertible Bonds	400	—	348	5	47
Private Placement	44,918	4,387	13,438	16,887	10,206
State and Local Obligations	228	—	—	—	228
Commingled Bond Funds **	17,952	17,952	—	—	—
Commercial Mortgages	8,262	2	—	—	8,260
Mortgages	105,179	73,979	31,200	—	—
Construction Loans	3,931	3,831	100	—	—
Term Loans	5,272	—	2,344	2,928	—
Total	<u>\$ 289,808</u>	<u>\$ 112,805</u>	<u>\$ 79,122</u>	<u>\$ 50,695</u>	<u>\$ 47,186</u>
Police & Fire Retirement System					
U.S. Government	\$ 152,847	\$ 13,522	\$ 42,441	\$ 9,164	\$ 87,720
Government Assets and Mortgage-Backed Securities	48,743	—	2,524	4,362	41,857
Treasuries	1,572	1,369	(49)	391	(139)
Corporate **	346,879	13,668	124,144	170,236	38,831
Private Placement	132,171	4,421	44,024	70,850	12,876
Convertible Bonds	25,772	3,479	10,197	5,093	7,003
State and Local Obligations	5,772	—	—	5,772	—
Convertible Preferred Stock	9,698	9,130	—	—	568
Construction Loans	1	—	1	—	—
Mortgages	106,392	—	106,392	—	—
Total	<u>\$ 829,847</u>	<u>\$ 45,589</u>	<u>\$ 329,674</u>	<u>\$ 265,868</u>	<u>\$ 188,716</u>

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

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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 General Retirement System and the Police and Fire Retirement System debt investments have the following ratings at June 30, 2013 as rated by S&P and Moody's, respectively (amounts presented in \$000):

	AAA	AA	A	BAA	BA	B	CAA & Below	Not Rated
General Retirement System								
U.S. Government	\$ 22,736	\$ —	\$ 228	\$ —	\$ —	\$ —	\$ —	\$ 3,680
Treasuries	2,715	—	—	—	—	—	—	—
Corporate	10,090	6,015	8,233	20,043	9,386	9,811	9,728	32,318
Other Fixed Income	3,959	1,511	3,640	3,378	4,547	12,147	5,318	10,416
Convertible Bonds	—	—	—	—	47	5	—	348
Convertible Stocks	—	—	—	—	—	—	—	400
Commingled Bond Funds	—	—	—	—	—	—	—	38,885
Preferred Securities	—	—	—	167	—	592	—	—
Mortgages	—	—	—	—	—	—	—	105,179
Construction Loans	—	—	—	—	—	—	—	3,931
Total	<u>\$ 39,500</u>	<u>\$ 7,526</u>	<u>\$ 12,101</u>	<u>\$ 23,588</u>	<u>\$ 13,980</u>	<u>\$ 22,555</u>	<u>\$ 15,046</u>	<u>\$ 195,157</u>
Police & Fire Retirement System								
Government Fixed Income	\$ 146,357	\$ 1,381	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate Fixed Income	40,136	21,664	88,655	111,218	27,177	59,878	16,806	40,804
Private Placements	6,100	3,815	3,807	18,831	15,586	46,364	17,889	10,708
Convertible Bonds	—	—	2,164	1,658	1,177	1,617	—	19,321
Future Contracts	—	—	—	—	—	—	—	203
Convertible Preferred Stock	—	—	—	533	114	—	—	2,890
Preferred Stock	—	—	—	2,085	427	727	—	7,158
Convertible Private Placements	—	—	—	—	226	557	—	7,588
Mortgages	—	—	—	—	—	—	—	1,156
Construction Loans	—	—	—	—	—	—	—	1
Total	<u>\$ 192,593</u>	<u>\$ 26,860</u>	<u>\$ 94,626</u>	<u>\$ 134,325</u>	<u>\$ 44,707</u>	<u>\$ 109,143</u>	<u>\$ 34,695</u>	<u>\$ 89,829</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.

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The foreign currency risk for cash and investments of the Pension Funds at June 30, 2013 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	Net Other Investment Receivable/ (Payable)
Australian Dollar	\$ 2,269	\$ —	\$ 8	\$ (2,245)	\$ 11,439	\$ 3,557	\$ 62	\$ 144
Brazilian Real	1,138	—	—	241	866	—	18	—
British Pound Sterling	3,062	—	21	(37)	66,701	3,841	132	120
Bulgarian Lev	—	—	—	—	—	—	—	—
Canadian Dollar	992	—	3	(973)	20,256	2,142	713	(45)
Chilean Peso	—	—	—	773	—	—	—	—
Czech Koruna	—	—	—	—	—	—	—	—
Danish Krone	—	—	—	—	4,889	(95)	78	(153)
Euro Currency	7,209	—	68	(7,031)	97,886	(1,969)	5,073	(1,166)
Ghanaian Cedi	—	—	101	(101)	—	—	—	—
Hong Kong Dollar	—	—	—	—	13,840	1,080	241	90
Hungarian Forint	1,023	—	—	—	—	—	—	—
Indian Rupee	—	—	—	1,124	347	—	—	—
Indonesian Rupiah	—	—	2	—	791	—	1	—
Israeli Shekel	—	—	—	—	1,573	462	126	—
Japanese Yen	—	—	—	—	88,128	(18,474)	922	(680)
Malaysian Ringgit	1,022	—	—	—	344	—	—	—
Mexican Nuevo Peso	4,016	—	—	—	—	—	—	—
New Taiwan Dollar	—	—	—	—	2,191	—	600	—
New Turkish Lira	689	—	—	—	187	—	2	—
New Zealand Dollar	703	—	—	(676)	295	—	9	—
Norwegian Krone	—	—	—	(603)	6,753	748	61	22
Philippines Peso	—	—	—	—	—	—	9	—
Polish Zloty	1,073	—	14	—	—	—	—	—
Russian New Ruble	—	—	—	—	1,349	—	—	—
Singapore Dollar	—	—	—	—	2,717	600	15	9
South African Rand	816	—	—	—	645	—	5	—
South Korean Won	1,081	—	(1,045)	—	3,963	(161)	—	161
Swedish Krona	—	—	—	—	4,304	2,814	23	17
Swiss Franc	—	—	—	—	39,419	(5,289)	620	(307)
Thai Baht	—	—	—	—	237	—	—	—
Ukraine Hryvana	—	2	—	—	—	—	—	—
Total	\$ 25,093	\$ 2	\$ (828)	\$ (9,528)	\$ 369,120	\$ (10,744)	\$ 8,710	\$ (1,788)

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. At June 30, 2013, the collateral provided for the General Retirement System and the Police and Fire Retirement System was 103.00 percent and 103.98 percent of the market value of the loaned securities, respectively.

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.

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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, 2013 was 46 and 2 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.

The collateral held and the fair value of the underlying securities on loan for the General Retirement System at June 30, 2013 was \$96,535,642 and \$93,336,968, respectively. The collateral held and the fair value of the underlying securities on loan for the Police and Fire Retirement System at June 30, 2013 was \$320,998,625 and \$308,701,835, 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	\$ 4,358,872	\$ 17,999,415
U.S. Corporates	4,810,302	34,803,200
U.S. Equities	80,674,153	235,065,974
Non-U.S. Governments	—	—
Non-U.S. Fixed Income	2,199,369	—
Non-U.S. Equities	1,294,272	20,833,246
Total	<u>\$ 93,336,968</u>	<u>\$ 308,701,835</u>

At June 30, 2013, the fair value of the collateral pool related to securities lending for the General Retirement System and the Police and Fire Retirement System was \$77,490,826 and \$299,774,500, respectively. The collateral was invested in agencies, asset-backed securities, notes (floating rate), money funds, repurchase agreements, and U.S. corporate securities (floating rate). Approximately 94 percent of the General Retirement System securities had a duration less than one year and 6 percent had a duration over 15 years. Approximately 97 percent of the Police and Fire Retirement System securities had a duration less than one year and 3 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2013 as rated by S&P are as follows:

<u>Ratings</u>	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
AAA	\$ 1,203,128	\$ 2,406,257
AA	1,403,016	4,008,616
A	400,029	1,100,079
B	—	702,907
CCC	3,512,711	8,834,424
D	1,351,737	—
Not Rated	69,620,205	282,722,217
Total	<u>\$ 77,490,826</u>	<u>\$ 299,774,500</u>

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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, 2013, the Other Employee Benefit and Agency Trust Funds had deposits of \$4,454,892 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, 2013:

	Total	Investment Maturities in Years			
		Fair Value	Less Than 1 Year	1 – 5 Years	6 – 10 Years
U.S. Government Agency Securities	\$ 7,097	\$ —	\$ —	\$ —	\$ 7,097
Money Market Funds	25,055,544	25,055,544	—	—	—
Mutual Funds	11,053,549	—	—	8,764,168	2,289,381
Total	<u>\$ 36,116,190</u>	<u>\$ 25,055,544</u>	<u>\$ —</u>	<u>\$ 8,764,168</u>	<u>\$ 2,296,478</u>

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, 2013 as rated by S&P or Moody's:

	AAAm	AA+	A	BB	BBB	Not Rated	Total
Money Market Funds	\$ 20,811,235	\$ —	\$ —	\$ —	\$ —	\$ 4,244,309	\$ 25,055,544
U.S. Government Agency Securities	—	7,097	—	—	—	—	7,097
Mutual Funds	—	—	3,112,735	2,391,653	3,259,780	2,289,381	11,053,549
Total	<u>\$ 20,811,235</u>	<u>\$ 7,097</u>	<u>\$ 3,112,735</u>	<u>\$ 2,391,653</u>	<u>\$ 3,259,780</u>	<u>\$ 6,533,690</u>	<u>\$ 36,116,190</u>

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.

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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 position and will be settled within one year.

Interfund receivables and payables at June 30, 2013 are as follows:

Due To	Due From					
	General Fund	GRSSC Fund	PFRSSC Fund	Non-Major Governmental Funds	Sewage Disposal Fund	Transportation Fund
General Fund	\$ —	\$ 429,946	\$ 460,345	\$ 16,252,333	\$ 6,257,680	\$ 6,238,803
GRSSC Fund	13,775,063	—	—	—	—	—
PFRSSC Fund	18,860,547	—	—	—	—	—
Non-Major Governmental Funds	27,069,601	—	—	968,248	3,512,109	7,090
Sewage Disposal Fund	14,718,135	33,121	—	—	—	—
Transportation Fund	5,723,151	38,649	—	—	—	—
Water Fund	5,467,779	29,228	—	571,530	42,266,431	—
Automobile Parking Fund	903,447	—	—	126,347	—	—
Non-Major Proprietary Fund	31,166	—	—	—	—	—
Fiduciary Funds (1)	44,439,265	—	—	—	—	3,322,880
Liabilities Total	\$ <u>130,988,154</u>	\$ <u>530,944</u>	\$ <u>460,345</u>	\$ <u>17,918,458</u>	\$ <u>52,036,220</u>	\$ <u>9,568,773</u>

	Due From				
	Water Fund	Automobile Parking Fund	Non-Major Proprietary Fund	Fiduciary Funds	Assets Total
General Fund	\$ 7,104,695	\$ 186,418	\$ 282,931	\$ 2,795,937	\$ 40,009,088
GRSSC Fund	—	—	—	—	13,775,063
PFRSSC Fund	—	—	—	—	18,860,547
Other Governmental Funds	1,100,312	4,433	765	729,312	33,391,870
Sewage Disposal Fund	—	—	—	1,409,855	16,161,111
Transportation Fund	—	—	—	—	5,761,800
Water Fund	—	—	—	1,680,314	50,015,282
Automobile Parking Fund	—	—	145	42,462	1,072,401
Non-Major Proprietary Fund	—	—	—	—	31,166
Fiduciary Funds (1)	67,740	—	452,369	—	48,282,254
Liabilities Total	\$ <u>8,272,747</u>	\$ <u>190,851</u>	\$ <u>736,210</u>	\$ <u>6,657,880</u>	\$ <u>227,360,582</u>

(1) This interfund payable primarily represents employer contributions that are due to the Employee Benefit Trust Funds at year end.

(b) Advances

Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2013 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Automobile Parking Fund	4,050,006 (1)
	Total	\$ <u>4,050,006</u>

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

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(c) Transfers

During the course of the fiscal year, transactions occur between the City's funds for operating subsidies. Related interfund receipts and disbursements are classified as "transfers in" and "transfers out" on the Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position. The transfers are routine and consistent with the activities of the fund. Transfers between funds during the year ended June 30, 2013 are as follows:

Transfers In	Transfers Out		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ —	\$ 9,256,416	\$ 9,256,416
General Retirement System Service Corporation	35,988,777	—	35,988,777
Police and Fire System Service Corporation	49,275,129	—	49,275,129
Non-Major Governmental Funds	70,358,967	9,946,525	80,305,492
Transportation Fund	47,212,094	—	47,212,094
Automobile Parking Fund	5,175,000	—	5,175,000
Non-Major Proprietary Fund	275,000	—	275,000
Total	<u>\$ 208,284,967</u>	<u>\$ 19,202,941</u>	<u>\$ 227,487,908</u>

The General Fund transferred \$208.3 million to other funds. The largest transfers from the General Fund were made to the Transportation Fund for \$47.2 million to maintain bus operations and \$69.5 million to the Debt Service Fund (Non-Major Governmental Fund) for principal and interest payments. The General Fund also transferred a combined \$85.3 million to the City's Retirement System Service Corporations for interest payments on the Pension Obligation Certificates. Of the \$85.3 million, \$32.6 million has been recorded as an interfund receivable in these service funds as of June 30, 2013. As of July 25, 2014, this amount has not yet been paid by the General Fund.

The Non-Major Governmental Funds transferred \$19.2 million to other funds; the Major Street Fund transferred \$8.1 million to the Local Street Fund and \$9.3 million to the General Fund.

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NOTE V - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 412,818,037	\$ —	\$ —	\$ 412,818,037
Works of Art	29,804,733	—	—	29,804,733
Construction in Progress	21,498,285	52,305,431	(7,457,872)	66,345,844
Total Non-Depreciable Capital Assets	464,121,055	52,305,431	(7,457,872)	508,968,614
Depreciable Capital Assets:				
Buildings and Improvements	1,124,223,357	21,686,832	(10,799,977)	1,135,110,212
Machinery, Equipment, and Fixtures	607,473,266	976,374	(7,054,558)	601,395,082
Infrastructure	1,038,429,772	59,568,555	—	1,097,998,327
Total Depreciable Capital Assets	2,770,126,395	82,231,761	(17,854,535)	2,834,503,621
Less Accumulated Depreciation for:				
Buildings and Improvements	481,682,736	28,775,048	(2,235,450)	508,222,334
Machinery, Equipment, and Fixtures	504,864,393	31,911,080	(6,789,158)	529,986,315
Infrastructure	767,699,049	25,747,880	—	793,446,929
Total Accumulated Depreciation	1,754,246,178	86,434,008	(9,024,608)	1,831,655,578
Total Governmental Activities Capital Assets, Net	\$ 1,480,001,272	\$ 48,103,184	\$ (16,287,799)	\$ 1,511,816,657

Depreciation expense for governmental activities for the year ended June 30, 2013 was charged to functions as follows:

Public Protection	\$ 13,165,675
Health	512,719
Recreation and Culture	13,587,059
Economic Development	6,891,254
Housing Supply and Conditions	560,888
Physical Environment	14,233,395
Transportation Facilitation	18,814,235
Development and Management	18,668,783
Total	\$ 86,434,008

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type Activities				
<i>Sewage Disposal Fund:</i>				
Non-Depreciable Assets:				
Land and Land Rights	\$ 12,110,899	\$ 1,258,878	\$ —	\$ 13,369,777
Construction in Progress	291,377,657	73,102,377	(152,690,651)	211,789,383
Total Non-Depreciable Capital Assets	<u>303,488,556</u>	<u>74,361,255</u>	<u>(152,690,651)</u>	<u>225,159,160</u>
Depreciable Assets:				
Land Improvements	75,477,901	—	—	75,477,901
Buildings and Structures	1,979,578,185	129,017,342	(4,570,671)	2,104,024,856
Interceptors and Regulators	207,238,472	22,900	—	207,261,372
Machinery, Equipment, and Fixtures	1,684,500,977	14,133,804	(1,014,005)	1,697,620,776
Total Depreciable Capital Assets	<u>3,946,795,535</u>	<u>143,174,046</u>	<u>(5,584,676)</u>	<u>4,084,384,905</u>
Total Capital Assets	<u>4,250,284,091</u>	<u>217,535,301</u>	<u>(158,275,327)</u>	<u>4,309,544,065</u>
Less Accumulated Depreciation:				
Land Improvements	20,416,642	1,033,258	—	21,449,900
Buildings and Structures	571,113,859	44,720,497	—	615,834,356
Interceptors and Regulators	66,346,376	4,332,563	—	70,678,939
Machinery, Equipment, and Fixtures	669,393,578	71,377,984	(447,348)	740,324,214
Total Accumulated Depreciation	<u>1,327,270,455</u>	<u>121,464,302</u>	<u>(447,348)</u>	<u>1,448,287,409</u>
Total Sewage Disposal Fund Capital Assets, Net	<u>\$ 2,923,013,636</u>	<u>\$ 96,070,999</u>	<u>\$ (157,827,979)</u>	<u>\$ 2,861,256,656</u>
<i>Transportation Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 7,578,462	\$ —	\$ —	\$ 7,578,462
Construction in Progress	3,093,659	859,313	(2,636,331)	1,316,641
Total Non-Depreciable Capital Assets	<u>10,672,121</u>	<u>859,313</u>	<u>(2,636,331)</u>	<u>8,895,103</u>
Depreciable Capital Assets:				
Buildings and Structures	143,754,020	7,104,581	—	150,858,601
Vehicle and Buses	149,677,822	120,934	(3,727,174)	146,071,582
Machinery, Equipment, and Fixtures	48,686,061	1,214,902	—	49,900,963
Total Depreciable Capital Assets	<u>342,117,903</u>	<u>8,440,417</u>	<u>(3,727,174)</u>	<u>346,831,146</u>
Total Capital Assets	<u>352,790,024</u>	<u>9,299,730</u>	<u>(6,363,505)</u>	<u>355,726,249</u>
Less Accumulated Depreciation:				
Buildings and Structures	55,890,884	2,835,050	—	58,725,934
Vehicle and Buses	88,443,442	11,899,339	(3,727,174)	96,615,607
Machinery, Equipment, and Fixtures	29,766,165	4,287,633	—	34,053,798
Total Accumulated Depreciation	<u>174,100,491</u>	<u>19,022,022</u>	<u>(3,727,174)</u>	<u>189,395,339</u>
Total Transportation Fund Capital Assets, Net	<u>\$ 178,689,533</u>	<u>\$ (9,722,292)</u>	<u>\$ (2,636,331)</u>	<u>\$ 166,330,910</u>

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type Activities				
<i>Water Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 6,466,486	\$ —	\$ —	\$ 6,466,486
Construction in Progress	<u>235,667,626</u>	<u>16,393,660</u>	<u>(92,982,767)</u>	<u>159,078,519</u>
Total Non-Depreciable Capital Assets	<u>242,134,112</u>	<u>16,393,660</u>	<u>(92,982,767)</u>	<u>165,545,005</u>
Depreciable Capital Assets:				
Land Improvements	101,297,526	1,272	(1,272)	101,297,526
Buildings and Structures	781,238,195	25,755,681	(301,795)	806,692,081
Mains	997,757,837	10,122,820	(160,956)	1,007,719,701
Services	51,838,576	—	—	51,838,576
Meters	123,186,963	980,176	(328,441)	123,838,698
Machinery, Equipment, and Fixtures	<u>1,011,433,159</u>	<u>50,770,343</u>	<u>(1,640,416)</u>	<u>1,060,563,086</u>
Total Depreciable Capital Assets	<u>3,066,752,256</u>	<u>87,630,292</u>	<u>(2,432,880)</u>	<u>3,151,949,668</u>
Total Capital Assets	<u>3,308,886,368</u>	<u>104,023,952</u>	<u>(95,415,647)</u>	<u>3,317,494,673</u>
Less Accumulated Depreciation:				
Land Improvements	16,629,135	1,449,486	—	18,078,621
Buildings and Structures	284,433,656	17,377,301	—	301,810,957
Mains	337,513,264	14,204,137	—	351,717,401
Services	26,846,269	632,059	—	27,478,328
Meters	44,718,078	5,091,268	—	49,809,346
Machinery, Equipment, and Fixtures	<u>440,941,766</u>	<u>44,276,843</u>	<u>(250,970)</u>	<u>484,967,639</u>
Total Accumulated Depreciation	<u>1,151,082,168</u>	<u>83,031,094</u>	<u>(250,970)</u>	<u>1,233,862,292</u>
Total Water Fund Capital Assets, Net	<u>\$ 2,157,804,200</u>	<u>\$ 20,992,858</u>	<u>\$ (95,164,677)</u>	<u>\$ 2,083,632,381</u>

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type Activities				
<i>Automobile Parking Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 4,967,313	\$ —	\$ —	\$ 4,967,313
Construction in Progress	<u>—</u>	<u>683,556</u>	<u>(237,877)</u>	<u>445,679</u>
Total Non-Depreciable Capital Assets	<u>4,967,313</u>	<u>683,556</u>	<u>(237,877)</u>	<u>5,412,992</u>
Depreciable Capital Assets:				
Land Improvements	214,908	—	—	214,908
Buildings and Structures	200,066,403	—	—	200,066,403
Vehicles and Buses	1,254,151	—	—	1,254,151
Machinery, Equipment, and Fixtures	<u>3,370,921</u>	<u>237,500</u>	<u>—</u>	<u>3,608,421</u>
Total Depreciable Capital Assets	<u>204,906,383</u>	<u>237,500</u>	<u>—</u>	<u>205,143,883</u>
Total Capital Assets	<u>209,873,696</u>	<u>921,056</u>	<u>(237,877)</u>	<u>210,556,875</u>
Less Accumulated Depreciation:				
Land Improvements	195,312	3,143	—	198,455
Buildings and Structures	122,384,555	13,019,260	—	135,403,815
Vehicles and Buses	1,116,666	65,427	—	1,182,093
Machinery, Equipment, and Fixtures	<u>2,534,500</u>	<u>160,863</u>	<u>—</u>	<u>2,695,363</u>
Total Accumulated Depreciation	<u>126,231,033</u>	<u>13,248,693</u>	<u>—</u>	<u>139,479,726</u>
Total Automobile Parking Fund Capital Assets, Net	<u>\$ 83,642,663</u>	<u>\$ (12,327,637)</u>	<u>\$ (237,877)</u>	<u>\$ 71,077,149</u>

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type Activities				
Other Proprietary Fund:				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 17,325,793	\$ 23,665	\$ —	\$ 17,349,458
Construction in Progress	112,500	—	—	112,500
Total Non-Depreciable Capital Assets	<u>17,438,293</u>	<u>23,665</u>	<u>—</u>	<u>17,461,958</u>
Depreciable Capital Assets:				
Land Improvements	8,020,718	—	—	8,020,718
Buildings and Structures	5,853,773	—	—	5,853,773
Vehicle and Buses	1,326,693	—	—	1,326,693
Machinery, Equipment, and Fixtures	1,825,327	—	—	1,825,327
Total Depreciable Capital Assets	<u>17,026,511</u>	<u>—</u>	<u>—</u>	<u>17,026,511</u>
Total Capital Assets	<u>34,464,804</u>	<u>23,665</u>	<u>—</u>	<u>34,488,469</u>
Less Accumulated Depreciation:				
Land Improvements	7,680,718	40,000	—	7,720,718
Buildings and Structures	5,169,322	52,647	—	5,221,969
Vehicle and Buses	1,348,696	—	(22,003)	1,326,693
Machinery, Equipment, and Fixtures	1,507,626	43,136	—	1,550,762
Total Accumulated Depreciation	<u>15,706,362</u>	<u>135,783</u>	<u>(22,003)</u>	<u>15,820,142</u>
Total Other Proprietary Fund Capital Assets, Net	<u>\$ 18,758,442</u>	<u>\$ (112,118)</u>	<u>\$ 22,003</u>	<u>\$ 18,668,327</u>

In addition to the art capitalized above, the City of Detroit also holds title to a significant collection of art that has not been recorded as capital assets. The collection is held for public exhibition rather than financial gain. Currently, the Founders Society Detroit Institute of Arts (the "DIA") cares for and preserves the collection. Most of the items in the collection were donated to the City many years ago. The City has not allocated new funds for the acquisition of art in recent years. As part of the agreement between the City and the DIA, any funds received from disposition of works of art in the City art collection are used solely to purchase other works of art for the City art collection.

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

Asset Impairment

GASB 42 defines asset impairment as a significant, unexpected decline in the service utility of a capital asset. The event or changes in circumstances that lead to impairments are not considered normal and ordinary. That is, at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. Service utility, in turn, is defined as the useable capacity that a capital asset was expected to provide at its acquisition.

As of June 30, 2013, the City has identified the Lipke Recreation Center as impaired. This asset had a total carrying value of \$8.1 million and was written off.

During the year, the Automobile Parking Fund recognized as asset impairment loss of \$9.7 million for the year ended June 30, 2013, to write down the life of the parking garage at the end of the new lease (between the City,

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Olympia Entertainment and the Detroit Red Wings for the rental of the Joe Louis Arena and the Joe Louis Arena Parking Facility), term ending June 30, 2015. See Note XIII(d) for additional information. In addition, the fund recognized an impairment loss of approximately \$378,000 related to the Cultural Center Garage.

NOTE VI. SHORT-TERM OBLIGATIONS

As of June 30, 2012, short-term notes payable consisted of Limited Tax General Obligation Revenue Bonds, Series 2012A of \$80,000,000 with a stated interest rate of 2.97 percent. The bonds were used to refinance certain outstanding indebtedness, to fund the City's Risk Management Fund, and for other municipal purposes. These bonds were fully paid off during the fiscal year ended June 30, 2013.

Changes in short-term debt for the year ended June 30, 2013 were as follows:

	Balance		Increase		Decrease		Balance
	June 30, 2012						June 30, 2013
General Obligation Revenue Bonds	\$ 80,000,000	\$	—	\$	(80,000,000)	\$	—
Total	\$ 80,000,000	\$	—	\$	(80,000,000)	\$	—

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NOTE VII. LONG-TERM OBLIGATIONS

(a) Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2013 were as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 957,128,278	\$ 129,520,000	\$ (82,711,310)	\$ 1,003,936,968	\$ 81,625,000
Notes Payable	89,391,000	—	(1,081,000)	88,310,000	3,126,000
Loans Payable	34,207,217	4,918,642	(1,305,785)	37,820,074	1,126,910
Total Bonds, Notes, and Loans Payable	1,080,726,495	134,438,642	(85,098,095)	1,130,067,042	85,877,910
Add: Unamortized Premiums	14,084,592	9,092,046	(2,294,483)	20,882,155	—
Total Bonds, Notes, and Loans Payable, Net	1,094,811,087	143,530,688	(87,392,578)	1,150,949,197	85,877,910
Pension Obligation					
Certificates Payable	1,180,285,236	—	—	1,180,285,236	42,881,530
Deferred Amounts on Refunding	13,984,399	—	(42,042)	13,942,357	—
Total Pension Obligation Certificates Payable, Net	1,194,269,635	—	(42,042)	1,194,227,593	42,881,530
Other Long-Term Liabilities:					
Accrued Compensated Absences	82,099,713	28,718,279	(44,317,700)	66,500,292	44,317,700
Accrued Workers' Compensation	66,231,000	2,091,686	(6,473,686)	61,849,000	9,134,001
Claims and Judgments	62,003,257	4,241,347	(11,745,141)	54,499,463	4,241,347
Accrued Pollution Remediation	—	156,765	—	156,765	156,765
Accrued Other Postemployment Benefits	620,254,492	290,364,309	(143,633,408)	766,985,393	—
Total Other Long-Term Liabilities	830,588,462	325,572,386	(206,169,935)	949,990,913	57,849,813
Total Governmental Activities	<u>\$ 3,119,669,184</u>	<u>469,103,074</u>	<u>\$ (293,604,555)</u>	<u>\$ 3,295,167,703</u>	<u>\$ 186,609,253</u>

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type Activities					
<i>Sewage Disposal Fund:</i>					
Revenue Bonds Payable	\$ 2,793,925,000	\$ —	\$ (30,860,000)	\$ 2,763,065,000	\$ 34,755,000
Capital Appreciation Bonds	90,545,000	—	(10,295,000)	80,250,000	7,700,000
Discount on Capital					
Appreciation Bonds	(20,613,925)	—	1,793,241	(18,820,684)	—
State Revolving Loans	<u>508,236,265</u>	<u>10,070,762</u>	<u>(35,435,000)</u>	<u>482,872,027</u>	<u>35,930,000</u>
Total Revenue					
Bonds Payable	3,372,092,340	10,070,762	(74,796,759)	3,307,366,343	78,385,000
Add: Unamortized Premiums	118,338,751	—	(7,825,286)	110,513,465	—
Less:					
Unamortized Discounts	(2,848,046)	—	268,075	(2,579,971)	—
Deferred Amounts on Refunding	<u>(237,578,258)</u>	<u>—</u>	<u>12,856,090</u>	<u>(224,722,168)</u>	<u>—</u>
Total Revenue Bonds Payable, Net	<u>3,250,004,787</u>	<u>10,070,762</u>	<u>(69,497,880)</u>	<u>3,190,577,669</u>	<u>78,385,000</u>
Pension Obligation					
Certificates Payable	89,079,643	—	—	89,079,643	2,164,984
Deferred Amounts on Refunding	<u>1,074,459</u>	<u>—</u>	<u>(3,230)</u>	<u>1,071,229</u>	<u>1,071,229</u>
Total Pension Obligation Certificates Payable, Net	<u>90,154,102</u>	<u>—</u>	<u>(3,230)</u>	<u>90,150,872</u>	<u>3,236,213</u>
Other Long-Term Liabilities:					
Capital Leases Payable	—	—	—	—	—
Accrued Compensated Absences	5,502,481	1,480,942	(5,788,444)	1,194,979	717,569
Accrued Workers' Compensation	3,554,000	1,158,863	(1,419,863)	3,293,000	551,000
Claims and Judgments	1,519,500	846,227	(2,175,727)	190,000	—
Accrued Pollution Remediation	340,613	—	(340,613)	—	—
Accrued Other Postemployment Benefits	<u>56,836,081</u>	<u>24,830,446</u>	<u>(11,221,432)</u>	<u>70,445,095</u>	<u>—</u>
Total Other Long-Term Liabilities	<u>67,752,675</u>	<u>28,316,478</u>	<u>(20,946,079)</u>	<u>75,123,074</u>	<u>1,268,569</u>
Total Sewage Disposal Fund	<u>\$ 3,407,911,564</u>	<u>\$ 38,387,240</u>	<u>\$ (90,447,189)</u>	<u>\$ 3,355,851,615</u>	<u>\$ 82,889,782</u>

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type Activities					
<i>Transportation Fund:</i>					
General Obligation Bonds	\$ 6,271,722	\$ —	\$ (813,690)	\$ 5,458,032	\$ —
Pension Obligation					
Certificates Payable	103,935,832	—	—	103,935,832	3,776,373
Deferred Amounts on Refunding	<u>1,253,011</u>	<u>—</u>	<u>(3,602)</u>	<u>1,249,409</u>	<u>—</u>
Total Pension Obligation Certificates Payable, Net	<u>105,188,843</u>	<u>—</u>	<u>(3,602)</u>	<u>105,185,241</u>	<u>3,776,373</u>
Other Long-Term Liabilities:					
Capital Leases Payable	12,678,358	—	(4,434,420)	8,243,938	8,243,938
Accrued Compensated Absences	3,895,416	2,983,930	(3,442,411)	3,436,935	3,436,935
Accrued Workers' Compensation	5,569,812	307,480	(1,574,599)	4,302,693	976,068
Accrued Other Postemployment Benefits	<u>72,407,192</u>	<u>13,683,089</u>	<u>—</u>	<u>86,090,281</u>	<u>—</u>
Total Other Long-Term Liabilities	<u>94,550,778</u>	<u>16,974,499</u>	<u>(9,451,430)</u>	<u>102,073,847</u>	<u>12,656,941</u>
Total Transportation Fund	<u>\$ 206,011,343</u>	<u>\$ 16,974,499</u>	<u>\$ (10,268,722)</u>	<u>\$ 212,717,120</u>	<u>\$ 16,433,314</u>

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	<u>Balance June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
Business-type Activities					
<i>Water Fund:</i>					
Revenue Bonds Payable	\$ 2,556,395,000	\$ —	(31,620,000)	\$ 2,524,775,000	\$ 39,850,000
State Revolving Loans	22,953,761	—	(1,500,000)	21,453,761	1,530,000
Total Revenue Bonds Payable	2,579,348,761	—	(33,120,000)	2,546,228,761	41,380,000
Add: Unamortized Premiums	58,543,808	—	(3,460,576)	55,083,232	—
Less:					
Unamortized Discounts	(3,844,224)	—	211,804	(3,632,420)	—
Deferred Amounts on Refunding	(115,135,403)	—	6,077,332	(109,058,071)	—
Total Revenue Bonds Payable, Net	2,518,912,942	—	(30,291,440)	2,488,621,502	41,380,000
Pension Obligation Certificates Payable	78,604,289	—	—	78,604,289	1,905,264
Deferred Amounts on Refunding	953,488	—	(2,867)	950,621	950,621
Total Pension Obligation Certificates Payable, Net	79,557,777	—	(2,867)	79,554,910	2,855,885
Other Long-Term Liabilities:					
Capital Leases Payable	—	—		—	—
Accrued Compensated Absences	9,421,311	10,542,196	(9,340,642)	10,622,865	9,340,642
Accrued Workers' Compensation	10,339,000	3,658,431	(4,407,431)	9,590,000	1,435,000
Claims and Judgments	286,500	616,041	(658,555)	243,986	17,236
Accrued Other Postemployment Benefits	53,303,165	28,034,697	(10,785,787)	70,552,075	—
Total Other Long-Term Liabilities	73,349,976	42,851,365	(25,192,415)	91,008,926	10,792,878
Total Water Fund	\$ 2,671,820,695	\$ 42,851,365	\$ (55,486,722)	\$ 2,659,185,338	\$ 55,028,763

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type Activities					
<i>Automobile Parking Fund:</i>					
Revenue Bonds Payable	\$ 10,465,000	\$ —	\$ (1,165,000)	\$ 9,300,000	\$ 1,220,000
Less:					
Unamortized Discounts	(204,422)	—	29,196	(175,226)	—
Total Revenue Bonds Payable, Net	<u>10,260,578</u>	<u>—</u>	<u>(1,135,804)</u>	<u>9,124,774</u>	<u>1,220,000</u>
Other Long-Term Liabilities:					
Advances from other funds	9,225,006	—	(5,175,000)	4,050,006	—
Accrued Compensated Absences	276,814	88,673	(185,854)	179,633	179,633
Accrued Workers' Compensation	667,000	77,649	(147,649)	597,000	90,000
Claims and Judgments	110,497	4,000	(500)	113,997	—
Accrued Other Postemployment Benefits	1,804,427	827,027	(259,226)	2,372,228	—
Total Other Long-Term Liabilities	<u>12,083,744</u>	<u>997,349</u>	<u>(5,768,229)</u>	<u>7,312,864</u>	<u>269,633</u>
Total Automobile Parking Fund	<u>\$ 22,344,322</u>	<u>\$ 997,349</u>	<u>\$ (6,904,033)</u>	<u>\$ 16,437,638</u>	<u>\$ 1,489,633</u>
<i>Other Proprietary Fund:</i>					
Accrued Compensated Absences	\$ 53,442	\$ 104,906	\$ (140,999)	\$ 17,349	\$ 17,349
Accrued Workers' Compensation	92,000	—	(11,000)	81,000	12,000
Claims and Judgments	2,000	—	—	2,000	—
Accrued Other Postemployment Benefits	136,931	115,478	(204,133)	48,276	—
Total Other Proprietary Fund	<u>\$ 284,373</u>	<u>\$ 220,384</u>	<u>\$ (356,132)</u>	<u>\$ 148,625</u>	<u>\$ 29,349</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 backed 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 to the extent not otherwise adjusted and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case. 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 to the extent not otherwise adjusted and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case.

On August 23, 2012, the City issued \$129.52 million in limited tax general obligation bonds, Series 2012C, to defease the 2012A outstanding debt, to pay issuance costs, to provide funds for the City reforms, and provide liquidity during 2013. The bonds begin to mature November 1, 2014 and will fully mature in the year 2032.

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Schedule of General Obligation Bonds

The following is a schedule of general obligation bonds outstanding at June 30, 2013:

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2013	
Governmental Activities						
General Obligation Bonds -						
Unlimited Tax:						
Series 1999-A	4-1-99	\$ 28,020,000	5.00 to 5.25%	4/1/14-19	\$ 18,470,000	b
Series 2001-A(1)	7-15-01	83,200,000	5.0 to 5.375	4/1/14-21	77,600,000	b
Series 2001-B	7-15-01	23,235,000	5.375	4/1/2014	4,000,000	b
Series 2002	8-2-02	29,205,000	5.125	4/1/21-22	6,645,000	b
Series 2003-A	10-21-03	9,640,000	5.00	4/1/2013	—	
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-B(1)	9-9-04	23,720,000	3.75 to 5.00	4/1/2014	8,275,000	
Series 2004-B(1)	9-9-04	29,365,000	4.00 to 5.25	4/1/15-18	29,365,000	b
Series 2004-B(2)	9-9-04	17,270,000	5.24	4/1/14-18	725,000	
Series 2005-B	12-13-05	13,840,000	5.00	4/1/14-16	6,875,000	
Series 2005-B	12-13-05	37,920,000	4.30 to 5.00	4/1/17-25	37,920,000	b
Series 2005-C	12-13-05	20,010,000	5.00	4/1/14-16	7,605,000	a
Series 2005-C	12-13-05	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	4.00 to 5.00	4/1/14-18	15,120,000	
Series 2008-A	6-9-08	43,510,000	5.00	4/1/19-28	43,510,000	b
Series 2008-B(1)	6-9-08	66,475,000	5.00	4/1/14-18	28,560,000	
Series 2010-E	12-16-10	100,000,000	5.129 to 8.369	11/1/14-35	100,000,000	
Total General Obligation Bonds - Unlimited Tax					\$ 469,115,000	

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	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Governmental Activities (continued)					
General Obligation Bonds - Limited Tax:					
Self-Insurance Bonds:					
Series 2004	9-9-04	\$ 62,285,000	4.70 to 4.85	4/1/2014	\$ 13,000,000
Series 2012C	8-23-12	129,520,000	3.00 to 5.00	11/1/14-32	129,520,000
General Obligation:					
Series 2005-A(1)	6-29-05	21,325,000	4.39 to 4.53	4/1/14-15	7,720,000
Series 2005-A(1)	6-29-05	52,175,000	4.61 to 5.15	4/1/16-25	52,175,000 b
Series 2005-A(2)	6-29-05	4,055,000	4.00	4/1/14-15	1,460,000
Series 2005-A(2)	6-29-05	9,475,000	4.00 to 5.00	4/1/16-25	9,475,000 b
Series 2005-B	6-29-05	4,845,000	4.00 to 5.00	4/1/14-15	1,935,000
Series 2005-B	6-29-05	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	4/1/15-16	37,806,968
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>534,821,968</u>
Total General Obligation Bonds					<u>\$ 1,003,936,968</u>
Business-type Activities					
<i>Transportation Fund:</i>					
General Obligation Bonds - Limited Tax:					
Series 2008-A(1)	6-9-08	6,271,722	5.00%	4/1/15-16	<u>\$ 5,458,032</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 Sewerage Disposal Fund has pledged specific revenue streams to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The bonds and loans are paid solely from the net revenues of the System. A summary of the pledged revenue and the applicable debt as of June 30, 2013 is as follows:

<u>Bonds</u>	<u>Types of Revenue Pledged</u>	<u>General Purpose for Debt</u>	<u>Term of Pledged Commitment</u>	<u>Remaining Principal and Interest</u>	<u>Principal and Interest for the Year Ended June 30, 2013</u>	<u>Pledged Revenue Recognized for the Year Ended June 30, 2013</u>	<u>Proportion of Pledged Revenue Collected</u>
Revenue Bonds and State of Michigan Revolving State Loans	All Sewage Disposal Fund operating revenue	Funding of various waste water treatment and collection capital improvements, refund certain sewage disposal revenue bonds, pay terminations for interest rate swap agreements, and funding reserve requirements.	Thru 2040	\$ 5,696,816,683	\$ 225,222,903	\$ 230,875,249	102.5%

The fund has approximately \$416 million in restricted cash and investments related to various bond indentures as of June 30, 2013.

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Water Fund

The Water Fund has pledged specific revenue streams to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The bonds and loans are paid solely from the net revenues of the System. A summary of the pledged revenue and the applicable debt as of June 30, 2013 is as follows:

Bonds	Types of Revenue Pledged	General Purpose for Debt	Term of Pledged Commitment	Remaining Principal and Interest	Principal and Interest for the Year Ended June 30, 2013	Pledged Revenue Recognized for the Year Ended June 30, 2013	Proportion of Pledged Revenue Collected
Revenue Bonds and State of Michigan Revolving State Loans	All Water Fund operating revenue	Funding various Water Fund capital improvements, financing payment of swap termination fees, and funding reserve requirements	Thru 2040	\$ 4,683,184,580	\$ 172,638,228	\$ 209,887,202	121.6%

The fund has approximately \$334 million in restricted cash and investments related to various bond indentures as of June 30, 2013.

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, 2013 to be paid on the bonds is \$10,986,644. During the current year, net revenues of the system were \$5,007,438 compared to the amount pledged for annual debt requirements of \$2,921,144. In addition, the Fund has approximately \$1.7 million in bond and interest reserves on hand at June 30, 2013.

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Schedule of Revenue Bonds

The following is a schedule of revenue bonds (including capital appreciation bonds and state revolving loans) outstanding at June 30, 2013:

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2013
Business-type Activities					
Sewage Disposal Fund:					
Sewage Disposal System Revenue Bonds:					
Series 1998-A	12-14-06	\$ 18,540,000	5.50 %	7/1/13-17	\$ 16,435,000
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	5.50	7/1/13-17	16,505,000
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	7/1/13-21	61,429,316
Series 2001-B	9-15-01	110,550,000	5.50	7/1/23-29	110,550,000
Series 2001-C (1)	6-17-09	6,360,000	5.25	7/1/13-19	4,410,000
Series 2001-C (1)	6-17-09	148,510,000	6.50 to 7.00	7/1/24-27	148,510,000 b
Series 2001-C (2)	5-8-08	3,275,000	3.50 to 4.0	7/1/13-18	2,020,000
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	10-23-01	92,450,000	Variable (a)	7/1/32	21,300,000 b
Series 2001-E	5-7-08	136,150,000	5.75	7/1/31	136,150,000 b
Series 2003-A	5-22-03	158,000,000	3.30 to 5.00	7/1/13	70,450,000
Series 2003-A	5-22-03	441,380,000	3.50 to 5.50	7/1/14-32	128,940,000 b
Series 2003-B	6-17-09	150,000,000	7.50	7/1/33	150,000,000 b
Series 2004-A	2-12-04	101,435,000	5.00 to 5.25	7/1/13-24	67,755,000
Series 2005-A	3-17-05	3,765,000	3.40 to 3.70	7/1/13-15	1,820,000
Series 2005-A	3-17-05	269,590,000	3.75 to 5.125	7/1/16-35	236,770,000 b
Series 2005-B	3-17-05	40,215,000	3.40 to 5.50	7/1/13-22	37,195,000
Series 2005-C	4-5-05	22,065,000	5.00	7/1/13-15	12,425,000
Series 2005-C	4-5-05	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 b
Series 2006-B	8-10-06	11,850,000	4.00 to 5.00	7/1/13-16	6,335,000
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)	7/1/26-32	288,780,000 b
Series 2012-A	6-26-12	95,445,000	5.00	7/1/14-22	95,445,000
Series 2012-A	6-26-12	564,335,000	5.00 to 5.50	7/1/23-39	564,335,000 b
Total Sewage Disposal System Revenue Bonds					<u>\$ 2,824,494,316</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.

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	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Business-type Activities (continued)					
<i>Sewage Disposal Fund (continued):</i>					
State Revolving Loans:					
Series 1992-B-SRF	9-24-92	\$ 1,915,000	2.00%	10/1/13	\$ 115,000
Series 1993-B-SRF	9-30-93	6,603,996	2.00	10/1/13-14	775,000
Series 1997-B-SRF	9-30-97	5,430,174	2.25	10/1/13-18	1,870,000
Series 1999-SRF-1	6-24-99	21,475,000	2.50	4/1/14-20	8,750,000
Series 1999-SRF-2	9-30-99	46,000,000	2.50	10/1/13-22	25,860,000
Series 1999-SRF-3	9-30-99	31,030,000	2.50	10/1/13-20	14,295,000
Series 1999-SRF-4	9-30-99	40,655,000	2.50	10/1/13-20	18,725,000
Series 2000-SRF-1	3-30-00	44,197,995	2.50	10/1/13-22	21,947,995
Series 2000-SRF-2	9-28-00	64,401,066	2.50	10/1/13-22	36,051,066
Series 2001-SRF-1	6-28-01	82,200,000	2.50	10/1/13-24	54,145,000
Series 2001-SRF-2	12-20-01	59,850,000	2.50	10/1/13-24	39,430,000
Series 2002-SRF-1	6-27-02	18,985,000	2.50	4/1/14-23	10,660,000
Series 2002-SRF-2	6-27-02	1,545,369	2.50	4/1/14-23	865,369
Series 2002-SRF-3	12-19-02	31,549,466	2.50	10/1/13-24	19,189,466
Series 2003-SRF-1	6-28-03	48,520,000	2.50	10/1/13-25	34,215,000
Series 2003-SRF-2	9-25-03	25,055,370	2.50	4/1/14-25	16,390,370
Series 2004-SRF-1	6-24-04	2,910,000	2.125	10/1/13-24	1,890,000
Series 2004-SRF-2	6-24-04	18,353,459	2.125	4/1/14-25	11,888,459
Series 2004-SRF-3	6-24-04	12,722,575	2.125	4/1/14-25	8,232,575
Series 2007-SRF-1	9-20-07	167,565,000	1.625	10/1/13-29	140,109,096
Series 2009-SRF-1	4-17-09	16,785,000	2.50	4/1/14-30	9,806,301
Series 2010-SRF-1	1-22-10	4,899,000	2.50	4/1/14-31	3,358,917
Series 2012-SRF-1	8-30-12	14,950,000	2.50	10/1/15-34	4,302,413
Total State Revolving Loans Payable					\$ <u>482,872,027</u>

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	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Business-type Activities (continued)					
Water Fund:					
Water Supply System Revenue Bonds:					
Series 1993	10-15-93	\$ 38,225,000	6.50%	7/1/14-15	\$ 24,725,000
Series 1997-A	8-01-97	186,220,000	6.00	7/1/14-15	13,430,000
Series 2001-A	5-01-01	301,165,000	5.00	7/1/29-30	73,790,000 b
Series 2001-C	5-14-08	4,055,000	3.50 to 4.25	7/1/13-18	2,240,000
Series 2001-C	5-14-08	186,350,000	4.50 to 5.75	7/1/19-29	186,350,000 b
Series 2003-A	1-30-03	234,805,000	4.50 to 5.00	7/1/19-34	178,785,000 b
Series 2003-B	1-30-03	41,770,000	5.00	7/1/34	41,770,000 b
Series 2003-C	1-30-03	4,335,000	Variable (a)	7/1/13-14	4,335,000
Series 2003-C	1-30-03	25,325,000	4.25 to 5.25	7/1/15-22	25,325,000 b
Series 2003-D	9-1-06	3,180,000	4.00 to 4.20	7/1/13-16	1,320,000
Series 2003-D	9-1-06	139,575,000	4.25 to 5.00	7/1/17-33	139,575,000 b
Series 2004-A	8-16-06	17,600,000	3.75 to 5.25	7/1/13-16	17,520,000
Series 2004-A	8-16-06	55,165,000	4.50 to 5.25	7/1/17-25	55,165,000 b
Series 2004-B	8-16-06	52,840,000	4.00 to 5.00	7/1/13-16	29,975,000
Series 2004-B	8-16-06	100,990,000	4.25 to 5.00	7/1/17-23	100,990,000 b
Series 2005-A	3-23-05	20,965,000	3.40 to 5.00	7/1/13-15	6,375,000
Series 2005-A	3-23-05	84,035,000	3.90 to 5.00	7/1/16-35	84,035,000 b
Series 2005-B	5-14-08	19,070,000	4.00 to 5.50	7/1/13-18	13,525,000
Series 2005-B	5-14-08	175,830,000	4.75 to 5.50	7/1/19-35	175,830,000 b
Series 2005-C	3-23-05	36,405,000	5.00	7/1/13-15	21,090,000
Series 2005-C	3-23-05	90,200,000	5.00	7/1/16-22	90,200,000 b
Series 2006-A	8-16-06	42,795,000	5.00	7/1/13-16	26,900,000
Series 2006-A	8-16-06	237,205,000	5.00	7/1/17-34	237,205,000 b
Series 2006-B	4-01-09	900,000	3.30 to 5.00	7/1/13-19	700,000
Series 2006-B	4-01-09	119,100,000	5.50 to 7.00	7/1/20-36	119,100,000 b
Series 2006-C	8-16-06	12,585,000	4.00 to 5.00	7/1/13-16	9,655,000
Series 2006-C	8-16-06	208,060,000	5.00	7/1/17-33	208,060,000 b
Series 2006-D	8-16-06	4,430,000	4.00 to 5.00	7/1/13-16	1,760,000
Series 2006-D	8-16-06	142,160,000	4.25 to 5.00	7/1/17-32	142,160,000 b
Series 2011-A	12-22-11	37,880,000	3.00 to 5.00	7/1/13-21	32,380,000
Series 2011-A	12-22-11	341,710,000	5.00 to 5.75	7/1/22-41	341,710,000 b
Series 2011-B	12-22-11	7,455,000	2.496 to 5.00	7/1/13-21	6,390,000
Series 2011-B	12-22-11	9,740,000	6.00	7/1/22-33	9,740,000 b
Series 2011-C	12-22-11	3,925,000	3.00 to 5.00	7/1/2021	2,700,000
Series 2011-C	12-22-11	99,965,000	4.50 to 5.25	7/1/23-41	99,965,000 b
Total Water Supply System Revenue Bonds					<u>\$ 2,524,775,000</u>
State Revolving Loans:					
Series 2005 SRF-1	9-22-05	\$ 13,805,164	2.125%	10/1/13-26	\$ 9,960,164
Series 2005 SRF-2	9-22-05	8,891,730	2.125	10/1/13-26	6,241,730
Series 2006 SRF-1	9-21-06	5,180,926	2.125	10/1/13-26	3,715,926
Series 2008 SRF-1	9-29-08	2,590,941	2.500	10/1/13-28	1,535,941
Total State Revolving Loans Payable					<u>\$ 21,453,761</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.

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	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Business-type Activities (continued)					
Automobile Parking Fund:					
Detroit Building Authority Bonds - Revenue Refunding Bonds:					
Parking System-Series 1998A	7-1-98	\$ 17,445,000	5.00 to 5.25%	7/1/13-19	\$ <u>9,300,000</u> b
Total Automobile Parking Fund Revenue Bonds					\$ <u>9,300,000</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, 2013:

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Pension Obligation Certificates					
Series 2005 - A	6-2-05	\$ 640,000,000	4.00 to 4.95%	6/15/13-25	\$ 503,365,000
Series 2006 - A, B	6-12-06	948,540,000	Variable (a)	6/15/19-35	948,540,000
Total Pension Obligation Certificates					\$ <u>1,451,905,000</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. Because 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 \$24,016,604 outstanding at June 30, 2013.

As of June 30, 2013, the City failed to remit the required principal payments on the POCs totaling \$23,105,001. This payment is considered callable and is reflected as a current obligation as of June 30, 2013.

On June 15, 2013, due to liquidity constraints, the City did not make a principal and interest payment totaling \$41.0 million (\$33.3 million due from the General Fund) due on its pension obligation certificates of participation (POCs). The POC and service corporation contracts do not require immediate payment of the remaining POC debt balance (totaling approximately \$1.452 billion for the entire City and \$1.2 billion for the General Fund at June 30, 2013) upon a missed payment. No party to the POC and service corporation agreements has sought to exercise any right to immediate payment of the remaining POC debt balance subsequent to this missed payment. As a result, the POC debt was not immediately due and payable as of June 30, 2013, and the City continues to report it as a long-term obligation in its financial statements.

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(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, 2013:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Governmental Activities				
<i>Non-Major Funds:</i>				
(All notes are secured by future Block Grant revenues)				
Ferry Street Project	06/12/08	3.82 to 4.00 %	08/01/13-18	\$ 1,890,000
Garfield Project	06/12/08	3.82 to 4.33	08/01/13-15	750,000
Stuberstone Project	06/12/08	3.82 to 4.48	08/01/13-16	120,000
Vernor Lawndale Project	09/14/06	5.03 to 5.05	08/01/13-25	1,800,000
New Amsterdam Project	08/01/02	4.99 to 5.29	08/01/13-22	8,125,000
Mexicantown Welcome Center Project	09/14/06	5.03 to 5.05	08/01/13-24	3,600,000
Book Cadillac Project	09/14/06	5.03 to 5.07	08/01/14-26	7,300,000
Book Cadillac Project Note 1	06/12/08	3.82 to 5.38	08/01/13-27	10,700,000
Garfield II Note 1	09/14/06	3.82 to 4.00	08/01/13-25	6,422,000
Garfield II Note 2	09/14/06	5.03 to 5.07	08/01/14-26	2,058,000
Garfield II Note 3	09/16/09	LIBOR + 0.2	08/01/13-29	1,598,000
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	08/01/13-26	18,250,000
Woodward Garden Project 1	06/12/08	3.82 to 5.05	08/01/16-21	7,050,000
Woodward Garden Project 2	07/21/10	2.66 to 4.35	08/01/16-28	6,197,000
Woodward Garden Project 2	04/20/12	LIBOR + 0.2	08/01/16-31	5,753,000
Total Notes Payable				<u>\$ 88,310,000</u>

The following is a schedule of loans payable at June 30, 2013:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2013</u>
Governmental Activities				
Downtown Development Authority	1991-1997	—	—	\$ 33,600,000
Loan Payable GE Capital Schedule - 013	4/9/04	4.07%	7/1/12 - 6/1/14	126,666
Loan Payable IBM Schedule - 001	11/20/12	12.03%	7/1/13-12/1/16	4,093,408
Total Loans Payable				<u>\$ 37,820,074</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 to the extent not otherwise adjusted and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case.

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(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 2013 was \$4,434,420. Net book value of the buses leased was approximately \$12.7 million as of June 30, 2013.

As of June 30, 2013, the outstanding principal due was approximately \$8.2 million, with payments scheduled through 2015; however, the Transportation Fund elected to retire the debt early and paid off the outstanding balance in September 2013.

(g) Debt Service Requirements

As of June 30, 2013, debt service requirements of the City's debt (fixed-rate and variable-rate) are as follows. These amounts assume that current interest rates on variable-rate bonds will remain the same for their term. As these rates vary, interest payments on variable-rate bonds will vary.

	General Obligation Debt		Revenue Bonds and Other Indebtedness	
	Principal	Interest	Principal	Interest
Governmental Activities:				
2014	\$ 81,625,000	\$ 53,845,039	\$ 4,252,910	\$ 4,174,737
2015	72,674,422	48,769,889	4,511,467	3,903,479
2016	71,352,546	45,151,537	4,923,872	3,602,918
2017	54,605,000	41,520,447	6,788,825	3,241,215
2018	56,245,000	38,737,330	5,517,000	2,960,537
2019-2023	271,570,000	150,046,034	32,275,000	10,386,729
2024-2028	168,950,000	89,170,454	27,450,000	3,209,575
2029-2033	148,510,000	46,671,610	6,811,000	70,301
2034-2036	78,405,000	7,612,390	33,600,000	—
Total	\$ 1,003,936,968	\$ 521,524,730	\$ 126,130,074	\$ 31,549,491
Business-type Activities:				
<i>Sewage Disposal Fund</i>				
2014	\$ —	\$ —	\$ 78,385,000	\$ 145,938,248
2015	—	—	86,655,000	142,911,115
2016	—	—	89,860,000	140,009,862
2017	—	—	92,180,000	136,873,443
2018	—	—	95,425,000	133,639,587
2019-2023	—	—	523,491,843	615,395,483
2024-2028	—	—	611,991,088	500,694,196
2029-2033	—	—	744,584,096	358,892,594
2034-2038	—	—	772,230,000	178,028,565
2039-2043	—	—	231,385,000	18,246,563
Total	\$ —	\$ —	\$ 3,326,187,027	\$ 2,370,629,656

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	General Obligation Debt		Revenue Bonds and Other Indebtedness	
	Principal	Interest	Principal	Interest
Business-type Activities (Continued)				
<i>Transportation Fund</i>				
2014	\$ —	\$ 272,902	\$ —	\$ —
2015	2,660,578	272,902	—	—
2016	2,797,454	139,873	—	—
Total	\$ 5,458,032	\$ 685,677	\$ —	\$ —
<i>Water Fund</i>				
2014	\$ —	\$ —	\$ 41,380,000	\$ 131,247,052
2015	—	—	53,345,000	129,316,023
2016	—	—	58,660,000	126,493,985
2017	—	—	61,720,000	123,387,156
2018	—	—	64,685,000	120,393,717
2019-2023	—	—	369,815,941	550,462,485
2024-2028	—	—	467,407,820	445,793,623
2029-2033	—	—	581,100,000	316,521,486
2034-2038	—	—	587,260,000	158,565,766
2039-2043	—	—	260,855,000	34,774,526
Total	\$ —	\$ —	\$ 2,546,228,761	\$ 2,136,955,819
<i>Automobile Parking Fund</i>				
2014	\$ —	\$ —	\$ 1,220,000	\$ 444,600
2015	—	—	1,285,000	381,172
2016	—	—	1,350,000	313,650
2017	—	—	1,415,000	242,797
2018	—	—	1,395,000	170,791
2019-2020	—	—	2,635,000	133,634
Total	\$ —	\$ —	\$ 9,300,000	\$ 1,686,644

The future principal payments for Sewage Disposal Fund revenue bonds exceed the bonds payable balance by \$18,820,684 at June 30, 2013 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.

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The annual debt service requirements to maturity for pension obligation certificates at June 30, 2013 are as follows. Refer to Note VIII for information on derivative instruments.

	Pension Obligation Certificates		
	Principal	Interest	Investment Derivatives, Net
Governmental Activities:			
2014	\$ 42,881,530	\$ 44,602,286	\$ 37,332,050
2015	27,049,913	28,972,583	37,332,050
2016	30,037,394	27,724,771	37,332,050
2017	33,301,268	26,279,072	37,332,050
2018	36,800,888	24,676,281	37,332,050
2019-2023	206,141,067	100,298,842	180,242,170
2024-2028	267,214,121	59,397,959	159,717,634
2029-2033	359,597,601	44,820,080	80,599,035
2034-2035	177,261,454	13,046,970	3,241,499
Total	<u>\$ 1,180,285,236</u>	<u>\$ 369,818,844</u>	<u>\$ 610,460,588</u>
Business-type Activities:			
<i>Sewage Disposal Fund</i>			
2014	\$ 3,236,213	\$ 3,366,076	\$ 2,817,401
2015	2,041,421	2,186,523	2,817,401
2016	2,266,883	2,092,352	2,817,401
2017	2,513,203	1,983,247	2,817,401
2018	2,777,315	1,862,286	2,817,401
2019-2023	15,557,194	7,569,421	13,602,639
2024-2028	20,166,297	4,482,686	12,053,679
2029-2033	27,138,356	3,382,512	6,082,700
2034-2035	13,382,761	984,637	244,632
Total	<u>\$ 89,079,643</u>	<u>\$ 27,909,740</u>	<u>\$ 46,070,655</u>
<i>Transportation Fund</i>			
2014	\$ 3,776,373	\$ 3,927,912	\$ 3,287,656
2015	2,382,157	2,551,478	3,287,656
2016	2,645,251	2,441,589	3,287,656
2017	2,932,684	2,314,273	3,287,656
2018	3,240,879	2,173,123	3,287,656
2019-2023	18,153,864	8,832,842	15,873,071
2024-2028	23,532,278	5,230,896	14,065,572
2029-2033	31,668,052	3,947,091	7,097,974
2034-2035	15,604,294	1,148,983	285,465
Total	<u>\$ 103,935,832</u>	<u>\$ 32,568,187</u>	<u>\$ 53,760,362</u>

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	Pension Obligation Certificates		
	Principal	Interest	Investment Derivatives, Net
Business-type Activities (Continued):			
<i>Water Fund</i>			
2014	\$ 2,855,885	\$ 2,970,486	\$ 2,486,293
2015	1,801,509	1,929,557	2,486,293
2016	2,000,473	1,846,454	2,486,293
2017	2,217,845	1,750,171	2,486,293
2018	2,450,918	1,643,426	2,486,293
2019-2023	13,728,876	6,679,844	12,004,025
2024-2028	17,796,305	3,955,870	10,637,103
2029-2033	23,948,991	2,984,992	5,367,846
2034-2035	11,803,487	868,920	215,882
Total	\$ 78,604,289	\$ 24,629,720	\$ 40,656,321

(h) Debt Limit

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 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 and current 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, 2013 was as follows:

	Revenue Bonds
Sewage Disposal Fund	\$ 259,545,000
Water Fund	178,070,000
Total	\$ 437,615,000

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(j) Bonds Authorized and Unissued

The following is the schedule of bonds authorized and unissued at June 30, 2013:

	<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	23,393,000
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	7,735,000
Recreation, Zoo, Cultural	Electorate	11/7/2000	56,000,000	628,000
Recreation, Zoo, Cultural History	Electorate	11/2/2004	22,000,000	570,000
Historical	Electorate	11/6/2011	20,000,000	17,200,000
Museum of African American History	Electorate	4/29/2003	6,000,000	500,000
Transportation	Electorate	11/2/2004	32,000,000	17,310,000
Public Lighting	Electorate	2/24/2009	22,000,000	22,000,000
Neighborhood/Economic	Electorate	2/24/2009	25,000,000	25,000,000
Museums, Libraries, Recreation, and Other	Electorate	2/24/2009	97,000,000	89,770,000
Transportation	Electorate	2/24/2009	12,000,000	12,000,000
Public Safety	Electorate	2/24/2009	72,000,000	59,379,000
Total Bonds				
Authorized -				
Unissued				\$ <u>316,900,000</u>

The electorate approved an amendment to the State Constitution (the Headlee Amendment) on 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 \$22,418,273 and \$3,909,059 for the Sewage Disposal Fund and Water Fund, respectively, at June 30, 2013.

(k) Debt Ratings

On June 12, 2013, Standard & Poor's downgraded the City's Unlimited General Tax Obligation (UGTO) Bonds rating from "B" to "CCC-". On June 14, 2013, Standard & Poor's downgraded the City's UGTO rating from "CCC-" to "CC". On July 18, 2013, Standard & Poor's downgraded the City's UGTO rating from "CC" to "C". On October 2, 2013, Standard & Poor's downgraded the City's UGTO rating from "C" to "D". On November 28, 2012, Moody's downgraded the ratings of the City's UGTO debt from "B3" to "Caa1", downgraded the ratings of the City's Limited General Tax Obligation (LGTO) Bonds from "Caa1" to "Caa2", and downgraded the ratings of the City's pension obligation Certificates of Participation (POCs) from "B3" to "Caa1". On June 13, 2013, Moody's downgraded the City's UGTO debt from "Caa1" to "Caa2", downgraded the LGTO debt from "Caa2" to "Caa3", and downgraded the POCs from "Caa1" to "Caa3". On June 17, 2013, Moody's downgraded the City's UGTO debt from "Caa2" to "Caa3", downgraded the LGTO debt from "Caa3" to "Ca", and downgraded the POCs from "Caa3" to "Ca". On June 14, 2013, Fitch downgraded the City's UGTO ratings from "CCC" to "C", downgraded the LGTO debt from "CC" to "C" and downgraded the POCs from "CC" to "C". On September 30, 2013, Fitch downgraded the City's UGTO and LGTO ratings from "C" to "D". On June 14, 2013, Standard & Poor's downgraded the City's Pension Obligation Certificates (POC) ratings from "CCC-" to "CC". On October 2, 2013, Standard & Poor's downgraded LGTO ratings from "C" to "D". On June 18, 2013, Standard & Poor's downgraded the City's POC ratings from "CC" to "D". On June 17,

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2013, Fitch downgraded the City's POC ratings from "C" to "D". A significant impact of the City's credit ratings below investment grade status comes in the form of greater limitations on the access to capital and higher borrowing costs.

On November 28, 2012, Moody's downgraded the ratings of the Detroit Water and Sewage Revenue Senior and Second Lien Bonds from "Baa2/Baa3" to "Baa3/Ba1". On June 13, 2013, Moody's further downgraded the ratings from "Baa3/Ba1" to "Ba1/Ba2" and then again on June 17, 2013 to "B1/B2". In April 2013, Fitch's Rating Service downgraded the ratings of the Senior and Second Lien Bonds as well, from and A/A- to BBB+/BBB. On July 3, 2013, Standard & Poor's downgraded the ratings of the Detroit Water and Sewage Revenue Senior and Second Lien Bonds to "BB-".

See Note XIII for any rating actions that occurred after June 30, 2013.

NOTE VIII. DERIVATIVES

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

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2013</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental Activities					
Investment derivatives:					
Pay-fixed interest rate swaps	Interest and investment earnings	\$ 114,984,902	Long-term liabilities	\$ (239,677,971)	\$ 650,336,000
Business-type Activities					
Investment derivatives:					
Pay-fixed interest rate swaps	Interest and investment earnings	27,829,022	Long-term liabilities	(56,810,773)	149,664,000

As of June 30, 2013, the City determined that the pay-fixed interest rate swaps listed as investment derivative instruments no longer met the criteria for effectiveness. Accordingly, the change in fair value of the swaps of \$114,984,902 for the governmental activities and \$27,829,022 for the business-type activities, and previously deferred amounts totaling \$203,118,353 for the governmental activities and \$48,855,608 for the business-type activities were netted and reported within investment revenue for the year ended June 30, 2013.

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 eight separate pay-fixed, receive-variable interest rate swaps.

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(b) Terms

Certain key terms and fair values relating to the outstanding investment 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
Investment Derivatives							
Investment Derivatives, Pay-fixed interest rate swaps							
Pension Obligation Certificates:							
Taxable Certification of Participation SBSFPC-0009	\$ 96,621,000	6/12/2006	6.36%	3 MONTH LIBOR + .34%	\$ (38,068,009)	6/15/2034	6/15/2034
Taxable Certification of Participation SBSFPC-0012	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(15,805,670)	6/15/2029	6/15/2029
Taxable Certification of Participation 37380341	96,621,000	6/12/2006	6.36	3 MONTH LIBOR + .34%	(38,042,187)	6/15/2034	6/15/2034
Taxable Certification of Participation 37380291	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(15,790,928)	6/15/2029	6/15/2029
Taxable Certification of Participation SBSFPC-0010	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(60,738,081)	6/15/2034	6/15/2034
Taxable Certification of Participation SBSFPC-0011	104,325,500	6/12/2006	6.32	3 MONTH LIBOR + .30%	(33,689,016)	6/15/2029	6/15/2029
Taxable Certification of Participation 37380313	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(60,696,361)	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>(33,658,491)</u>	6/15/2029	6/15/2029
Total	<u>\$ 800,000,000</u>				<u>\$ (296,488,743)</u>		

(1) Notional amount balance as of June 30, 2013

(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, 2013, the City had no net exposure to actual credit risk on 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 two 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.

Counterparty	S&P	Moody's
SBS Financial Products Company, LLC		
Credit Support provided by Merrill Lynch Capital Services, Inc. and guaranteed by Merrill Lynch & Co.	A -	Baa2
UBS, AG	A	A2

(d) Interest Rate Risk

All investment derivatives are pay-fixed, receive-variable interest rate swaps. The City believes it has significantly reduced interest rate risk by entering into the interest rate swaps, subject to the settlement with the swap counterparties described in Note II and the potential adjustment of the related POCs pursuant to a plan of adjustment confirmed in the Bankruptcy Case, or the invalidation thereof pursuant to the lawsuit commenced by the City on January 31, 2014, described in Note XIII.

(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, 2013, the associated POCs used the same index (based on LIBOR) in the table above. As a result, there is no significant exposure to basis risk as of June 30, 2013.

(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.

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' POCs. As of June 30, 2013, 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). In March 2012, the risk of the amended Swap Agreement Termination arose with a credit rating downgrade below "Ba3".

The City had negotiated an agreement with the Swap Counterparties to terminate the swaps, but the Bankruptcy Court rejected the agreement and the agreement was subsequently terminated. After the termination of the agreement, the City continued to negotiate with the Swap Counterparties in an effort to reduce the City's obligations under the Swap Agreements. These negotiations resulted in the parties' agreement on the principal terms of a settlement and plan support agreement pursuant to which, among other things, the City will pay, over time, the aggregate sum of \$85 million in full satisfaction of the claims between the parties (the "Plan Support Agreement"). On March 3, 2014, the City filed a motion seeking the Bankruptcy Court's approval of the Plan Support Agreement pursuant to section 105(a) of the Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Renewed Settlement Motion"). On April 15, 2014, the Bankruptcy Court entered an order approving the Renewed Settlement Motion, which was subsequently appealed by certain parties in interest.

See Note XIII for further discussion regarding these events.

(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”). For financial statement purposes, the GRS and the PFRS are included as fiduciary trust funds of the City of Detroit. 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 or obtained from Systems’ website (www.rscd.org).

Membership of the plans at June 30, 2013 consisted of the following:

	Defined Benefit		Defined Annuity Contribution	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving benefits	12,118	9,054	1,600	655
Terminated plan members entitled to, but not yet receiving, benefits	2,214	111	333	24
Active plan members	5,658	3,272	4,954	2,998

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 33 percent of the General Retirement System's assets and 24 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.

As disclosed in Note XIII, the City of Detroit is the subject of a federal bankruptcy proceeding as of the date of this report. The recorded and disclosed balances contained within this report and the terms of the City's pension-related obligations are subject to change pursuant to the City's plan of adjustment.

(c) Funding Policy

The City's policy, prior to the bankruptcy filing, was 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, 2013 were 25.40 percent of active annual payroll for the General Retirement System and 23.14 percent of active annual payroll for the Police and Fire Retirement System. Recorded contributions from City funds and the Detroit Public Library component unit, including unpaid accounts receivable for the year ended June 30, 2013, amounted to \$62,297,432 and \$42,005,173 for the General Retirement System and the Police and Fire Retirement System, respectively.

Due to the City's present financial condition and the uncertainty of receiving any of the accrued contributions receivable owed from the City, the pension systems have recorded allowances to offset the entire receivable owed from the City. At June 30, 2013, the recorded receivable and allowance reported by the General Retirement System is approximately \$36,000,000 for unpaid fiscal year 2013 contributions. For the Police and

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Fire Retirement System, the recorded receivable and allowance is approximately \$29,000,000 for unpaid fiscal year 2012 contributions and approximately \$42,000,000 for unpaid fiscal year 2013 contributions, 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, 2013 amounted to \$13,395,701
- **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, 2013 amounted to \$7,799,790.

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, 2013 are as follows:

	GRS					
	PFRS		Business-type Activities			Total Primary Government
	Governmental Activities	Governmental Activities	Sewage Disposal Fund	Transportation Fund	Water Fund	
Annual required contributions (ARC)	\$ 43,869,075	\$ 24,834,426	\$ 12,681,196	\$ 10,607,237	\$ 12,183,894	\$ 104,175,828
Interest on net pension asset	(46,775,255)	(37,537,472)	(6,774,250)	(8,586,959)	(7,373,733)	(107,047,669)
Adjustment to ARC	51,923,582	26,919,906	4,858,137	6,158,117	5,288,055	95,147,797
Annual pension cost	49,017,402	14,216,860	10,765,083	8,178,395	10,098,216	92,275,956
Contributions made (employer)	(29,026,800)	5,908,367	10,767,650	5,435,445	15,682,945	8,767,607
Changes in net pension asset	(78,044,202)	(8,308,493)	2,567	(2,742,950)	5,584,729	(83,508,349)
Net pension asset, beginning of year	613,717,483	472,020,508	86,245,896	107,073,081	90,677,096	1,369,734,064
Net pension asset, end of year	\$ 535,673,281	\$ 463,712,015	\$ 86,248,463	\$ 104,330,131	\$ 96,261,825	\$ 1,286,225,715

Significant actuarial assumptions used to determine the annual required contribution for the year ended June 30, 2013 are as follows:

	GRS	PFRS
Valuation Date	June 30, 2011	June 30, 2011
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level dollar, Closed
Remaining Amortization Period	30 years, Open	30 years, Closed
Asset Valuation Method	7-year Smoothed Market	7-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	8.0%
Projected Salary Increases	4.0%-8.9%	5.0%-9.2%
Inflation Rate	4.00%	0% for three years; 4% thereafter
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.

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(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, 2013	\$ 43,258,554	\$ 37,794,407	87.4%	\$ 750,552,434
	June 30, 2012	32,614,342	34,461,252	105.7	756,016,581
	June 30, 2011	41,238,478	52,426,089	127.1	754,169,671
PFRS	June 30, 2013	49,017,402	(29,026,800)	-59.2%	535,673,281
	June 30, 2012	53,722,030	49,760,229	92.6	613,717,483
	June 30, 2011	68,748,114	81,642,112	118.8	617,679,284

(f) Funded Status and Funding Progress Based on Actuarial Assumptions of Plan Management

The funded status of each plan as of June 30, 2012 (the most recent actuarial valuations available) based on actuarial assumptions of the Retirement Systems, respectively, are as follows:

	<u>GRS</u>	<u>PFRS</u>
Actuarial value of assets	\$ 2,806,489,202	\$ 3,675,459,604
Actuarial accrued liability (AAL)	\$ 3,644,172,577	\$ 3,822,676,002
Unfunded AAL (UAAL)	\$ 837,683,375	\$ 147,216,398
Funded ratio	77.0%	96.1%
Covered payroll	\$ 257,992,420	\$ 205,800,278
Ratio of UAAL/covered payroll	324.7%	71.5%

Significant actuarial assumptions used by the Retirement Systems to determine the funded status for the year ended June 30, 2012 are as follows:

	<u>GRS</u>	<u>PFRS</u>
Valuation Date	June 30, 2012	June 30, 2012
Actuarial Cost Method	Entry Age	Entry Age
Asset Valuation Method	7-year Smoothed Market	7-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	8.0%
Projected Salary Increases	4.0%-8.9%	5.0%-9.2%
Inflation Rate	4.00%	0% for two years; 4% thereafter
Cost-of-Living Adjustments	2.25%	2.25%

The schedule 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.

(g) Funded Status and Funding Progress Based on Actuarial Assumptions of City Management

As discussed further in Note XIII, and in connection with the City's filing of a voluntary petition under Chapter 9 of the Bankruptcy Code, the City utilized different actuarial assumptions than the Retirement Systems to determine the funded status of the plans. Specifically, the City believes that an investment rate of return of 7.0%, instead of 7.9% and 8.0% used by GRS and PFRS, respectively, is more achievable. Additionally, the City believes the actual market value of plan assets instead of a 7-year smoothed market value is more

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appropriate in measuring the funded status of the plan. The funded status of each plan as of June 30, 2012 (the most recent actuarial valuations available) based on the City's actuarial assumptions, are as follows:

	<u>GRS</u>	<u>PFRS</u>
	June 30, 2012	June 30, 2012
Valuation date		
Actuarial value of assets	\$ 2,159,000,000	\$ 2,974,000,000
Actuarial accrued liability (AAL)	\$ 4,085,000,000	\$ 4,316,000,000
Unfunded AAL (UAAL)	\$ 1,926,000,000	\$ 1,342,000,000
Funded ratio	52.9%	68.9%
Covered payroll	\$ 257,992,420	\$ 205,800,278
Ratio of UAAL/covered payroll	746.5%	652.1%

Significant actuarial assumptions used by the City to determine the funded status for the year ended June 30, 2012 are as follows:

	<u>GRS</u>	<u>PFRS</u>
	Entry Age	Entry Age
	Actual Market Value	Actual Market Value
Actuarial Cost Method		
Asset Valuation Method		
Actuarial Assumptions:		
Investment Rate of Return	7.0%	7.0%
Projected Salary Increases	4.0% - 8.9%	5.0% - 9.2%
Inflation Rate	4.0%	0% for two years; 4% thereafter
Cost-of-Living Adjustments	2.25%	2.25%

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 Post-employment 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 healthcare 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 healthcare 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 healthcare benefit eligibility conditions for General City employees hired on or after 1995 are age 55 and 30 years of creditable services, or age 60 and 10 years of creditable service or age 65 and 8 years of creditable service. The City provides full healthcare 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 healthcare 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 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 coverage for a new non-City retiree spouse. Dental and vision coverage is provided for the retiree and the spouse.

The healthcare benefit eligibility conditions for Police and Fire is 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 healthcare coverage for the retiree and the spouse. The City pays up to 90 percent of healthcare

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coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for healthcare 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 healthcare coverage to General City and Police and Fire employees that opt for early retirement. For General City employees hired before 1995, the healthcare 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 healthcare coverage for the retiree and the spouse. The City pays up to 90 percent of healthcare coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for healthcare coverage for a new non-City retiree spouse. For Police and Fire employees, the healthcare 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 member and Allied DFFA members, effective March 8, 2007. The City pays up to 90 percent of healthcare coverage for the retiree and the spouse. The City pays up to 90 percent of healthcare coverage for the spouse as long as the spouse continues to receive a pension. The City does not pay for healthcare 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 healthcare coverage to General City and Police and Fire employees who meet certain healthcare 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 healthcare coverage is provided by the City for those retirees that are Medicare-Eligible. Retirees who opt out of the retiree healthcare coverage may obtain coverage at a later date.

In addition to healthcare 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 benefits paid is based upon the retiree's years of City service ranging from \$1,860 (for 8 to 10 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 19,389 retirees eligible for benefits as of June 30, 2011, the date of the most recent actuarial valuation. These plans do not issue separate financial statements.

As disclosed in Note XIII, the City of Detroit is the subject of a federal bankruptcy proceeding as of the date of this report. The recorded and disclosed balances contained within this report and the terms of the City's obligations with respect to retiree health, life and death benefits are subject to change pursuant to the City's plan of adjustment.

Under the City's proposed plan of adjustment in the Bankruptcy Case, the City intends to establish voluntary employees' beneficiary association trusts that provide life, sickness, accident, and other similar benefits to current and future retirees of the City and certain of their dependents who are eligible for benefits. Upon the effectiveness of such plan, if such plan is confirmed, the City would have no further responsibility to provide life insurance or death benefits to retirees.

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(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, 2013, is as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$ 169,468,031	\$ 24,964,828	\$ 194,432,859
Dental	8,208,956	1,767,203	9,976,159
Vision	1,352,817	69,878	1,422,695
Life Insurance	184,576	35,582	220,158
Total	<u>\$ 179,214,380</u>	<u>\$ 26,837,491</u>	<u>\$ 206,051,871</u>

Supplemental Death Benefit Plan - The cost of benefits for the supplemental plan, which is a pre-funded plan, with the funds held in the City of Detroit Employee Benefit Trust for the year ended June 30, 2013, is as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Supplemental Death Benefit	\$ 114,292	\$ 14,052	\$ 128,344

The City of Detroit Employee Benefit Trust paid death benefits in the amount of \$1,070,895 for General City retirees and \$709,776 for Police and Fire retirees for the year ended June 30, 2013.

(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 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, 2013, the amount actually contributed to the Benefit Plan, and changes in the City's net OPEB obligation for the Employee 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>	
Employee Health and Life Insurance Benefit Plan							
Annual required contributions (ARC)	\$ 285,883,809	\$ 24,370,834	\$ 26,337,664	\$ 27,588,287	\$ 812,319	\$ 114,180	\$ 365,107,093
Interest on Net OPEB Obligation	24,783,339	2,266,557	2,888,131	2,125,552	72,000	5,414	32,140,993
Adjustment to ARC	(20,652,782)	(1,888,797)	(2,406,776)	(1,771,293)	(60,000)	(4,512)	(26,784,160)
Annual OPEB Cost (Expense)	290,014,366	24,748,594	26,819,019	27,942,546	824,319	115,082	370,463,926
Contributions Made	(143,551,668)	(11,211,446)	(13,213,852)	(10,774,526)	(258,773)	(204,115)	(179,214,380)
Changes in Net OPEB Obligation	146,462,698	13,537,148	13,605,167	17,168,020	565,546	(89,033)	191,249,546
Net OPEB Obligation, beginning of year	619,583,476	56,663,918	72,203,285	53,138,799	1,800,011	135,350	803,524,839
Net OPEB Obligation, end of year	<u>\$ 766,046,174</u>	<u>\$ 70,201,066</u>	<u>\$ 85,808,452</u>	<u>\$ 70,306,819</u>	<u>\$ 2,365,557</u>	<u>\$ 46,317</u>	<u>\$ 994,774,385</u>

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The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the Employee Supplemental Death Benefit Plan, and changes in the City's net OPEB 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	
Supplemental Death Benefit Plan							
Annual required contributions (ARC)	\$ 338,759	\$ 78,983	\$ 85,358	\$ 89,411	\$ 2,633	\$ 370	\$ 595,514
Interest on Net OPEB Obligation	33,551	8,608	10,195	8,218	222	79	60,873
Adjustment to ARC	(22,367)	(5,739)	(6,797)	(5,479)	(147)	(53)	(40,582)
Annual OPEB Cost (Expense)	349,943	81,852	88,756	92,150	2,708	396	615,805
Contributions Made	(81,740)	(9,986)	(10,834)	(11,261)	(453)	(18)	(114,292)
Changes in Net OPEB Obligation	268,203	71,866	77,922	80,889	2,255	378	501,513
Net OPEB Obligation, beginning of year	671,016	172,163	203,907	164,366	4,416	1,581	1,217,449
Net OPEB Obligation, end of year	\$ 939,219	\$ 244,029	\$ 281,829	\$ 245,255	\$ 6,671	\$ 1,959	\$ 1,718,962

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation 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, 2013	\$ 370,463,926	\$ 179,214,380	48.4 %	\$ 994,774,385
	June 30, 2012	355,236,173	177,460,423	50.0	803,524,839
	June 30, 2011	327,459,412	166,181,745	50.7	625,749,089
Supplemental Death Benefit Plan	June 30, 2013	615,816	114,292	18.6	1,718,963
	June 30, 2012	609,001	200,751	33.0	1,217,448
	June 30, 2011	737,837	152,306	20.6	809,198

(d) Funded Status and Funding Progress

Employee Health and Life Insurance Benefit Plan - As of June 30, 2011, the most recent actuarial valuation date for the Benefit Plan, the actuarial accrued liability for benefits related to all current and former City employees was \$5,718,286,228, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,718,286,228. The covered payroll (annual payroll of all active City employees covered by the plan) was \$444,358,728 and the ratio of the UAAL to the covered payroll was 1,287 percent.

Supplemental Death Benefit Plan - As of June 30, 2011, the most recent actuarial valuation date for the Supplemental Plan, the actuarial accrued liability for benefits related to all current and former City employees was \$34,564,960 and the actuarial value of assets was \$25,681,765, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,883,195. The covered payroll (annual payroll of all active City employees covered by the plan) was \$444,358,728 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The 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.

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, 2013 are as follows:

	Health and Life Insurance Benefit Plan	Supplemental Death Benefit Plan
Valuation date	June 30, 2011	June 30, 2011
Actuarial cost method	Individual entry-age	Individual entry-age
Amortization method	Level percent	Level dollar
Amortization period for unfunded actuarial accrued liabilities	30 years, open	30 years, open
Asset valuation method	N/A	3 year smoothed market
Actuarial assumptions:		
Investment rate of return	4.0%	5.0%
Projected salary increases*	4.0%	N/A
Healthcare cost trend rate	8.5% for 2013 grading down to 4.5% in 2021 and 4.0% in 2022 and beyond	N/A

* Includes inflation rate of 4%

In the June 30, 2011 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 was 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 100 percent for fire for all ages.

In the June 30, 2011 actuarial valuation for the Employee Health and Life Insurance Benefit Plan, the mortality tables used by the City's plan to evaluate death benefits to be paid for retirees was 110 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.

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.

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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 currently is also self-insured for losses such as workers' compensation, legal, disability benefits, and vehicular liabilities and does not purchase stop-loss insurance.

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. The liability for workers' compensation current year claims are based on estimates and payments are based on actuals.

Changes in the reported liabilities for workers' compensation, legal, disability benefits, and vehicular liabilities for the years ended June 30, 2013 and 2012, respectively, are as follows:

	Governmental Activities		Business-type Activities	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Balance at beginning of year	\$ 128,234,257	\$ 146,717,260	\$ 22,140,309	\$ 25,420,480
Current year claims and changes				
in estimates	6,333,033	38,323,896	6,668,691	5,063,137
Claims payments	<u>(18,218,827)</u>	<u>(56,806,899)</u>	<u>(10,395,324)</u>	<u>(8,343,308)</u>
Balance at end of year	<u>\$ 116,348,463</u>	<u>\$ 128,234,257</u>	<u>\$ 18,413,676</u>	<u>\$ 22,140,309</u>

Changes in the accrued liabilities for health and dental claims for the years ended June 30, 2013 and 2012, respectively, are as follows:

	Governmental Activities		Business-type Activities	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Balance at beginning of year	\$ 26,942,025	\$ 13,793,438	\$ 1,133,760	\$ 9,403,773
Current year claims and changes				
in estimates	132,834,132	161,802,115	34,947,355	22,552,979
Claims payments	<u>(128,677,320)</u>	<u>(148,653,528)</u>	<u>(34,763,899)</u>	<u>(30,822,992)</u>
Balance at end of year	<u>\$ 31,098,837</u>	<u>\$ 26,942,025</u>	<u>\$ 1,317,216</u>	<u>\$ 1,133,760</u>

The General Fund reported committed fund balance of \$54.6 million at June 30, 2013 for the purpose of funding future claim liabilities.

NOTE XII. 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. The City uses in-house and, where necessary, outside counsel to adjudicate lawsuits. Each case is initially rated by the City supervising or senior attorney handling or overseeing the case with respect to its viability for success against the City. Only cases rated 'probable' for recovery from the City are reported for financial statement purposes. The dollar value reserved for any eventual payout on any said case is based upon the facts of the case, industry standards relative to the type of injury or damage involved, and the experience of the Supervising or Senior attorney. The legal reserve as of June 30, 2013 is a product of this analysis. The City used a third party actuary to perform a workers' compensation reserve analysis (estimated loss reserve) as June 30, 2013. The actuary used a general approach that relied upon actual loss development patterns for the City of Detroit to the extent they are available, and is augmented with industry benchmark loss development patterns based on insurance industry sources and patterns to project ultimate losses. While it is not possible to project the final outcome of these lawsuits and claims, the City and its legal department have estimated that the liability for all such litigation and claims totaled approximately \$134.8 million for the primary government as of June 30, 2013. In addition, these lawsuits and claims may be compromised and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case.

(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, 2013 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, 2013. 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, 2013, future Block Grant Funds of \$88,310,000 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.

(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.

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(f) Construction Commitments

The City has commitments for future construction contracts. Construction to date and remaining commitments at June 30, 2013 were as follows:

	Spent as of June 30, 2013	Remaining
Public Protection	\$ 54,004,748	\$ 31,795,428
Municipal Facilities	6,730,806	34,009
Recreation and Culture	1,758,760	234,008
Human Services	2,382,817	—
Municipal Services	1,267,449	2,274,086
Development and Management	1,444,968	112,123
Transportation Facilitation	—	2,000,000
Total	\$ 67,589,548	\$ 36,449,654

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 \$594 million through fiscal year 2018. 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, 2013 was approximately \$808.3 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 \$519 million through fiscal year 2018. 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, 2013 was approximately \$112.3 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:		
2014	\$	10,981,726
2015		10,932,018
2016		9,239,172
2017		7,130,008
2018		7,181,081
2019-2023		33,672,494
2024-2028		27,193,555
Total Minimum Payments	\$	106,330,054

Rental expense for all operating leases approximated \$9.2 million for the year ended June 30, 2013.

(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

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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, 2013, the City has recorded an estimated pollution remediation obligation of \$156,765 as follows:

	Total Governmental Activities
Accrued Pollution Remediation	\$ <u><u>156,765</u></u>

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 XIII. SUBSEQUENT EVENTS

(a) Bankruptcy

On July 18, 2013, the Governor delivered the Authorization Letter to the emergency manager and the State treasurer authorizing the City to commence a bankruptcy case under chapter 9 of the Bankruptcy Code. In the Authorization Letter, the Governor agreed with the emergency manager that chapter 9 offers the only feasible alternative to fix the City's finances and to complete a sustainable restructuring for the benefit of Detroit's approximately 700,000 residents. Based on the emergency manager's Recommendation Letter, the Governor determined that: (a) the City cannot meet its obligations to its citizens; (b) the City cannot meet its basic obligations to its creditors; (c) the City's failure to meet its obligations to its citizens is the primary cause of its inability to meet its obligations to its creditors; and (d) the only feasible path to ensuring the City will be able to meet obligations in the future is to have a successful restructuring under the federal bankruptcy process.

Upon receiving the Authorization Letter, the emergency manager issued an order directing the commencement of the City's chapter 9 bankruptcy case. Consistent with these approvals, on July 18, 2013, the City filed a voluntary petition under chapter 9 of the Bankruptcy Code in the Bankruptcy Court, which case is captioned In re City of Detroit, Michigan, Case No. 13-53846 (Bankr. E.D. Mich.).

On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit.

On December 5, 2013, the Bankruptcy Court entered (a) the Eligibility Order stating that the City is eligible to be a debtor under chapter 9 of the Bankruptcy Code and (b) the Order for Relief entitling the City to proceed under chapter 9.

Notices of appeal of the Eligibility Order were filed by a number of entities, all of whom also filed petitions for permission to appeal the Eligibility Order directly to the United States Court of Appeals for the Sixth Circuit (the "Sixth Circuit"). The Sixth Circuit granted these parties' petitions on February 21, 2014, and a briefing schedule has been established. All appeals of the Eligibility Order pending in the District Court have been stayed pending the Sixth Circuit's disposition of the various appeals pending before it. By law, the Bankruptcy Case is not stayed pending the resolution of the various appeals of the Eligibility Order.

Under chapter 9 of the Bankruptcy Code, actions by creditors to collect indebtedness the City owed prior to the Petition Date were stayed, and certain other pre-petition contractual obligations may not be enforced against the City. The chapter 9 filing has enabled the City to continue to operate and provide services to its residents by freezing certain pre-petition debts until a plan of adjustment can be approved. The City has been paying certain pre-petition liabilities, including certain employee salaries, wages, benefits, and other obligations, during the Bankruptcy Case. Other unsecured obligations owed by the City at July 18, 2013 are subject to compromise in the bankruptcy process. The City has stopped making payments related to unsecured funded debt and legacy liabilities, with the exception of retiree healthcare benefits and certain vendors providing essential goods and services.

Since filing the Bankruptcy Case, the emergency manager has coordinated the City's legal strategy related to bankruptcy with his professional advisors. Certain of the primary activities to date in the Bankruptcy Case are summarized below:

Administrative Matters

Since the Petition Date, the emergency manager has taken steps to preserve the benefits and protections afforded by the automatic stay imposed by sections 362 and 922 of the Bankruptcy Code (the "Chapter 9 Stay"). For example, at the outset of the Bankruptcy Case, the City obtained orders of the Bankruptcy Court (a) confirming the application of the Chapter 9 Stay to the City and its officers and inhabitants and (b) extending the protections of the Chapter 9 Stay to, among others, non-director City employees and certain State officials.

Upon a motion filed by the City, the Bankruptcy Court entered an order on November 21, 2013 establishing certain bar dates for the filing of proof of claims. Also upon a motion of the City, the Bankruptcy Court entered an order on December 24, 2013, approving certain alternative dispute resolution procedures to facilitate the resolution of certain contingent, unliquidated and/or disputed claims against the City that arose prior to the Petition Date. The City's proposed plan of adjustment establishes a claims resolution process that will enable the City to resolve the claims that will be addressed pursuant to such plan.

Retiree Committee

Since the Petition Date, the emergency manager has continued to participate in negotiations with the City's creditors and other interested parties with the goal of reaching consensus, to the fullest extent possible, on the terms of a plan of adjustment. In support of these discussions, at the outset of the Bankruptcy Case, the City requested the appointment of an official committee of retired employees (the "Retiree Committee") to represent the interests of retirees in these negotiations. Prior to the commencement of the Bankruptcy Case, no single party was empowered to represent all of the City's retirees, who hold billions of dollars of legacy claims that must be addressed in any restructuring. On August 2, 2013, the Bankruptcy Court entered an order directing the appointment of the Retiree Committee, which was formed on August 22, 2013. Since that time, the City has conducted discussions with the Retiree Committee and its advisors regarding the City's restructuring and the treatment of retirees' claims, which discussions have resulted in an agreement with respect to retiree claims for pension and medical benefits under the plan of adjustment.

Swap Settlement

Prior to the Petition Date, the emergency manager reached a consensual resolution with the counterparties to the City's interest rate swap agreements (the "Swap Counterparties") that would, among other things, allow the City to terminate its obligations under the swap agreements in exchange for approximately \$235.0 million (the "Settlement Payment"). This agreement was memorialized in a Forbearance and Optional Termination Agreement (the "FOTA") between the City and the Swap Counterparties. On the Petition Date, the City filed a motion with the Bankruptcy Court to assume the FOTA under section 365 of the Bankruptcy Code and approve the parties' settlement under Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Settlement Motion"). There was significant opposition to the Settlement Motion, which resulted in litigation regarding,

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among other things, the appropriateness of the compromises in the FOTA, the Swap Counterparties' ability to consummate the FOTA and the City's ability to make the Settlement Payment. An evidentiary hearing on the Settlement Motion commenced on December 17, 2013. On December 18, 2013, the Bankruptcy Court ordered the City and the Swap Counterparties back to mediation to discuss a reduction of the Settlement Payment. On December 24, 2013, the parties agreed to fix the Settlement Payment at the reduced amount of \$165 million. The hearing on the Settlement Motion was concluded on January 13, 2014, and, on January 17, 2014, the Bankruptcy Court issued an order denying the Settlement Motion. On February 6, 2014, the City filed a notice of termination of the FOTA.

After the termination of the FOTA, the City continued to negotiate with the Swap Counterparties in an effort to reduce the City's obligations under the swap agreements. These negotiations resulted in the parties' agreement on the principal terms of a settlement and plan support agreement pursuant to which, among other things, the City will pay, over time, the aggregate sum of \$85 million in full satisfaction of the claims between the parties (the "Plan Support Agreement"). On March 3, 2014, the City filed a motion seeking the Bankruptcy Court's approval of the Plan Support Agreement pursuant to section 105(a) of the Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Renewed Settlement Motion"). On April 15, 2014, the Bankruptcy Court entered an order approving the Renewed Settlement Motion, which order was subsequently appealed by certain parties in interest.

Mediation

The Bankruptcy Court established a mediation program to facilitate the negotiation of restructuring issues. In particular, Judge Rhodes appointed Judge Gerald E. Rosen, Chief Judge for the United States District Court for the Eastern District of Michigan, as the lead mediator for the City's Bankruptcy Case. In turn, Judge Rosen appointed six additional mediators, each focusing on different elements of the City's restructuring and reorganization activities. To date there have been multiple mediation sessions and numerous written submissions related to, among other things, the City's core restructuring initiatives outlined in the City of Detroit Proposal for Creditors, dated June 14, 2013; issues arising in connection with the City's general obligation debt; labor and pension matters; and matters related to the future of the DWSD.

POC Litigation

On January 31, 2014, the City commenced an adversary proceeding in the Bankruptcy Court by filing a complaint against the Service Corporations and the funding trusts (the "Funding Trusts") that issued the POCs, alleging that the 2005 and 2006 transactions and agreements resulting in the sale of the POCs to the public was invalid, illegal and unenforceable because the \$1.5 billion of debt incurred by the City exceeded the City's statutory debt limit and was not incurred in conformity with other state laws. The complaint seeks (a) a declaratory judgment that the POC transactions are illegal, void and of no effect whatsoever; (b) a declaratory judgment that any Claims based on the City's obligations under the Service Contracts on account of the POCs should be disallowed pursuant to 11 U.S.C. § 502(b)(1); and (c) an injunction prohibiting the defendants from taking any action to require the City to make payments or provide distributions under a plan of adjustment on account of the POCs.

The Funding Trusts answered the complaint on March 17, 2014, (a) denying the City's allegations that the POC transactions caused the City to exceed its statutory debt limit and created debt not in conformity with other state laws, (b) raising several affirmative defenses and (c) asserting several counterclaims against the City. On April 10, 2014, the City moved to dismiss substantially all of the counterclaims brought by the Funding Trusts. Also on March 17, 2014, motions to intervene in the adversary proceeding were filed by Financial Guarantee Insurance Company, an insurer of the POCs, and several POC holders. On April 10, 2014, the Service Corporations moved to dismiss the complaint as to them, arguing primarily that the City lacked standing to bring suit against the Service Corporations. A hearing was held on the motions to intervene and the Service Corporations' motion to dismiss on May 15, 2014. On June 30, 2014, the Bankruptcy Court entered an order denying the Service Corporations' motion to dismiss and granting the motions to intervene for the limited purpose of defending against the City's claims in the complaint.

Plan of Adjustment

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. On February 21, 2014, the City filed its plan of adjustment and a related disclosure statement. On March 31, 2014, the City filed its amended plan of adjustment and amended disclosure statement. On April 16, 2014, the City filed its second amended plan of adjustment and second amended disclosure statement. On April 25, 2014, the City filed its third amended plan of adjustment and third amended disclosure statement. On May 5, 2014, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also on May 5, 2014, the Bankruptcy Court entered an order approving the disclosure statement and the mailing of the disclosure statement and plan of adjustment to creditors to vote on. The plan of adjustment (as it has been and may be further amended, modified, or supplemented, the "Plan") is subject to further change.

On July 21, 2014, Kurtzman Carson Consultants LLC filed a declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Those impaired classes that voted to accept the Plan included the PFRS pension claims, GRS pension claims, OPEB claims, COP Swap claims and Unlimited Tax General Obligation Bond claims. Those impaired classes that voted to reject the Plan included the COP claims and certain classes of DWSD debt. A hearing to consider confirmation of the Plan is scheduled to commence on August 14, 2014. The Plan is subject to challenge by creditors or to modification made as the result of issues that may be raised by the Bankruptcy Court. Copies of the Plan and the related disclosure statement can be found on the City's website at: <http://www.detroitmi.gov/EmergencyManager/BankruptcyChapter9.aspx>.

The Plan provides a framework to restructure the City's long-term obligations such that the City can exit bankruptcy and return to fiscal stability. It provides for the adjustment of secured and unsecured debt and outlines proposed reinvestment initiatives. The Plan proposes that unsecured non-retiree creditors with whom the City has not reached a settlement generally will receive an approximately 10%-13% recovery on their claims. The Plan also proposes for the City to invest approximately \$1.4 billion over 10 years to, among other things: (1) comprehensively address and remediate residential urban blight, (2) improve the operating performance and infrastructure of its police, fire, EMS and transportation departments (among other departments), (3) modernize its information technology systems on a City-wide basis and (4) improve services at all levels to Detroit's citizens.

The Plan includes settlements that the City believes will inure to the benefit of the City's creditors and its residents. The City settled controversial and sensitive issues relating to the Detroit Institute of Arts, which settlement is expected to yield at least \$466 million to provide a source of recovery for the approximately 33,000 individuals who participate in the City's two Retirement Systems. The State of Michigan is also participating in this settlement and will contribute the value of \$350 million to the City's two retirement systems in exchange for, among other things, the receipt of releases from pension claimants.

The Plan also proposes a reduction in health care benefits for retirees. The Plan provides for the establishment of two VEBAs (Voluntary Employees Beneficiary Association) in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, that would provide health care, life and other benefits to beneficiaries and certain of their dependents. The "Detroit Police and Fire VEBA" would be established for retired police and fire uniform employees and the "Detroit General VEBA" would be established for the retirees in the General Retirement System. The two VEBAs will each be governed by a board of trustees who will be responsible for management of the assets held by the VEBA, administration, and determination of the level of distribution of benefits to the beneficiaries. The Plan contemplates that the City will distribute to both VEBAs an appropriate share of New B Notes, which will be issued pursuant to the Plan. Under the Plan, the City will have no responsibility following the effectiveness thereof to provide life insurance or death benefits to current or former employees.

The total gain expected to occur by adjusting the City's debts pursuant to the proposed Plan is not reasonably measured or estimated, given that settlements with all creditors have not been reached and the Plan has not been confirmed by the Bankruptcy Court as of the date of this report. The Plan does not contemplate termination of services, discontinuance of operations, or termination of the City.

UTGO Settlement

On April 9, 2014, the City and three bond insurers agreed to a settlement in principle regarding the unlimited tax general obligation bonds (UTGO) that they insure, which UTGO bonds had a total principal value of \$369.1 million at June 30, 2013. The settlement, which is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019, would resolve, among other disputes, certain litigation pending in the Bankruptcy Court regarding the UTGO bonds. Pursuant to the settlement, holders of UTGO bonds will transfer a portion of such bonds having a principal amount of \$287.5 million in consideration for \$279.6 million of new UTGO bonds issued by the Michigan Finance Authority. The insurers of the prior UTGO bonds will receive \$7.9 million of the new UTGO bonds which will aggregate \$287.5 million in principal amount. The new bonds will be secured by the City's pledge of UTGO bond ad valorem tax levy and the distributable state aid (DSA) that the City is entitled to receive. The City's plan of adjustment, if approved, will provide that the proceeds of ad valorem taxes pledged and collected to pay the remaining principal and related interest of the original UTGO bonds — which will remain outstanding and not be exchanged for new bonds — will be assigned by the Plan to support the City's two pension plans primarily for additional distributions to those retirees who meet certain income eligibility criteria.

Pension Settlements

The Plan provides that, on the effective date of the Plan, the City will assume the obligations related to the already accrued benefits under the GRS pension plan and the PFRS pension plan as those benefits will have been modified in the Plan. This means that the City will not seek to terminate the GRS or the PFRS, although their respective pension plans will be closed to new participants, and vested active employees will not continue to accrue additional pension benefits under the terms and conditions of the current plans, i.e., the two plans will be "frozen." The City will continue to retain the responsibility to fund all amounts necessary to provide the adjusted (reduced) pension benefits to its employees and retirees who will have accrued benefits in either of the GRS or PFRS pension plans as of the effective date of the Plan, although the City's contributions will be fixed during the period ending June 30, 2023. Thereafter, the City will be required to contribute all amounts necessary to fund the modified accrued pensions regardless of the actual future investment performance of the pension plan assets. Although, pursuant to the Plan, the City will provide necessary funding to support the reduced pension benefit levels, the level of funding necessary to support those reduced pension benefits will depend upon, among other things, future actuarial assumptions, changes in retiree mortality and investment returns. Using the assumptions adopted by the City in proposing the Plan, between 2024 and 2053, the City will contribute approximately \$2.816 billion, the present value of which is approximately \$1.038 billion.

To reduce the risk that the City has experienced from the past investment and discretionary benefit allowance practices of the GRS and PFRS pension funds, which contributed to the current underfunding in each of the pension funds, and to ensure that pension funding obligations do not impair the Plan objective of assuring that the City will have sufficient funds to operate and to improve infrastructure and public safety, the City has developed the following pension restructuring approach: (a) the City has set a goal of achieving a 70% and 75% funded status for GRS and PFRS, respectively, based upon an assumed investment rate of return of 6.75%, by June 30, 2023 and based further on the market value of assets, not a smoothed value of assets; and (b) the City has determined the cash contributions it can reasonably afford to make to each pension plan during the period ending June 30, 2023. Based on these parameters, which were chosen to achieve predictable pension contributions over the long term and sufficient pension funding to provide benefits as modified, and to align the City's required future cash contributions to the plans with its reasonably projected revenues, the City has determined what pension benefit cuts are necessary from the participants in each pension plan.

Under the Plan, claims against the City are divided into different classes. Claims related to PFRS pensions are in Class 10. Claims related to GRS pensions are in Class 11. Specifically, the calculation of the amounts of the allowed PFRS pension claims in Class 10 and the allowed GRS pension claims in Class 11 utilizes among, other assumptions, a 6.75% discount rate to value liabilities and a 6.75% investment return rate for future growth rate of assets. This investment return rate is less than (a) the net 8% investment return rate historically utilized by PFRS in calculating the actual underfunding of the PFRS pension plan and (b) the net 7.9% investment return rate historically utilized by GRS in calculating the actuarial underfunding of the GRS pension plan. In both cases the City has utilized the lower rate as a measure to ensure that both GRS and PFRS utilize

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prudent and conservative investment policies going forward to protect the assets in both pension plans from unnecessary and imprudent risk of depletion to the detriment of the plan beneficiaries and also to insulate the City — given its limited cash resources — from unforeseen and unbudgeted increases in required future contributions to the pension plans that could cause the City to experience budget deficits in the future.

With respect to PFRS pension claims, the Plan provides for two alternatives for pension benefits. The Plan will not reduce monthly pension payments for holders of PFRS pension claims, but it will either reduce annual cost of-living adjustments ("COLAs" or "escalators") by 55% or eliminate them entirely, depending upon whether certain outside funding is received from the settlement with the State (the "State Settlement") and the settlement regarding the Detroit Institute of Arts (the "DIA Settlement"). The State Settlement and the DIA Settlement are subject to a number of conditions precedent, including, but not limited to, the retirees of both pension systems voting to accept the Plan. As noted above, holders of PFRS pension claims voted to accept the Plan.

Similarly, with respect to GRS pension claims, the Plan provides for two alternatives for pension benefits. If the outside funding is received from the State Settlement and the DIA Settlement, monthly GRS pension benefits will be reduced by 4.5% and COLAs will be eliminated. If the outside funding from the State Settlement and the DIA Settlement is not received, monthly GRS pension benefits will be reduced by 27% and COLAs will be eliminated. In either case, holders of GRS pension claims who participated in the Annuity Savings Fund during the period July 1, 2003 to June 30, 2013, also will be subject to the recoupment by the City of excess interest credited to Annuity Savings Funds accounts during that period. As noted above, holders of GRS pension claims voted to accept the Plan. The State Settlement and DIA Settlement remain subject to a number of other conditions precedent.

Pursuant to the DIA Settlement, (a) certain charitable foundations and funders of the non-profit corporation ("DIA Corp.") that operates the Detroit Institute of Arts (collectively with DIA Corp., the "DIA Funding Parties") have committed to assist in the funding of the City's restructured legacy pension obligations and (b) the City has agreed to enter into certain transactions that will cause the DIA assets to remain in the City in perpetuity and to otherwise make the DIA assets available for the benefit of the residents on the City and State of Michigan. The DIA Settlement will be funded as follows: (a) an irrevocable commitment of at least \$366 million by the charitable foundations; and (b) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA Corp. to raise at least \$100 million from its donors, the payment of which \$100 million will be guaranteed by DIA Corp. Upon the closing of the DIA Settlement transaction, the City shall irrevocably transfer the DIA assets to the DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and citizens of the State.

On the effective date of the Plan, if the conditions precedent to the State Settlement are satisfied or otherwise addressed, the City and the State will consummate the State Settlement. On the later of (a) the date on which the conditions precedent set forth in the definitive documents governing the State Settlement have been satisfied or (b) 60 days after the effective date of the Plan, the State or the State's authorized agent will contribute the net present value of \$350 million using a discount rate of 6.75% to GRS and PFRS for the benefit of the holders of pension claims. The State Settlement requires that the Plan provide for the release of the State and certain related entities by each holder of a pension claim from all liabilities arising from or related to the City and the Bankruptcy Case.

The consummation of both the DIA Settlement and the State Settlement are subject to a number of conditions, as set forth in the Plan. If the DIA Settlement or State Settlement is not consummated, the treatment of pension claims in Classes 10 and 11 under the Plan will reflect larger cuts to pension benefits

Actuarial Assumptions of the City versus the Retirement Systems for the Actuarial Calculation of the UAAL

The unfunded actuarial accrued liability ("UAAL") with respect to the GRS plan and PFRS plans is based on the Retirement Systems' actuarial valuations. The City believes that the UAAL amounts reported by the Retirement Systems were based on various actuarial assumptions and methods that were favorable to reducing the City's required contributions to the Systems. The assumptions are further discussed in Note IX (f) and (g) and included: (1) annual rates of return on investments (GRS – 7.9%; PFRS – 8.0%) that were overly optimistic

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For the Year Ended June 30, 2013

in light of the Retirement Systems' diverse mix of assets/investments and the inability of the City to budget for and fund pension investment loss in the event that investment returns were not achieved; (2) the "smoothing" (reallocation over a period of years) of asset gains and losses over a seven-year period, which masks the funding shortfall; and (3) the use of 29-year (PFRS) and 30-year (GRS) amortization periods for funding UAAL – which is applied anew each year to the full amount of unfunded liability – that allows unfunded liabilities to continue to grow rapidly as a result of the compounding effect.

As set forth in the City's disclosure statement with respect to its proposed plan of adjustment, the City estimated that the combined UAAL for the Retirement Systems was \$3.474 billion as of June 30, 2013, consisting of \$2.037 billion in UAAL for GRS and \$1.437 billion in UAAL for PFRS. The City's actuary, Milliman Inc., calculated this UAAL using the June 30, 2012 actuarial valuations performed by the Retirement Systems, rolling forward the actuarial accrued liability to June 30, 2013 using the City's actuarial assumptions discussed in the previous paragraph, and using the actual market fair value of the Retirement Systems' assets as of June 30, 2013.

Liabilities Subject to Compromise

Unsecured obligations owed by the City at July 18, 2013 are subject to compromise in the bankruptcy process. Liabilities subject to compromise at June 30, 2013 include the following:

	Total Governmental Activities	Business-type Activities				Non-Major Proprietary Fund	Total Primary Government (a)
		Sewage Disposal Fund	Transportation Fund	Water Fund	Automobile Parking Fund		
Long-Term Obligations Subject to Compromise							
Unfunded Actuarial Accrued Liability GRS (Note IX (f))	341,752,000	163,542,720	140,583,000	157,129,280	-		803,007,000
Unfunded Actuarial Accrued Liability PFRS (Note IX (f))	147,216,398						147,216,398
OPEB Employee Health and Life Insurance Benefit Plan (Note X (d))	4,435,014,878	394,762,645	426,621,672	446,879,462	13,158,072	1,849,499	5,718,286,228
OPEB Supplemental Death Benefit Plan (Note X (d))	5,034,167	1,184,046	1,279,604	1,340,365	39,466	5,547	8,883,195
General Obligation Bonds Unlimited Tax (Note VII (b))	369,115,000						369,115,000
General Obligation Bonds Limited Tax (Note VII (b))	155,511,968		5,458,032				160,970,000
Revenue Bonds (Note VII (c))		2,824,494,316		2,524,775,000	-		5,349,269,316
POC (Note VII (g))	1,180,285,236	89,079,643	103,935,832	78,604,289			1,451,905,000
Notes & Loans Payable (Note VII (a) and (e))	33,600,000						33,600,000
Accrued Compensated Absences (Note VII (a))	66,500,292	1,194,979	3,436,935	10,622,865	179,633	17,349	81,952,053
Accrued Workers Compensation (Note VII (a))	61,849,000	3,293,000	4,302,693	9,590,000	597,000	81,000	79,712,693
Capital Leases Payable (Note VII (a) and (f))			8,243,938				8,243,938
Claims and Judgements (Note VII (g))	54,499,463	190,000		243,986	113,997	2,000	55,049,446
Accrued Pollution Remediation (Note VII (a))	156,765						156,765
Total Long-Term Obligations Subject to Compromise	6,850,535,167	3,477,741,349	693,861,706	3,229,185,247	14,088,168	1,955,395	14,267,367,032
Current Obligations Subject to Compromise							
Accounts Payable	50,176,837	50,488,376	9,010,130	23,947,479	349,573	102,394	134,074,789
Accrued Liabilities	53,467,821						53,467,821
Accrued Interest Payable	30,143,758	70,858,984	1,737,106	66,454,704	237,550		169,432,102
Due to Other Governmental Agencies	130,821,685					2,234	130,823,919
Due to Fiduciary Funds	141,316,438		13,631,878	25,278	621,640	503,834	156,099,068
Due to Component Units	9,125,372						9,125,372
Deposits and Refunds	14,172,507						14,172,507
Swap Liability	239,677,971	18,581,500	21,739,808	16,489,465			296,488,744
Other Liabilities	15,060,102	23,327,269		13,592,704	658,573	2,054,629	55,293,277
Total Current Obligations Subject to Compromise	684,562,491	163,256,129	46,116,922	120,509,630	1,867,336	2,863,091	1,018,977,599

(a) Liabilities related to component units have been excluded from this table

Amounts that the City recorded as liabilities subject to compromise are in many instances different from amounts filed by the creditors. Differences between amounts scheduled by the City and claims filed by the creditors are being investigated and will be resolved in connection with the claims reconciliation process. Until the process is complete, the ultimate number and amount of allowable claims cannot be ascertained. In this regard, it should be noted that the claims reconciliation process may result in adjustments to current estimates of allowable claims. Although the City currently believes the liability amounts are fairly represented, the ultimate resolution of these claims will be based upon the final plan of adjustment confirmed by the Bankruptcy Court.

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Bonds Subject to Compromise

Listed below are the General Obligation Unlimited Tax, General Obligation Limited Tax and Revenue bonds that are subject to compromise.

	Balance		Balance
	<u>June 30, 2013</u>		<u>June 30, 2013</u>
Governmental Activities			
General Obligation Bonds - Unlimited Tax (Note VII (b)):		General Obligation Bonds - Limited Tax (Note VII (b)):	
Series 1999-A	18,470,000	Self-Insurance Bonds:	
Series 2001-A(1)	77,600,000	Series 2004	13,000,000
Series 2001-B	4,000,000	General Obligation:	
Series 2002	6,645,000	Series 2005-A(1)	7,720,000
Series 2003-A	—	Series 2005-A(1)	52,175,000
Series 2003-A	34,380,000	Series 2005-A(2)	1,460,000
Series 2004-A(1)	39,270,000	Series 2005-A(2)	9,475,000
Series 2004-B(1)	8,275,000	Series 2005-B	1,935,000
Series 2004-B(1)	29,365,000	Series 2005-B	6,940,000
Series 2004-B(2)	725,000	Series 2008-A(1)	37,806,968
Series 2005-B	6,875,000	Series 2008-A(2)	25,000,000
Series 2005-B	37,920,000		<u>155,511,968</u>
Series 2005-C	7,605,000		
Series 2005-C	10,795,000		
Series 2008-A	15,120,000		
Series 2008-A	43,510,000		
Series 2008-B(1)	28,560,000		
	<u>369,115,000</u>		

(Continued)

City of Detroit, Michigan
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	Balance June 30, 2013		Balance June 30, 2013
Business-type Activities			
Transportation Fund:		Water Fund:	
General Obligation Bonds - Limited Tax (note VII (b)):		Water Supply System Revenue Bonds (Note VII [c]):	
Series 2008-A(1)	5,458,032	Series 1993	24,725,000
		Series 1997-A	13,430,000
		Series 1999-A	—
Sewage Disposal Fund:		Series 2001-A	73,790,000
Sewage Disposal System Revenue Bonds Note VII [c]:		Series 2001-C	2,240,000
Series 1998-A	16,435,000	Series 2001-C	186,350,000
Series 1998-A	49,075,000	Series 2003-A	178,785,000
Series 1998-B	16,505,000	Series 2003-B	41,770,000
Series 1998-B	48,770,000	Series 2003-C	4,335,000
Series 1999-A	—	Series 2003-C	25,325,000
Series 1999-A	61,429,316	Series 2003-D	1,320,000
Series 2001-B	110,550,000	Series 2003-D	139,575,000
Series 2001-C (1)	4,410,000	Series 2004-A	17,520,000
Series 2001-C (1)	148,510,000	Series 2004-A	55,165,000
Series 2001-C (2)	2,020,000	Series 2004-B	29,975,000
Series 2001-C (2)	119,630,000	Series 2004-B	100,990,000
Series 2001-D	21,300,000	Series 2005-A	6,375,000
Series 2001-E	136,150,000	Series 2005-A	84,035,000
Series 2003-A	70,450,000	Series 2005-B	13,525,000
Series 2003-A	128,940,000	Series 2005-B	175,830,000
Series 2003-B	150,000,000	Series 2005-C	21,090,000
Series 2004-A	67,755,000	Series 2005-C	90,200,000
Series 2005-A	1,820,000	Series 2006-A	26,900,000
Series 2005-A	236,770,000	Series 2006-A	237,205,000
Series 2005-B	37,195,000	Series 2006-B	700,000
Series 2005-C	12,425,000	Series 2006-B	119,100,000
Series 2005-C	41,095,000	Series 2006-C	9,655,000
Series 2006-A	123,655,000	Series 2006-C	208,060,000
Series 2006-B	6,335,000	Series 2006-D	1,760,000
Series 2006-B	238,150,000	Series 2006-D	142,160,000
Series 2006-C	8,495,000	Series 2011-A	32,380,000
Series 2006-C	18,065,000	Series 2011-A	341,710,000
Series 2006-D	288,780,000	Series 2011-B	6,390,000
Series 2012-A	95,445,000	Series 2011-B	9,740,000
Series 2012-A	564,335,000	Series 2011-C	2,700,000
	2,824,494,316	Series 2011-C	99,965,000
			2,524,775,000

(b) Debt Ratings

On July 18, 2013, Standard & Poor's downgraded the City's UGTO rating from "CC" to "C". On October 2, 2013, Standard & Poor's downgraded the City's UTGO rating from "C" to "D". On September 30, 2013, Fitch downgraded the City's UGTO and LGTO ratings from "C" to "D".

On July 3, 2013, Standard & Poor's downgraded the rating on the Water and Sewage Disposal Funds on the senior lien and second lien revenue bonds to "BB-" and then again lowered the rating on March 25, 2014, to a "CCC". On February 28, 2014, Fitch downgraded the Water and Sewage Fund revenue bonds. Senior lien Water Fund revenue bonds were downgraded to "BB+" from "BBB+". Water Fund second lien revenue bonds were downgraded to "BB" from "BBB". Sewage Disposal Fund senior lien revenue bonds were downgraded to

"BB+" from "BBB+". Sewage Disposal Fund second lien revenue bonds were downgraded to "BB" from "BBB".

(c) New Debt Issues

The Sewage Disposal Fund intends to issue up to \$350.0 million of revenue bonds for the purpose of paying all or part of the cost of acquiring and constructing facilities, replacements, extensions, improvements and repairs to the Sewage Disposal System.

The City issued \$120.0 million of State of Michigan Financial Recovery bonds on April 8, 2014. The proceeds will be used to enhance City services to improve the quality of life of the City's citizens. Planned uses include public safety improvements including purchasing new police cars, hiring new police officers, upgrading technology and equipment, and blight removal. The maturity date of the bonds is the earliest of (a) the date that is two years and six months after the closing date; (b) the effective date of a confirmed plan of adjustment filed in the Bankruptcy Case; (c) the acceleration of the bonds under the revised bond documents; and (d) dismissal of the Bankruptcy Case.

(d) Other

Belle Isle Park Lease

On September 30, 2013, the City and State of Michigan, by its Department of Natural Resources (DNR), entered into a lease of the Belle Isle Park. The State will manage and operate Belle Isle Park as a State park subject to the rules and regulations of the DNR regarding State parks. No cash rental consideration is being paid by the State; however, the management, operation and maintenance services provided by the DNR during the lease term is the consideration being provided to the City for the lease. It is expected that the lease will save the City approximately \$6.0 million each fiscal year of the lease. The DNR will retain all revenue derived from management of the Park and may only use such revenue for the operation and improvement of the Park. The term of the lease is 30 years with two 15-year renewal periods.

Privatization of Waste Disposal and Recycling Services

In February 2014, the City entered into agreements with two private contractors to provide waste disposal and recycling services for the City. The City has been divided into two sections for these services - the Eastside and Westside, with each contractor assigned a section to provide the services in. The contract terms are for five years. The contractors commenced providing services pursuant to the contracts on May 5, 2014 (Eastside) and June 2, 2014 (Westside).

Retiree Health Coverage

Effective March 1, 2014, the City no longer provides coverage to retirees who were not eligible for Medicare. City retirees who were not eligible for Medicare were required to purchase insurance through an exchange under the Affordable Care Act unless they had access to Medicaid or coverage provided by another employer.

Amended Financial Stability Agreement

On November 26, 2013, the Governor of the State of Michigan approved an amended Financial Stability Agreement (FSA) between the City and the State Treasury Department. The amended FSA includes the following: (1) Financial Advisory Board (FAB) will assist the City in achieving and maintaining financial stability; (2) Chief Financial Officer (CFO) will supervise all finance and Budget activities of the City; and (3) revenue estimating conferences will be held twice each year. The FAB will serve in an advisory capacity to the emergency manager. The CFO will report monthly to the FAB. The amended FSA also requires a Triennial Budget beginning with the fiscal year 2015 budget.

Joe Louis Arena and Joe Louis Arena Parking Facility - Lease Agreement

On March 31, 2014, the Detroit City Council approved a lease between the City, Olympia Entertainment and the Detroit Red Wings for the rental of the Joe Louis Arena and the Joe Louis Arena Parking Facility, effective as of July 1, 2010 and ending on June 30, 2015. The agreement may be extended for up to five more years. The agreement also includes a \$5.2 million settlement payable to the City in six equal installments over a three year period for all claims that all parties may have against the other related to the original lease (effective from August 16, 1978 to June 30, 2010) and the original parking agreement, and the new lease and the new parking agreement up through their dates of execution (July 1, 2010 through April 1, 2014). Accordingly, the City has recognized \$5.2 million accounts receivable and \$5.2 million deferred revenue on the General Fund balance sheet and \$5.1 million of revenue and \$.1 million of deferred revenue on the government wide statements at June 30, 2013. In addition, the General Fund reduced the Parking Fund Advance of \$9,225,006 by the \$5,175,000 settlement amount to \$4,050,006. The Automobile Parking Fund recognized an asset impairment loss of \$9.7 million for the year ended June 30, 2013 to write down the life of the parking garage to the end of the new lease term (June 30, 2015).

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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. All budgets are adopted at the function level within a department, the legal level of budgetary control.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes, Assessments, Interest, and Penalties:				
Property Taxes	\$ 124,266,000	\$ 124,266,000	\$ 132,755,307	\$ 8,489,307
Municipal Income Tax	228,000,000	225,196,915	248,017,356	22,820,441
Utility Users' Tax	42,000,000	42,000,000	35,299,844	(6,700,156)
Wagering Taxes	171,000,000	171,000,000	174,599,992	3,599,992
Other Taxes and Assessments	8,759,911	10,948,494	11,689,666	741,172
Interest and Penalties on Taxes	4,300,000	4,300,000	924,928	(3,375,072)
Total Taxes, Assessments, Interest, and Penalties	<u>578,325,911</u>	<u>577,711,409</u>	<u>603,287,093</u>	<u>25,575,684</u>
Licenses, Permits, and Inspection Charges:				
Business Licenses	3,591,895	3,591,895	2,388,967	(1,202,928)
Permits	645,500	645,500	1,216,100	570,600
Inspection Charges	5,287,083	5,287,083	7,002,368	1,715,285
Other Licenses	30,000	29,950	57,725	27,775
Total Licenses, Permits, and Inspection Charges	<u>9,554,478</u>	<u>9,554,428</u>	<u>10,665,160</u>	<u>1,110,732</u>
Intergovernmental:				
Federal	11,697,433	30,104,436	47,517,680	17,413,244
State:				
State Shared Revenue	171,821,228	171,821,228	182,454,314	10,633,086
State Returnable Liquor License Fees	500,000	500,000	604,206	104,206
Other State Sourced Revenue	2,089,400	116,007,496	6,202,375	(109,805,121)
Other	9,742,442	92,473,796	2,788,419	(89,685,377)
Total Intergovernmental	<u>195,850,503</u>	<u>410,906,956</u>	<u>239,566,994</u>	<u>(171,339,962)</u>
Sales and Charges for Services:				
Maintenance and Construction	74,124	74,124	—	(74,124)
Other Labor and Materials	65,582	65,582	—	(65,582)
Electrical	45,922,486	45,922,486	50,330,387	4,407,901
Steam	81,101	81,101	846,331	765,230
Recreation Fees	23,000	23,000	77,431	54,431
Collection Fees	5,444,148	5,474,148	4,549,166	(924,982)
Other Fees	47,733,319	44,960,723	38,545,100	(6,415,623)
Personal Services	38,938,185	39,121,496	26,431,530	(12,689,966)
Other Departmental Sales	89,252,590	94,685,876	17,837,760	(76,848,116)
Total Sales and Charges for Services	<u>227,534,535</u>	<u>230,408,536</u>	<u>138,617,705</u>	<u>(91,790,831)</u>
Ordinance Fines and Forfeitures	16,509,000	16,509,000	18,941,254	2,432,254
Revenue from Use of Assets:				
Investment Earnings	500,000	299,296	(532,986)	(832,282)
Real Estate Rentals	2,828,511	2,928,511	3,894,633	966,122
Concessions	277,568	277,568	271,111	(6,457)
Sale of Real Property	1,700,000	2,213,814	7,851,604	5,637,790
Total Revenue from Use of Assets	<u>5,306,079</u>	<u>5,719,189</u>	<u>11,484,362</u>	<u>5,765,173</u>
Other Revenue	138,080,261	219,783,214	20,750,950	(199,032,264)
Total Revenues	<u>1,171,160,767</u>	<u>1,470,592,732</u>	<u>1,043,313,518</u>	<u>(427,279,214)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Public Protection:				
Consumer Affairs	\$ —	\$ 450	\$ 3	\$ 447
Construction Code	—	—	1,541,443	(1,541,443)
Fire	159,954,156	193,840,673	129,992,981	63,847,692
Human Rights	724,258	752,597	642,967	109,630
Ombudsperson	592,292	922,572	857,770	64,802
Parking Enforcement	6,314,424	6,685,871	6,158,096	527,775
Police	338,333,125	388,084,709	280,679,278	107,405,431
Office of the Inspector General	592,292	978,364	525,742	452,622
Detroit Office of Homeland Security	—	11,551,686	2,098,614	9,453,072
36th District Court	31,033,117	31,218,850	29,925,896	1,292,954
Total Public Protection	537,543,664	634,035,772	452,422,790	181,612,982
Department of Health	7,030,000	113,431,964	32,705,761	80,726,203
Recreation and Culture:				
Culture, Arts, and Tourism	—	974,536	8,177	966,359
Historical	—	26,176	—	26,176
Recreation	12,118,611	23,754,934	13,141,022	10,613,912
Senior Citizens	—	790,539	—	790,539
Zoological Institute	—	1,472	—	1,472
Total Recreation and Culture	12,118,611	25,547,657	13,149,199	12,398,458
Economic Development — Civic Center	—	130,527	—	130,527
Housing Supply and Conditions -				
Planning and Development	2,051,600	11,371,329	4,188,991	7,182,338
Total Housing Supply and Conditions	2,051,600	11,371,329	4,188,991	7,182,338
Physical Environment:				
Environmental Affairs	—	1,059,544	—	1,059,544
Public Lighting	56,655,938	62,017,096	60,252,643	1,764,453
Public Works	2,156,899	4,024,577	8,015,940	(3,991,363)
Total Physical Environment	58,812,837	67,101,217	68,268,583	(1,167,366)
Development and Management:				
Auditor General	2,942,305	2,978,758	2,863,694	115,064
Budget	2,023,517	2,226,598	2,038,189	188,409
City Clerk	2,395,070	2,134,555	2,077,956	56,599
City Council	10,626,613	10,969,246	9,684,060	1,285,186
Communications and Creative Services	—	671	—	671
Elections	7,367,285	8,901,213	8,267,259	633,954
Finance	32,699,691	30,336,473	31,782,791	(1,446,318)
General Services	39,099,514	47,277,505	44,180,321	3,097,184
Law	15,531,938	16,471,701	16,003,180	468,521
Mayor's Office	4,571,062	6,271,714	4,674,483	1,597,231
Human Resources	8,007,951	9,878,023	9,822,278	55,745
Information Technology Services	14,278,267	24,385,577	16,762,514	7,623,063
Board of Zoning Appeals	656,566	768,315	701,865	66,450
Detroit Workforce Development Department	1,502	642,322	1,046	641,276
Administrative Hearings	657,143	1,430,073	1,069,193	360,880
Non Departmental	424,322,185	174,286,886	41,124,078	133,162,808
Total Development and Management	565,180,609	338,959,630	191,052,907	147,906,723
Capital Outlay	—	46,828,442	25,338,872	21,489,570

(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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal	\$ —	\$ 44,293,375	\$ —	\$ 44,293,375
Interest on Bonded Debt	—	78,869,456	2,570,598	76,298,858
Bond Issuance Costs	—	—	1,612,046	(1,612,046)
	<u>—</u>	<u>123,162,831</u>	<u>4,182,644</u>	<u>118,980,187</u>
Total Debt Service				
Total Expenditures	<u>1,182,737,321</u>	<u>1,360,569,369</u>	<u>791,309,747</u>	<u>569,259,622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,576,554)</u>	<u>110,023,363</u>	<u>252,003,771</u>	<u>141,980,408</u>
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers In	16,245,733	16,234,061	9,256,416	(6,977,645)
Proceeds from Bond and Note Issuance	—	5,000,000	134,438,642	129,438,642
Premium on General Obligation Bond Issuance	—	—	9,092,046	9,092,046
	<u>16,245,733</u>	<u>21,234,061</u>	<u>152,787,104</u>	<u>131,553,043</u>
Total Other Financing Sources				
Uses:				
Transfers Out	<u>(4,669,179)</u>	<u>(115,897,472)</u>	<u>(208,284,967)</u>	<u>(92,387,495)</u>
Total Other Financing Uses	<u>(4,669,179)</u>	<u>(115,897,472)</u>	<u>(208,284,967)</u>	<u>(92,387,495)</u>
Total Other Financing Sources (Uses)	<u>11,576,554</u>	<u>(94,663,411)</u>	<u>(55,497,863)</u>	<u>39,165,548</u>
Net Change in Fund Balance	—	15,359,952	196,505,908	181,145,956
Fund Deficit at Beginning of Year	<u>(269,486,657)</u>	<u>(269,486,657)</u>	<u>(269,486,657)</u>	<u>—</u>
Fund Deficit at End of Year	<u>\$ (269,486,657)</u>	<u>\$ (254,126,705)</u>	<u>\$ (72,980,749)</u>	<u>\$ 181,145,956</u>

See notes to budget to actual comparison.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS

(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS (IN MILLIONS)

Schedule of Funding Progress (In millions):

General Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
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)	368.5	(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	334.3	144.0
2011	3,080.3	3,720.2	82.8	639.9	303.4	210.9
2012	2,806.5	3,644.2	77.0	837.7	258.0	324.7

Police and Fire Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$ 4,307.2	\$ 3,896.8	110.5 %	\$ (410.4)	\$ 230.2	- %
2008	4,316.3	4,071.1	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	3,767.4	102.3	(85.9)	228.8	-
2011	3,804.8	3,808.6	99.9	3.9	220.5	1.8
2012	3,675.5	3,822.7	96.1	147.2	205.8	71.5

Employee Health and Life Insurance Benefit Plan

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$ -	\$ 4,823.6	- %	\$ 4,823.6	\$ 622.6	774.8 %
2009	-	4,971.2	-	4,971.2	591.2	840.9
2011	-	5,718.3	-	5,718.3	444.4	1,286.7

Supplemental Death Benefit Plan

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
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
2011	25.7	34.6	74.3	8.9	444.4	2.0

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS (IN MILLIONS)

Schedule of Employer Contributions (In millions):

General Retirement System				Police and Fire Retirement System			
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset
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
2012	64.1	100	756.0	2012	49.8	100	613.7
2013	60.3	63	750.6	2013	43.9	(66)	535.7

Employee Health and Life Insurance Benefit Plan			
Year Ended June 30	Annual Required Contribution	Percentage Contributed	
2011	\$ 324.4	51 %	
2012	351.1	47	
2013	365.1	49	

Supplemental Death Benefit Plan			
Year Ended June 30	Annual Required Contribution	Percentage Contributed	
2011	\$ 0.734	21 %	
2012	0.596	33	
2013	0.596	19	

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**OTHER SUPPLEMENTARY
INFORMATION SECTION**

COMBINING NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

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

Community Development Block Grant Fund	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974
Construction Code Fund	In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act
Urban Development Fund	To account for funding received from the Federal Government earmarked for the acquisition and site preparation of property for future development
Detroit Workforce Development Fund	To account for employment and training program grants received from government sources
Drug Law Enforcement Fund	To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement
Human Services Fund	To account for Federal and State Grant revenues that are to be used to finance certain social service programs
Solid Waste Management Fund	To account for local revenues collected for curbside rubbish pick-up and discard
Street Fund	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
Targeted Business Development Fund	To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City
Telecommunications Fund	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
Renewable Energy Fund	To account for Public Act 295 of 2008, Clean, Renewable, and Efficient Energy Act activities of the Public Lighting Department
Public Lighting Authority Fund	To account for activities to improve the City's public lighting system, funded through the issuance of bonds to be paid back with revenue from the City's utility tax.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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)

PERMANENT FUNDS

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

PERPETUAL CARE - BEQUEST FUNDS

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

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2013

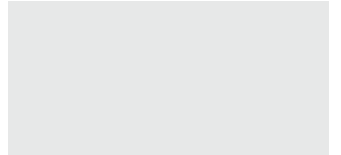
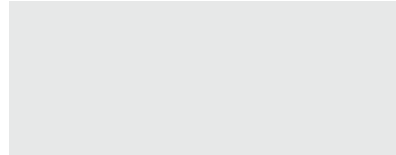
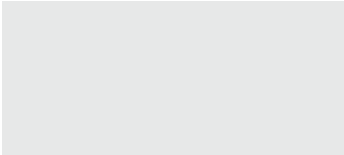
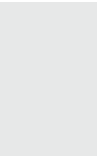
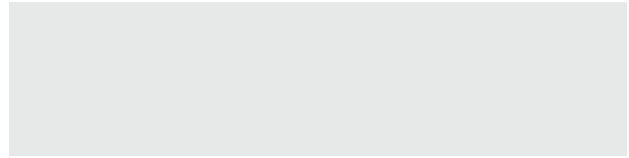
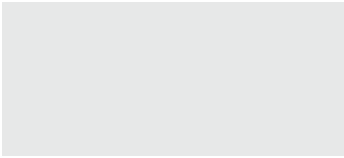
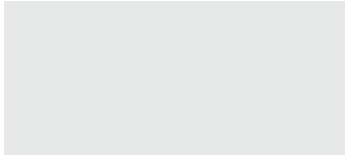
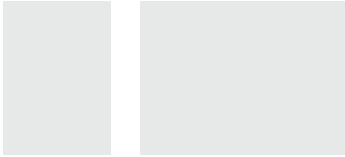
	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds and Bequest Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 59,415,581	\$ 55,492	\$ 18,671,748	\$ 508,128	\$ 78,650,949
Investments	46,829,443	10,099,891	78,950,034	1,250,603	137,129,971
Accounts and Contracts Receivable:					
Property Taxes Receivable	—	88,241,438	—	—	88,241,438
Special Assessments	—	—	541,890	—	541,890
Loans Receivable	18,000,000	—	—	—	18,000,000
Trade Receivables	3,241,295	—	14,645,275	—	17,886,570
Total Accounts and Contracts Receivable	21,241,295	88,241,438	15,187,165	—	124,669,898
Allowance for Uncollectible Accounts	(21,226,224)	(88,241,438)	(1,062,009)	—	(110,529,671)
Total Accounts and Contracts Receivable - Net	15,071	—	14,125,156	—	14,140,227
Due from Other Funds	26,036,395	6,625,840	323	—	32,662,558
Due from Fiduciary Funds	729,312	—	—	—	729,312
Due from Component Units	517,114	—	—	—	517,114
Due from Other Governmental Agencies	15,689,027	—	—	—	15,689,027
Inventory	—	—	—	—	—
Prepaid Expenditures	600	—	—	—	600
Other Assets	—	—	148,971	—	148,971
Total Assets	\$ 149,232,543	\$ 16,781,223	\$ 111,896,232	\$ 1,758,731	\$ 279,668,729
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$ 5,752,819	\$ 5	\$ 25,568,643	\$ 1,000	\$ 31,322,467
Accrued Liabilities	12,623,755	—	6,036,153	—	18,659,908
Accrued Salaries and Wages	1,019,293	—	—	—	1,019,293
Due to Other Funds	17,904,292	—	14,166	—	17,918,458
Due to Component Units	7,131,125	—	—	—	7,131,125
Loans and Other Advances from Other Funds	—	—	—	—	—
Due to Other Governmental Agencies	25,399,462	8,881,516	—	—	34,280,978
Deposits from Vendors and Customers	811,921	—	—	—	811,921
Deferred Revenue - Unavailable	8,481,754	—	760,005	—	9,241,759
Other Liabilities	670,522	—	96,599	—	767,121
Accrued Compensated Absences	—	—	49,100	—	49,100
Total Liabilities	79,794,943	8,881,521	32,524,666	1,000	121,202,130
Fund Balances:					
Nonspendable:					
Inventory	—	—	—	—	—
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	39,980,142	—	—	—	39,980,142
Police	10,009,758	—	—	—	10,009,758
Endowments and Trusts	—	—	—	819,870	819,870
Capital Acquisitions	—	—	79,371,566	—	79,371,566
Local Business Growth	478,084	—	—	—	478,084
Rubbish Collection and Disposal	5,921,872	—	—	—	5,921,872
Grants	12,009,293	—	—	—	12,009,293
Public Lighting	1,038,451	—	—	—	1,038,451
Assigned for:					
Debt Service	—	7,899,702	—	—	7,899,702
Total Fund Balances	69,437,600	7,899,702	79,371,566	1,757,731	158,466,599
Total Liabilities and Fund Balances	\$ 149,232,543	\$ 16,781,223	\$ 111,896,232	\$ 1,758,731	\$ 279,668,729

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds and Bequest Funds	Totals
REVENUES:					
Taxes:					
Property Taxes	\$ —	\$ 66,436,616	\$ —	\$ —	\$ 66,436,616
Gas and Weight Tax	52,081,247	—	—	—	52,081,247
Other Taxes and Assessments	—	2,694,763	—	—	2,694,763
Licenses, Permits, and Inspection Charges	21,950,285	—	—	—	21,950,285
Intergovernmental:					
Federal	105,062,180	—	—	—	105,062,180
State	19,792,161	—	—	—	19,792,161
Other	3,241,128	—	—	—	3,241,128
Sales and Charges for Services	35,844,673	—	1,567,267	—	37,411,940
Ordinance Fines and Forfeitures	2,213,340	—	—	—	2,213,340
Investment Earnings	91,032	163	—	42,137	133,332
Other Revenue	5,987,087	7,192,670	258,784	—	13,438,541
Total Revenues	<u>246,263,133</u>	<u>76,324,212</u>	<u>1,826,051</u>	<u>42,137</u>	<u>324,455,533</u>
EXPENDITURES:					
Current:					
Public Protection	24,517,238	—	—	—	24,517,238
Health	4,743,051	—	—	—	4,743,051
Recreation and Culture	195,440	—	—	1,000	196,440
Economic Development	66,264,599	1,499,592	8,345,204	—	76,109,395
Educational Development	37,126,254	—	—	—	37,126,254
Physical Environment	38,534,303	—	—	—	38,534,303
Transportation Facilitation	1,749,362	—	—	—	1,749,362
Debt Service:					
Principal	1,081,000	84,017,097	—	—	85,098,097
Interest	3,799,832	58,699,015	—	—	62,498,847
Capital Outlay	56,892,889	—	44,847,559	—	101,740,448
Total Expenditures	<u>234,903,968</u>	<u>144,215,704</u>	<u>53,192,763</u>	<u>1,000</u>	<u>432,313,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,359,165</u>	<u>(67,891,492)</u>	<u>(51,366,712)</u>	<u>41,137</u>	<u>(107,857,902)</u>
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In	9,978,985	69,476,507	850,000	—	80,305,492
Uses:					
Transfers Out	(19,202,941)	—	—	—	(19,202,941)
Total Other Financing Sources (Uses)	<u>(9,223,956)</u>	<u>69,476,507</u>	<u>850,000</u>	<u>—</u>	<u>61,102,551</u>
Net Change in Fund Balances	2,135,209	1,585,015	(50,516,712)	41,137	(46,755,351)
Fund Balances at Beginning of Year	<u>67,302,391</u>	<u>6,314,687</u>	<u>129,888,278</u>	<u>1,716,594</u>	<u>205,221,950</u>
Fund Balances at End of Year	<u>\$ 69,437,600</u>	<u>\$ 7,899,702</u>	<u>\$ 79,371,566</u>	<u>\$ 1,757,731</u>	<u>\$ 158,466,599</u>



100 Houses Project



A group of 450 volunteers boarded up 100 vacant homes near schools in the Osborn neighborhood on July 10, 2012, as part of the 100 Houses Project. The project was a collaborative effort by the Detroit Rescue Mission Ministries, A Time to Help Charity, and the Detroit Works Project.

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
ASSETS					
Cash and Cash Equivalents	\$ 13,887,155	\$ —	\$ 1,912,416	\$ 5,574,595	\$ 10,846,950
Investments	—	—	889,976	—	240
Accounts and Contracts Receivable:					
Loans Receivable	18,000,000	—	—	—	—
Trade Receivables	25,764	688,971	—	—	—
Total Accounts and Contracts Receivable	18,025,764	688,971	—	—	—
Less: Allowance for Uncollectible Accounts	(18,010,693)	(688,971)	—	—	—
Total Accounts and Contracts Receivable - Net	15,071	—	—	—	—
Due from Other Funds	1,872,774	7,797,595	171,729	50,355	118,696
Due from Fiduciary Funds	604,312	—	—	—	—
Due from Component Units	—	—	—	507,977	—
Due from Other Governmental Agencies	1,174,654	—	—	5,749,910	—
Inventory	—	—	—	—	—
Prepaid Expenditures	—	—	—	—	—
Total Assets	<u>\$ 17,553,966</u>	<u>\$ 7,797,595</u>	<u>\$ 2,974,121</u>	<u>\$ 11,882,837</u>	<u>\$ 10,965,886</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
Liabilities:					
Accounts and Contracts Payable	\$ 984,568	\$ 558,533	\$ 1,000	\$ 16,169	\$ 15,378
Accrued Liabilities	2,944,325	34,522	422	2,590	408,100
Accrued Salaries and Wages	147,576	502,220	7,743	—	15,241
Due to Other Funds	4,376,677	5,367,162	126,027	884,830	517,409
Due to Component Units	—	—	—	5,390,057	—
Due to Other Governmental Agencies	978,286	—	60,688	5,468,054	—
Deposits from Vendors and Customers	743,856	12,510	55,555	—	—
Deferred Revenue - Unavailable	4,225,468	428,751	—	—	—
Other Liabilities	20,331	333,563	53,294	121,137	—
Accrued Compensated Absences	—	—	—	—	—
Total Liabilities	<u>14,421,087</u>	<u>7,237,261</u>	<u>304,729</u>	<u>11,882,837</u>	<u>956,128</u>
Fund Balances:					
Nonspendable - Inventory	—	—	—	—	—
Restricted for:					
Highway and Street Improvements	—	—	—	—	—
Police	—	—	—	—	10,009,758
Local Business Growth	—	—	—	—	—
Rubbish Collection and Disposal	—	—	—	—	—
Grants	3,132,879	560,334	2,669,392	—	—
Public Lighting	—	—	—	—	—
Total Fund Balances (Deficits)	3,132,879	560,334	2,669,392	—	10,009,758
Total Liabilities and Fund Balances	<u>\$ 17,553,966</u>	<u>\$ 7,797,595</u>	<u>\$ 2,974,121</u>	<u>\$ 11,882,837</u>	<u>\$ 10,965,886</u>

	Human Services Fund	Solid Waste Management Fund	Street Fund	Targeted Business Development Fund	Telecommunications Fund	Renewable Energy Fund	Public Lighting Authority Fund	Totals
\$	4,060,179	\$ 862,844	\$ 14,261,108	\$ 5,015,203	\$ 1,703,088	\$ 191,236	\$ 1,100,807	\$ 59,415,581
	—	17,809,708	25,270,122	—	2,859,397	—	—	46,829,443
	—	—	—	—	—	—	—	18,000,000
	—	199,985	1,880,017	—	—	446,558	—	3,241,295
	—	199,985	1,880,017	—	—	446,558	—	21,241,295
	—	(199,985)	(1,880,017)	—	—	(446,558)	—	(21,226,224)
	—	—	—	—	—	—	—	15,071
	337,425	10,518,526	5,040,371	—	20,653	108,271	—	26,036,395
	—	125,000	—	—	—	—	—	729,312
	—	—	—	—	—	9,137	—	517,114
	—	—	8,764,463	—	—	—	—	15,689,027
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	600	600
\$	<u>4,397,604</u>	<u>\$ 29,316,078</u>	<u>53,336,064</u>	<u>\$ 5,015,203</u>	<u>\$ 4,583,138</u>	<u>\$ 308,644</u>	<u>\$ 1,101,407</u>	<u>\$ 149,232,543</u>
\$	135,335	\$ 27,237	3,238,291	\$ —	\$ 697,800	\$ 15,552	\$ 62,956	\$ 5,752,819
	18,938	346,315	3,619,717	4,537,119	601,482	110,225	—	12,623,755
	13,212	183,570	149,731	—	—	—	—	1,019,293
	1,794,178	2,339,570	2,498,439	—	—	—	—	17,904,292
	—	1,741,068	—	—	—	—	—	7,131,125
	135,988	18,756,446	—	—	—	—	—	25,399,462
	—	—	—	—	—	—	—	811,921
	—	—	3,707,547	—	20,653	99,335	—	8,481,754
	—	—	142,197	—	—	—	—	670,522
	—	—	—	—	—	—	—	—
	<u>2,097,651</u>	<u>23,394,206</u>	<u>13,355,922</u>	<u>4,537,119</u>	<u>1,319,935</u>	<u>225,112</u>	<u>62,956</u>	<u>79,794,943</u>
	—	—	—	—	—	—	—	—
	—	—	39,980,142	—	—	—	—	39,980,142
	—	—	—	—	—	—	—	10,009,758
	—	—	—	478,084	—	—	—	478,084
	—	5,921,872	—	—	—	—	—	5,921,872
	2,299,953	—	—	—	3,263,203	83,532	—	12,009,293
	—	—	—	—	—	—	1,038,451	1,038,451
	<u>2,299,953</u>	<u>5,921,872</u>	<u>39,980,142</u>	<u>478,084</u>	<u>3,263,203</u>	<u>83,532</u>	<u>1,038,451</u>	<u>69,437,600</u>
\$	<u>4,397,604</u>	<u>\$ 29,316,078</u>	<u>\$ 53,336,064</u>	<u>\$ 5,015,203</u>	<u>\$ 4,583,138</u>	<u>\$ 308,644</u>	<u>\$ 1,101,407</u>	<u>\$ 149,232,543</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, 2013

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
REVENUES:					
Taxes:					
Gas and Weight Tax	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, Permits, and Inspection Charges	—	21,950,285	—	—	—
Intergovernmental:					
Federal	44,242,447	1,979,663	18,082,286	33,747,304	—
State	—	—	—	3,292,359	—
Other	—	—	—	—	—
Sales and Charges for Services	—	—	—	—	—
Ordinance Fines and Forfeitures	—	9,779	—	—	2,087,762
Investment Earnings	7,910	—	667	—	—
Other Revenue	3,220,550	—	351,585	—	—
Total Revenues	<u>47,470,907</u>	<u>23,939,727</u>	<u>18,434,538</u>	<u>37,039,663</u>	<u>2,087,762</u>
EXPENDITURES:					
Current:					
Public Protection	—	21,562,066	—	—	2,955,172
Health	—	—	—	—	—
Recreation and Culture	195,440	—	—	—	—
Economic Development	47,828,374	—	18,436,225	—	—
Educational Development	—	—	—	37,126,254	—
Physical Environment	—	—	—	—	—
Transportation Facilitation	—	—	—	—	—
Development and Management	—	—	—	—	—
Debt Service:					
Principal	1,081,000	—	—	—	—
Interest	3,799,832	—	—	—	—
Bond Issuance Costs	—	—	—	—	—
Capital Outlay	110,240	—	—	—	29,457
Total Expenditures	<u>53,014,886</u>	<u>21,562,066</u>	<u>18,436,225</u>	<u>37,126,254</u>	<u>2,984,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,543,979)</u>	<u>2,377,661</u>	<u>(1,687)</u>	<u>(86,591)</u>	<u>(896,867)</u>
Other Financing Sources (Uses):					
Transfers In	1,817,327	—	—	—	—
Transfers Out	—	(1,817,327)	—	—	—
Total Other Financing Sources (Uses)	<u>1,817,327</u>	<u>(1,817,327)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Change in Fund Balances	<u>(3,726,652)</u>	<u>560,334</u>	<u>(1,687)</u>	<u>(86,591)</u>	<u>(896,867)</u>
Fund Balances at Beginning of Year	6,859,531	—	2,671,079	86,591	10,906,625
Fund Balances (Deficits) at End of Year	<u>\$ 3,132,879</u>	<u>\$ 560,334</u>	<u>\$ 2,669,392</u>	<u>\$ —</u>	<u>\$ 10,009,758</u>

See accompanying independent auditor's report.

Human Services Fund	Solid Waste Management Fund	Street Fund	Targeted Business Development Fund	Telecommunications Fund	Renewable Energy Fund	Public Lighting Authority Fund	Totals
\$ —	\$ —	\$ 52,081,247	\$ —	\$ —	\$ —	\$ —	\$ 52,081,247
—	—	—	—	—	—	—	21,950,285
7,010,480	—	—	—	—	—	—	105,062,180
—	—	13,970,163	—	2,529,639	—	—	19,792,161
—	—	3,241,128	—	—	—	—	3,241,128
—	35,844,673	—	—	—	—	—	35,844,673
—	115,799	—	—	—	—	—	2,213,340
—	23,008	55,486	—	3,961	—	—	91,032
—	903,591	—	—	—	311,361	1,200,000	5,987,087
7,010,480	36,887,071	69,348,024	—	2,533,600	311,361	1,200,000	246,263,133
—	—	—	—	—	—	—	24,517,238
4,743,051	—	—	—	—	—	—	4,743,051
—	—	—	—	—	—	—	195,440
—	—	—	—	—	—	—	66,264,599
—	—	—	—	—	—	—	37,126,254
—	38,144,924	—	—	—	227,830	161,549	38,534,303
—	—	136,453	—	1,612,909	—	—	1,749,362
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	1,081,000
—	—	—	—	—	—	—	3,799,832
—	—	—	—	—	—	—	—
—	359,694	56,343,977	—	49,521	—	—	56,892,889
4,743,051	38,504,618	56,480,430	—	1,662,430	227,830	161,549	234,903,968
2,267,429	(1,617,547)	12,867,594	—	871,170	83,531	1,038,451	11,359,165
32,460	—	8,129,198	—	—	—	—	9,978,985
—	—	(17,385,614)	—	—	—	—	(19,202,941)
32,460	—	(9,256,416)	—	—	—	—	(9,223,956)
2,299,889	(1,617,547)	3,611,178	—	871,170	83,531	1,038,451	2,135,209
64	7,539,419	36,368,964	478,084	2,392,033	1	—	67,302,391
\$ 2,299,953	\$ 5,921,872	\$ 39,980,142	\$ 478,084	\$ 3,263,203	\$ 83,532	\$ 1,038,451	\$ 69,437,600

City of Detroit, Michigan
COMBINING BALANCE SHEET ACCOUNTS
OTHER GOVERNMENTAL FUNDS - STREET FUND
June 30, 2013

	<u>Major Account</u>	<u>Local Account</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 14,195,478	\$ 65,630	\$ 14,261,108
Investments	13,339,489	11,930,633	25,270,122
Accounts and Contracts Receivable - Trade	1,880,017	—	1,880,017
Less: Allowance for Uncollectible Accounts	<u>(1,880,017)</u>	<u>—</u>	<u>(1,880,017)</u>
Total Accounts and Contracts Receivable - Net	—	—	—
Due from Other Funds	4,431,513	608,858	5,040,371
Due from Component Units	—	—	—
Due from Other Governmental Agencies	6,861,948	1,902,515	8,764,463
Inventory	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>\$ 38,828,428</u>	<u>\$ 14,507,636</u>	<u>\$ 53,336,064</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	\$ 2,643,152	\$ 595,139	\$ 3,238,291
Due to Other Funds	(1,270,211)	3,768,650	2,498,439
Due to Other Governmental Agencies	—	—	—
Accrued Salaries and Wages	149,731	—	149,731
Accrued Liabilities	3,373,719	245,998	3,619,717
Other Liabilities	142,197	—	142,197
Deferred Revenue - Unavailable	<u>3,335,806</u>	<u>371,741</u>	<u>3,707,547</u>
Total Liabilities	<u>8,374,394</u>	<u>4,981,528</u>	<u>13,355,922</u>
Fund Balances:			
Restricted for Highway and Street Improvements	<u>30,454,034</u>	<u>9,526,108</u>	<u>39,980,142</u>
Total Fund Balances	<u>30,454,034</u>	<u>9,526,108</u>	<u>39,980,142</u>
Total Liabilities and Fund Balances	<u>\$ 38,828,428</u>	<u>\$ 14,507,636</u>	<u>\$ 53,336,064</u>

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, 2013

	<u>Major Account</u>	<u>Local Account</u>	<u>Totals</u>
Revenues:			
Gas and Weight Tax	\$ 40,590,819	\$ 11,490,428	\$ 52,081,247
Intergovernmental:			
Federal	—	—	—
State	13,793,698	176,465	13,970,163
Other	3,241,128	—	3,241,128
Investment Earnings	33,030	22,456	55,486
Other Revenue	—	—	—
Total Revenues	<u>57,658,675</u>	<u>11,689,349</u>	<u>69,348,024</u>
Expenditures:			
Transportation Facilitation	373,570	(237,117)	136,453
Development and Management	—	—	—
Capital Outlay	34,002,646	22,341,331	56,343,977
Total Expenditures	<u>34,376,216</u>	<u>22,104,214</u>	<u>56,480,430</u>
Excess of Revenues Over Expenditures	<u>23,282,459</u>	<u>(10,414,865)</u>	<u>12,867,594</u>
Other Financing Sources (Uses):			
Transfers In	—	8,129,198	8,129,198
Transfers Out	(17,385,614)	—	(17,385,614)
Total Other Financing Sources (Uses)	<u>(17,385,614)</u>	<u>8,129,198</u>	<u>(9,256,416)</u>
Net Change in Fund Balances	5,896,845	(2,285,667)	3,611,178
Fund Balances at Beginning of Year	<u>24,557,189</u>	<u>11,811,775</u>	<u>36,368,964</u>
Fund Balances at End of Year	<u>\$ 30,454,034</u>	<u>\$ 9,526,108</u>	<u>\$ 39,980,142</u>

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL PERMANENT FUNDS
June 30, 2013

	Permanent Funds		
	Bequest Funds		
	Other Trust	Cemetery Trust	Totals
ASSETS			
Cash and Cash Equivalents	\$ —	\$ 508,128	\$ 508,128
Investments	49,328	1,201,275	1,250,603
Total Assets	\$ 49,328	\$ 1,709,403	\$ 1,758,731
LIABILITIES AND FUND BALANCES			
Liabilities: Accounts and Contracts Payable	—	1,000	1,000
Total Liabilities	—	1,000	1,000
Fund Balance			
Nonspendable - Permanent Fund Principal	\$ 40,349	\$ 897,512	\$ 937,861
Restricted for Endowments and Trusts	8,979	810,891	819,870
Total Liabilities and Fund Balances	\$ 49,328	\$ 1,709,403	\$ 1,758,731

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, 2013

	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Bequest Funds</u>		
	<u>Other</u> <u>Trust</u>	<u>Cemetery</u> <u>Trust</u>	
Revenues - Investment Earnings	\$ 30	\$ 42,107	\$ 42,137
Expenditures - Recreation and Culture	—	1,000	1,000
Excess of Revenues Over Expenditures	30	41,107	41,137
Fund Balances at Beginning of Year	49,298	1,667,296	1,716,594
Fund Balances at End of Year	\$ 49,328	\$ 1,708,403	\$ 1,757,731

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Year Ended June 30, 2013

	<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	\$ 36,257,228	\$ 144,417,590	\$ 44,242,447	\$ (100,175,143)
Investment Earnings	—	(873,563)	7,910	881,473
Other Revenue	1,286,361	28,164,899	3,220,550	(24,944,349)
Total Revenues	37,543,589	171,708,926	47,470,907	(124,238,019)
Expenditures:				
Current:				
Recreation and Culture	—	—	195,440	(195,440)
Economic Development	32,367,267	177,310,988	47,828,374	129,482,614
Physical Environment	—	—	—	—
Debt Service	5,168,322	7,978,145	4,880,832	3,097,313
Capital Outlay	8,000	2,674,584	110,240	2,564,344
Total Expenditures	37,543,589	187,963,717	53,014,886	134,948,831
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(16,254,791)	(5,543,979)	10,710,812
Other Financing Sources (Uses):				
Transfers In	—	1,040,155	1,817,327	777,172
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	—	1,040,155	1,817,327	777,172
Net Change in Fund Balance	—	(15,214,636)	(3,726,652)	11,487,984
Fund Balance at Beginning of Year	6,859,531	6,859,531	6,859,531	—
Fund Balance (Deficit) at End of Year	\$ 6,859,531	\$ (8,355,105)	\$ 3,132,879	\$ 11,487,984

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
CONSTRUCTION CODE FUND
For the Year Ended June 30, 2013

	<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	\$ 20,926,906	\$ 23,028,087	\$ 21,950,285	\$ (1,077,802)
Intergovernmental:				
Federal	—	33,484,280	1,979,663	(31,504,617)
Sales and Charges for Services	5,000	217,157	—	(217,157)
Ordinance Fines and Forfeitures	200,000	1,468,011	9,779	(1,458,232)
Other Revenue	—	(101)	—	101
Total Revenues	<u>21,131,906</u>	<u>58,197,434</u>	<u>23,939,727</u>	<u>(34,257,707)</u>
Expenditures:				
Public Protection	21,131,906	53,196,583	21,562,066	31,634,517
Economic Development	—	—	—	—
Debt Service	—	7,500	—	7,500
Capital Outlay	—	3,476	—	3,476
Total Expenditures	<u>21,131,906</u>	<u>53,207,559</u>	<u>21,562,066</u>	<u>(31,645,493)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	4,989,875	2,377,661	(2,612,214)
Other Financing Sources:				
Transfers In	—	(5,469,972)	—	5,469,972
Transfers Out	—	—	(1,817,327)	(1,817,327)
Total Other Financing Sources	<u>—</u>	<u>(5,469,972)</u>	<u>(1,817,327)</u>	<u>3,652,645</u>
Net Change in Fund Balance	<u>—</u>	<u>(480,097)</u>	<u>560,334</u>	<u>1,040,431</u>
Fund Balance at Beginning of Year	—	—	—	—
Fund Balance (Deficit) at End of Year	<u>\$ —</u>	<u>\$ (480,097)</u>	<u>\$ 560,334</u>	<u>\$ 1,040,431</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
URBAN DEVELOPMENT FUND
For the Year Ended June 30, 2013

	<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	\$ 5,823,346	\$ 35,098,402	\$ 18,082,286	\$ (17,016,116)
Investment Earnings	—	(291,212)	667	291,879
Other Revenue	2,000,000	2,631,506	351,585	(2,279,921)
Total Revenues	<u>7,823,346</u>	<u>37,438,696</u>	<u>18,434,538</u>	<u>(19,004,158)</u>
Expenditures:				
Economic Development	7,823,346	30,716,254	18,436,225	12,280,029
Capital Outlay	—	300,321	—	300,321
Total Expenditures	<u>7,823,346</u>	<u>31,016,575</u>	<u>18,436,225</u>	<u>12,580,350</u>
Excess of Revenues Over Expenditures	—	6,422,121	(1,687)	(6,423,808)
Other Financing Uses - Transfers Out	—	(6,189,563)	—	6,189,563
Net Change in Fund Balance	<u>—</u>	<u>232,558</u>	<u>(1,687)</u>	<u>(234,245)</u>
Fund Balance at Beginning of Year	<u>2,671,079</u>	<u>2,671,079</u>	<u>2,671,079</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 2,671,079</u>	<u>\$ 2,903,637</u>	<u>\$ 2,669,392</u>	<u>\$ (234,245)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DETROIT WORKFORCE DEVELOPMENT FUND
For the Year Ended June 30, 2013

	<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	\$ —	\$ 3,020,623	\$ —	\$ (3,020,623)
Intergovernmental:				
Federal	47,403,093	211,869,822	33,747,304	(178,122,518)
State	—	4,596,895	3,292,359	(1,304,536)
Other Revenue	1,000,000	20,641,930	—	(20,641,930)
Total Revenues	<u>48,403,093</u>	<u>240,129,270</u>	<u>37,039,663</u>	<u>(203,089,607)</u>
Expenditures:				
Educational Development	48,403,093	241,455,151	37,126,254	204,328,897
Debt Service	—	226,171	—	226,171
Capital Outlay	—	(598,926)	—	(598,926)
Total Expenditures	<u>48,403,093</u>	<u>241,082,396</u>	<u>37,126,254</u>	<u>203,956,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(953,126)	(86,591)	866,535
Other Financing Sources - Transfers In	—	179,000	—	(179,000)
Net Change in Fund Balance	—	(774,126)	(86,591)	687,535
Fund Balance at Beginning of Year	<u>86,591</u>	<u>86,591</u>	<u>86,591</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 86,591</u>	<u>\$ (687,535)</u>	<u>\$ —</u>	<u>\$ 687,535</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DRUG LAW ENFORCEMENT FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ordinance Fines and Forfeitures	\$ —	\$ —	\$ 2,087,762	\$ 2,087,762
Investment Earnings	—	(3,395)	—	3,395
Other Revenue	1,260,717	10,749,243	—	(10,749,243)
Total Revenues	<u>1,260,717</u>	<u>10,745,848</u>	<u>2,087,762</u>	<u>(8,658,086)</u>
Expenditures:				
Public Protection	1,260,717	12,191,531	2,955,172	9,236,359
Capital Outlay	—	(8,522)	29,457	(37,979)
Total Expenditures	<u>1,260,717</u>	<u>12,183,009</u>	<u>2,984,629</u>	<u>9,198,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(1,437,161)	(896,867)	540,294
Fund Balance at Beginning of Year	<u>10,906,625</u>	<u>10,906,625</u>	<u>10,906,625</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 10,906,625</u>	<u>\$ 9,469,464</u>	<u>\$ 10,009,758</u>	<u>\$ 540,294</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
HUMAN SERVICES FUND
For the Year Ended June 30, 2013

	<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	\$ 7,248,437	\$ 205,296,343	\$ 7,010,480	\$ (198,285,863)
Investment Earnings	—	(224,899)	—	224,899
Other Revenues	<u>222,725</u>	<u>15,491,536</u>	<u>—</u>	<u>(15,491,536)</u>
Total Revenues	<u>7,471,162</u>	<u>220,562,980</u>	<u>7,010,480</u>	<u>(213,552,500)</u>
Expenditures:				
Health	7,471,162	203,605,711	4,743,051	198,862,660
Capital Outlay	<u>—</u>	<u>404,670</u>	<u>—</u>	<u>404,670</u>
Total Expenditures	<u>7,471,162</u>	<u>204,010,381</u>	<u>4,743,051</u>	<u>199,267,330</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	16,552,599	2,267,429	(14,285,170)
Other Financing Sources - Transfers In	<u>—</u>	<u>270</u>	<u>32,460</u>	<u>32,190</u>
Net Change in Fund Balance	—	16,552,869	2,299,889	(14,252,980)
Fund Balance at Beginning of Year	<u>64</u>	<u>64</u>	<u>64</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 64</u>	<u>\$ 16,552,933</u>	<u>\$ 2,299,953</u>	<u>\$ (14,252,980)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
SOLID WASTE MANAGEMENT FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales and Charges for Services	\$ 38,171,366	\$ 40,021,190	\$ 35,844,673	\$ (4,176,517)
Ordinance Fines and Forfeitures	109,381	150,272	115,799	(34,473)
Investment Earnings (Losses)	—	19,795	23,008	3,213
Other Revenue	<u>90,155</u>	<u>(78,298)</u>	<u>903,591</u>	<u>981,889</u>
Total Revenues	<u>38,370,902</u>	<u>40,112,959</u>	<u>36,887,071</u>	<u>(3,225,888)</u>
Expenditures:				
Physical Environment	38,348,233	51,405,924	38,144,924	13,261,000
Capital Outlay	<u>769,290</u>	<u>4,247,155</u>	<u>359,694</u>	<u>3,887,461</u>
Total Expenditures	39,117,523	55,653,079	38,504,618	17,148,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	(746,621)	(15,540,120)	(1,617,547)	13,922,573
Other Financing Sources - Transfers In	<u>746,621</u>	<u>864,466</u>	<u>—</u>	<u>(864,466)</u>
Net Change in Fund Balance	—	(14,675,654)	(1,617,547)	13,058,107
Fund Balance at Beginning of Year	<u>7,539,419</u>	<u>7,539,419</u>	<u>7,539,419</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 7,539,419</u>	<u>\$ (7,136,235)</u>	<u>\$ 5,921,872</u>	<u>\$ 13,058,107</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
MAJOR STREET FUND
For the Year Ended June 30, 2013

	<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	\$ 48,515,500	\$ 68,823,614	\$ 40,590,819	\$ (28,232,795)
Intergovernmental:				
State	—	27,205,606	13,793,698	(13,411,908)
Other	—	(1,841,783)	3,241,128	5,082,911
Investment Earnings	195,000	175,500	33,030	(142,470)
Other Revenue	7,784,275	150,474,265	—	(150,474,265)
Total Revenues	<u>56,494,775</u>	<u>244,837,202</u>	<u>57,658,675</u>	<u>(187,178,527)</u>
Expenditures:				
Development and Management	—	—	—	—
Transportation Facilitation	47,044,028	147,601,467	373,570	147,227,897
Capital Outlay	10,427,884	102,239,332	34,002,646	68,236,686
Total Expenditures	<u>57,471,912</u>	<u>249,840,799</u>	<u>34,376,216</u>	<u>(215,464,583)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(977,137)</u>	<u>(5,003,597)</u>	<u>23,282,459</u>	<u>28,286,056</u>
Other Financing Sources (Uses):				
Transfers In	977,137	69,461,928	—	(69,461,928)
Transfers Out	—	(14,480,219)	(17,385,614)	(2,905,395)
Total Other Financing Sources (Uses)	<u>977,137</u>	<u>54,981,709</u>	<u>(17,385,614)</u>	<u>(72,367,323)</u>
Net Change in Fund Balance	—	49,978,112	5,896,845	(44,081,267)
Fund Balance at Beginning of Year	24,557,189	24,557,189	24,557,189	—
Fund Balance at End of Year	<u>\$ 24,557,189</u>	<u>\$ 74,535,301</u>	<u>\$ 30,454,034</u>	<u>\$ (44,081,267)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
LOCAL STREET FUND
For the Year Ended June 30, 2013

	<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	\$ —	\$ 10,918,343	\$ 11,490,428	\$ 572,085
Intergovernmental:				
State	—	—	176,465	176,465
Investment Earnings	—	19,500	22,456	2,956
Other Revenues	—	(86,692)	—	86,692
Total Revenues	—	10,851,151	11,689,349	838,198
Expenditures:				
Transportation Facilitation	—	8,840,748	(237,117)	9,077,865
Capital Outlay	—	43,106,419	22,341,331	20,765,088
Total Expenditures	—	51,947,167	22,104,214	29,842,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(41,096,016)	(10,414,865)	30,681,151
Other Financing Sources (Uses):				
Transfers In	—	8,129,198	8,129,198	—
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	—	8,129,198	8,129,198	—
Net Change in Fund Balance	—	(32,966,818)	(2,285,667)	30,681,151
Fund Balance at Beginning of Year	11,811,775	11,811,775	11,811,775	—
Fund Balance (Deficit) at End of Year	\$ 11,811,775	\$ (21,155,043)	\$ 9,526,108	\$ 30,681,151

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
TARGETED BUSINESS DEVELOPMENT FUND
For the Year Ended June 30, 2013

	<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	—	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	—	—	—
Fund Balance at Beginning of Year	478,084	478,084	478,084	—
Fund Balance at End of Year	<u>\$ 478,084</u>	<u>\$ 478,084</u>	<u>\$ 478,084</u>	<u>\$ —</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
TELECOMMUNICATIONS FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - State	\$ 2,500,000	\$ (1,404,598)	\$ 2,529,639	\$ 3,934,237
Investment Earnings	—	(44,711)	3,961	48,672
Total Revenues	<u>2,500,000</u>	<u>(1,449,309)</u>	<u>2,533,600</u>	<u>3,982,909</u>
Expenditures:				
Transportation Facilitation	—	1,902,340	1,612,909	289,431
Capital Outlay	2,500,000	666,462	49,521	616,941
Total Expenditures	<u>2,500,000</u>	<u>2,568,802</u>	<u>1,662,430</u>	<u>906,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(4,018,111)</u>	<u>871,170</u>	<u>4,889,281</u>
Net Change in Fund Balance	—	(4,018,111)	871,170	4,889,281
Fund Balance at Beginning of Year	<u>2,392,033</u>	<u>2,392,033</u>	<u>2,392,033</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 2,392,033</u>	<u>\$ (1,626,078)</u>	<u>\$ 3,263,203</u>	<u>\$ 4,889,281</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
RENEWABLE ENERGY FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues - Other	\$ 628,000	\$ 1,149,449	\$ 311,361	\$ (838,088)
Expenditures	<u>628,000</u>	<u>1,576,291</u>	<u>227,830</u>	<u>1,348,461</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(426,842)</u>	<u>83,531</u>	<u>510,373</u>
Net Changes in Fund Balances	<u>—</u>	<u>(426,842)</u>	<u>83,531</u>	<u>(510,373)</u>
Fund Balance at Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>
Fund Balance at End of Year	<u><u>\$ 1</u></u>	<u><u>\$ (426,841)</u></u>	<u><u>\$ 83,532</u></u>	<u><u>\$ 510,373</u></u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DEBT SERVICE FUND
For the Year Ended June 30, 2013

	<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	\$ 64,809,985	\$ 64,809,985	\$ 66,436,616	\$ 1,626,631
Other Taxes and Assessments	8,540,615	8,540,615	2,694,763	(5,845,852)
Investment Earnings	—	—	163	163
Other Revenue	1,075,982	1,075,982	7,192,670	6,116,688
Total Revenues	<u>74,426,582</u>	<u>74,426,582</u>	<u>76,324,212</u>	<u>1,897,630</u>
Expenditures:				
Economic Development	3,995,802	3,995,802	1,499,592	2,496,210
Debt Service:				
Principal	41,575,000	41,575,000	84,017,097	(42,442,097)
Interest	28,855,780	28,855,780	58,699,015	(29,843,235)
Total Expenditures	<u>74,426,582</u>	<u>74,426,582</u>	<u>144,215,704</u>	<u>(69,789,122)</u>
Deficiency of Revenues Under Expenditures	—	—	(67,891,492)	(67,891,492)
Other Financing Sources:				
Transfers In	—	—	69,476,507	69,476,507
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>69,476,507</u>	<u>69,476,507</u>
Net Change in Fund Balance	—	—	1,585,015	1,585,015
Fund Balance at Beginning of Year	6,314,687	6,314,687	6,314,687	—
Fund Balance at End of Year	<u>\$ 6,314,687</u>	<u>\$ 6,314,687</u>	<u>\$ 7,899,702</u>	<u>\$ 1,585,015</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - Federal	\$ —	\$ 1,087,580	\$ —	\$ (1,087,580)
Intergovernmental - State	—	—	—	—
Investment Earnings	—	(546,454)	—	546,454
Sales and Charges for Services	—	—	1,567,267	1,567,267
Other Revenue	—	5,506,708	258,784	(5,247,924)
Total Revenues	—	6,047,834	1,826,051	(4,221,783)
Expenditures:				
Economic Development	—	—	8,345,204	(8,345,204)
Capital Outlay	—	140,244,786	44,847,559	95,397,227
Bond Issuance Costs	—	(15,284)	—	(15,284)
Total Expenditures	—	140,229,502	53,192,763	87,036,739
Deficiency of Revenues Under Expenditures	—	(134,181,668)	(51,366,712)	(91,258,522)
Other Financing Sources (Uses):				
Sources:				
Transfers In	—	26,570,616	850,000	(25,720,616)
Bond and Notes Issued	—	29,497,571	—	(29,497,571)
Uses:				
Transfers Out	—	(16,377,212)	—	16,377,212
Interest Paid to Bond Agent for Refunded Bonds	—	(4,331,334)	—	4,331,334
Total Other Financing Sources (Uses)	—	35,359,641	850,000	(34,509,641)
Net Change in Fund Balance	—	(98,822,027)	(50,516,712)	48,305,315
Fund Balance at Beginning of Year	129,888,278	129,888,278	129,888,278	—
Fund Balance at End of Year	\$ 129,888,278	\$ 31,066,251	\$ 79,371,566	\$ 48,305,315

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COMBINING STATEMENT OF FIDUCIARY FUNDS

City of Detroit, Michigan
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS
June 30, 2013

	Pension	
	General Retirement System	Policemen & Firemen Retirement System
ASSETS		
Cash and Cash Equivalents	\$ 16,852,995	\$ 39,561,392
Investments at Fair Value:		
Short-Term Investments	37,680,539	44,476,502
Bonds and Stocks	1,334,726,500	2,167,826,462
Mortgage-Backed Securities	27,285,952	76,038,940
Mortgage and Construction Loans	109,134,461	107,017,607
Equity Interest in Real Estate	223,433,016	290,194,931
Real Estate Investment Trusts Held by Custodian	—	23,523,860
Government Investment Pools	7,839,000	232,149,159
Private Placements	361,144,405	85,647,423
Total Investments	2,101,243,873	3,026,874,884
Accrued Interest Receivable	3,459,158	18,392,975
Due from Primary Government	—	—
Due from Component Units	312,956	—
Allowance for Uncollectible Receivable	(312,956)	—
Receivables from Investment Sales	31,990,292	—
Other Receivables	11,919,350	353,595
Cash and Investments Held as Collateral for Securities Lending	77,490,826	299,774,500
Capital Assets	1,278,630	1,234,407
Total Assets	2,244,235,124	3,386,191,753
LIABILITIES		
Accounts and Contracts Payable	—	—
Payables for Investment Purchases	37,298,149	3,778,757
Benefits and Claims Payable	7,381,391	4,914,340
Due to Primary Government	3,997,988	1,394,434
Due to Component Units	—	—
Amount Due to Broker for Securities Lending	96,535,642	320,998,625
Other Liabilities	—	20,532,533
Total Liabilities	145,213,170	351,618,689
NET POSITION		
Net Position Held in Trust for Pension and Other Employee Benefits	2,099,021,954	3,034,573,064
Death Benefit and Disability Income Protection	—	—
Total Net Position	\$ 2,099,021,954	\$ 3,034,573,064

Other Employee Benefits				
Other Post- Employment Benefits Fund	Employee Death Benefits Fund	Employee Disability Income Protection Fund	Total Pension and Other Employee Benefit Trusts	
\$ 2,897,914	\$ 744,411	\$ 14,320	\$	\$ 60,071,032
12,916,714	24,197,626	—		119,271,381
—	5,785,865	—		3,508,338,827
—	7,097	—		103,331,989
—	—	—		216,152,068
—	—	—		513,627,947
—	—	—		23,523,860
—	—	—		239,988,159
—	1,784,737	—		448,576,565
<u>12,916,714</u>	<u>31,775,325</u>	<u>—</u>		<u>5,172,810,796</u>
—	—	—		21,852,133
47,170,689	11,346	1,100,219		48,282,254
130,578	—	10,461		453,995
—	—	—		(312,956)
—	—	—		31,990,292
—	—	—		12,272,945
—	—	—		377,265,326
—	—	—		2,513,037
<u>63,115,895</u>	<u>32,531,082</u>	<u>1,125,000</u>		<u>5,727,198,854</u>
—	11,760	—		11,760
—	—	—		41,076,906
—	—	—		12,295,731
529,078	—	125,000		6,046,500
—	—	—		—
—	—	—		417,534,267
<u>54,511,579</u>	<u>—</u>	<u>—</u>		<u>75,044,112</u>
<u>55,040,657</u>	<u>11,760</u>	<u>125,000</u>		<u>552,009,276</u>
8,075,238	—	—		5,141,670,256
—	32,519,322	1,000,000		33,519,322
<u>\$ 8,075,238</u>	<u>\$ 32,519,322</u>	<u>\$ 1,000,000</u>	<u>\$</u>	<u>\$ 5,175,189,578</u>

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS
For the Year Ended June 30, 2013

	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	\$ 26,515,782	\$ —	\$ 258,130,015	\$ 103,431	\$ 1,227,423	\$ 285,976,651
Plan Member Contributions	13,395,701	7,799,790	39,477,258	118,101	—	60,790,850
Other Income	—	—	224,552	—	—	224,552
Total Contributions	39,911,483	7,799,790	297,831,825	221,532	1,227,423	346,992,053
Investment Earnings:						
Interest and Dividend Income	119,563,215	96,336,483	731,111	3,589,143	—	220,219,952
Net Appreciation (Depreciation) in Fair Value	156,807,973	312,649,568	—	—	—	469,457,541
Investment Expense	(11,696,933)	(34,898,051)	—	—	—	(46,594,984)
Securities Lending Income	434,418	1,808,690	—	—	—	2,243,108
Net Gain on Collateralized Securities	5,239,390	5,563,582	—	—	—	10,802,972
Other Income	11,861,477	21,741,155	—	—	—	33,602,632
Total Investment Earnings	282,209,540	403,201,427	731,111	3,589,143	—	689,731,221
Total Additions	322,121,023	411,001,217	298,562,936	3,810,675	1,227,423	1,036,723,274
DEDUCTIONS:						
Pension and Annuity Benefits	246,617,947	279,885,732	—	—	—	526,503,679
Premiums to Insurers and Damage Claims	—	—	295,829,479	1,872,201	1,227,423	298,929,103
Changes in estimate related to prior year contribution	—	29,026,800	—	—	—	29,026,800
Member Refunds and Withdrawals	126,498,794	35,652,101	—	—	—	162,150,895
General and Administrative Expenses	8,820,176	6,325,153	2,080	57,935	—	15,205,344
Total Deductions	381,936,917	350,889,786	295,831,559	1,930,136	1,227,423	1,031,815,821
Net Increase (Decrease)	(59,815,894)	60,111,431	2,731,377	1,880,539	—	4,907,453
Net Position, Beginning of Year	2,158,837,848	2,974,461,633	5,343,861	30,638,783	1,000,000	5,170,282,125
Net Position, End of Year	\$ 2,099,021,954	\$ 3,034,573,064	\$ 8,075,238	\$ 32,519,322	\$ 1,000,000	\$ 5,175,189,578

City of Detroit, Michigan
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

	<u>Fire Insurance Escrow Fund</u>	<u>Other Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 956,494	\$ 243,910	\$ 1,200,404
Investments at Fair Value	<u>20,606,287</u>	<u>—</u>	<u>20,606,287</u>
Total Assets	<u>\$ 21,562,781</u>	<u>\$ 243,910</u>	<u>\$ 21,806,691</u>
LIABILITIES			
Accounts and Contracts Payable	\$ 50,994	\$ 243,910	\$ 294,904
Other Liabilities	20,900,407	—	20,900,407
Due to Primary Government	<u>611,380</u>	<u>—</u>	<u>611,380</u>
Total Liabilities	<u>\$ 21,562,781</u>	<u>\$ 243,910</u>	<u>\$ 21,806,691</u>

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Fire Insurance Escrow Fund				
ASSETS				
Cash and Cash Equivalents	\$ 995,812	\$ —	\$ 39,318	\$ 956,494
Investments at Fair Value	20,590,845	15,442	—	20,606,287
Total Assets	\$ 21,586,657	\$ 15,442	\$ 39,318	\$ 21,562,781
LIABILITIES				
Accounts and Contracts Payable	\$ 158,896	\$ —	\$ 107,902	\$ 50,994
Due to Primary Government	53,887	557,493	—	611,380
Other Liabilities	21,373,874	286,028	759,495	20,900,407
Total Liabilities	\$ 21,586,657	\$ 843,521	\$ 867,397	\$ 21,562,781
Other Agency Funds				
ASSETS				
Cash and Cash Equivalents	\$ 217,943	\$ 25,967	\$ —	\$ 243,910
Total Assets	\$ 217,943	\$ 25,967	\$ —	\$ 243,910
LIABILITIES				
Accounts and Contracts Payable	\$ 217,943	\$ 25,967	\$ —	\$ 243,910
Total Liabilities	\$ 217,943	\$ 25,967	\$ —	\$ 243,910
Total Agency Funds				
ASSETS				
Cash and Cash Equivalents	\$ 1,213,755	\$ 25,967	\$ 39,318	\$ 1,200,404
Investments at Fair Value	20,590,845	15,442	—	20,606,287
Total Assets	\$ 21,804,600	\$ 41,409	\$ 39,318	\$ 21,806,691
LIABILITIES				
Accounts and Contracts Payable	\$ 376,839	\$ 25,967	\$ 107,902	\$ 294,904
Due to Other Funds	53,887	557,493	—	611,380
Other Liabilities	21,373,874	286,028	759,495	20,900,407
Total Liabilities	\$ 21,804,600	\$ 869,488	\$ 867,397	\$ 21,806,691

STATISTICAL SECTION

(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 Position by Component, Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2013	2012	2011
Governmental Activities			
Net Investment in Capital Assets	\$ 832,127,493	\$ 803,653,672	\$ 711,987,330
Restricted	75,055,537	73,786,466	110,223,372
Unrestricted (deficit)	(1,714,975,464)	(1,557,840,700)	(1,360,282,090)
Total governmental activities net position	<u>(807,792,434)</u>	<u>(680,400,562)</u>	<u>(538,071,388)</u>
Business-type Activities			
Net Investment in Capital Assets	525,963,518	1,047,594,007	435,962,058
Restricted	244,039,925	461,972,732	303,235,683
Unrestricted (deficit)	(640,389,229)	(1,201,140,082)	(230,134,710)
Total business-type activities net position	<u>129,614,214</u>	<u>308,426,657</u>	<u>509,063,031</u>
Primary Government			
Net Investment in Capital Assets	1,358,091,011	1,851,247,679	1,147,949,388
Restricted	319,095,462	535,759,198	413,459,055
Unrestricted (deficit)	(2,355,364,693)	(2,758,980,782)	(1,590,416,800)
Total primary government net position	<u>\$ (678,178,220)</u>	<u>\$ (371,973,905)</u>	<u>\$ (29,008,357)</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years
 Ended June 30, 2004 through 2013

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$ 717,589,037	\$ 631,821,536	\$ 558,340,662	\$ 592,161,746	\$ 603,086,043	\$ 562,311,648	\$ 423,118,665
93,496,558	142,704,927	158,523,041	157,360,360	29,492,455	30,488,595	85,249,948
(1,278,954,788)	(956,905,000)	(687,464,129)	(602,506,410)	(608,735,544)	(586,294,194)	(315,218,872)
<u>(467,869,193)</u>	<u>(182,378,537)</u>	<u>29,399,574</u>	<u>147,015,696</u>	<u>23,842,954</u>	<u>6,506,049</u>	<u>193,149,741</u>
781,976,263	698,477,050	743,865,611	1,150,524,897	914,032,397	1,050,443,297	1,063,418,365
284,696,404	347,303,231	304,273,113	266,995,240	385,379,957	287,778,927	199,037,340
(333,688,853)	36,681,530	185,998,204	175,648,800	377,799,324	280,769,875	283,585,593
<u>732,983,814</u>	<u>1,082,461,811</u>	<u>1,234,136,928</u>	<u>1,593,168,937</u>	<u>1,677,211,678</u>	<u>1,618,992,099</u>	<u>1,546,041,298</u>
1,499,565,300	1,330,298,586	1,302,206,273	1,742,686,643	1,517,118,440	1,612,754,945	1,486,537,030
378,192,962	490,008,158	462,796,154	424,355,600	414,872,412	318,267,522	284,287,288
(1,612,643,641)	(920,223,470)	(501,465,925)	(426,857,610)	(230,936,220)	(305,524,319)	(31,633,279)
<u>\$ 265,114,621</u>	<u>\$ 900,083,274</u>	<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>

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

	Fiscal Year			
	2013	2012	2011	2010
Expenses				
Governmental Activities:				
Public Protection	\$ 694,708,112	\$ 800,229,437	\$ 816,928,579	\$ 779,613,390
Health	38,070,128	142,584,167	170,235,039	170,843,954
Recreation and Culture	26,856,182	30,113,031	31,397,867	17,963,496
Economic Development	81,455,649	73,599,973	87,938,305	61,906,827
Educational Development	37,040,734	51,974,801	58,840,456	90,450,821
Housing Supply and Conditions	5,086,777	4,431,697	6,328,619	8,381,813
Physical Environment	121,192,467	130,991,572	125,325,346	119,713,562
Transportation Facilitation	20,745,859	33,697,252	33,720,569	84,039,822
Development and Management	205,937,823	195,167,837	201,031,612	268,716,249
Interest on Long-Term Debt	133,545,027	129,097,503	132,827,437	129,458,620
Total Government Activities Expenses	1,364,638,758	1,591,887,270	1,664,573,829	1,731,088,554
Business-type Activities:				
Sewage Disposal	523,909,799	456,113,053	517,645,238	431,575,246
Transportation	166,024,287	212,856,759	215,880,853	207,620,142
Water	398,086,572	370,558,112	345,180,580	346,637,749
Automobile Parking	20,089,165	11,643,400	11,305,474	18,190,081
Airport	1,910,151	2,119,837	2,392,911	2,437,571
Total Business-type Activities Expenses	1,110,019,974	1,053,291,161	1,092,405,056	1,006,460,789
Total Primary Government Expenses	2,474,658,732	2,645,178,431	2,756,978,885	2,737,549,343
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Protection	76,800,124	75,900,731	89,521,773	78,076,978
Health	224,847	9,652,314	5,090,487	12,495,600
Recreation and Culture	17,697,563	18,170,830	17,796,165	17,510,499
Economic Development	7,192,630	850,741	1,358,479	121,725
Educational Development	-	-	499,058	1,528,487
Housing Supply and Conditions	3,196,447	2,734,182	3,566,331	3,780,682
Physical Environment	102,363,179	97,094,653	80,905,220	92,793,872
Transportation Facilitation	-	1,647,825	46,986	927,229
Development and Management	81,496,108	103,694,387	101,982,537	109,253,875
Operating Grants and Contributions	211,471,358	326,570,380	370,730,317	356,347,310
Capital Grants and Contributions	19,740,930	24,516,521	44,338,905	28,304,777
Total Governmental Activities Program Revenues	520,183,186	660,832,564	715,836,258	701,141,034
Business-type Activities:				
Charges for Services:				
Sewage Disposal	440,863,260	437,654,891	410,719,075	365,537,390
Transportation	26,643,760	22,558,000	27,418,297	26,565,119
Water	355,527,761	336,129,945	316,002,201	285,470,426
Automobile Parking	11,992,637	10,617,480	8,136,744	15,037,679
Airport	726,855	993,050	799,122	967,234
Operating Grants and Contributions	70,142,182	77,296,998	77,553,273	75,343,618
Capital Grants and Contributions	11,854,628	30,344,607	29,793,987	47,947,235
Total Business-type Activities Program Revenues	917,751,083	915,594,971	870,422,699	816,868,701
Total Primary Government Program Revenues	1,437,934,269	1,576,427,535	1,586,258,957	1,518,009,735

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 789,055,092	\$ 761,894,177	\$ 633,174,260	\$ 681,052,276	\$ 876,156,606	\$ 755,816,119
158,906,848	158,826,732	153,368,566	177,363,962	170,039,930	172,601,779
37,180,607	36,295,041	36,050,284	69,192,054	75,145,276	82,148,669
73,307,206	87,717,239	93,705,705	95,641,855	114,865,586	102,680,484
76,728,812	57,474,770	57,658,134	64,670,870	73,770,757	95,655,097
10,592,858	10,591,479	7,904,903	14,737,981	17,980,767	21,190,178
185,864,791	226,460,478	213,287,711	243,949,975	277,305,834	267,232,775
73,805,481	70,563,909	71,947,094	79,343,398	46,272,594	49,857,971
350,974,262	304,815,026	297,443,586	240,246,357	214,746,647	350,969,773
126,344,699	107,754,007	140,861,674	126,659,186	65,252,896	58,080,402
<u>1,882,760,656</u>	<u>1,822,392,858</u>	<u>1,705,401,917</u>	<u>1,792,857,914</u>	<u>1,931,536,893</u>	<u>1,956,233,247</u>
450,278,148	429,112,536	427,788,717	311,303,765	192,421,480	186,979,859
206,705,724	212,652,767	200,555,312	190,358,944	204,913,780	206,319,905
349,734,605	360,778,077	335,000,188	282,149,274	195,085,657	198,120,130
16,511,077	14,361,352	16,306,759	19,474,446	26,295,677	21,990,714
2,685,756	3,502,904	2,960,042	3,044,030	3,140,746	4,030,607
1,025,915,310	1,020,407,636	982,611,018	806,330,459	621,857,340	617,441,215
<u>2,908,675,966</u>	<u>2,842,800,494</u>	<u>2,688,012,935</u>	<u>2,599,188,373</u>	<u>2,553,394,233</u>	<u>2,573,674,462</u>
92,986,299	90,415,439	99,021,130	51,757,423	90,825,019	88,817,490
14,752,057	15,108,413	14,987,496	14,224,550	13,026,677	11,875,150
17,736,396	24,489,607	17,233,370	27,367,110	11,474,294	10,363,646
72,714	694,676	9,010,210	13,946,969	5,427,118	20,512,694
760,494	-	2,781,677	-	-	-
3,572,588	5,989,939	127,757	1,636,711	6,700,117	16,617,400
111,380,814	127,140,951	133,048,222	74,915,029	81,944,899	85,667,448
516,728	902,039	79,156	1,355	-	-
142,032,307	123,151,397	154,386,499	156,799,556	198,570,684	84,682,688
310,525,464	306,575,011	271,970,335	245,061,788	246,248,865	315,321,964
35,257,895	26,365,200	65,941,108	91,806,940	135,504,749	115,528,611
<u>729,593,756</u>	<u>720,832,672</u>	<u>768,586,960</u>	<u>677,517,431</u>	<u>789,722,422</u>	<u>749,387,091</u>
390,126,398	346,908,831	346,906,614	354,455,204	254,350,136	195,947,900
28,191,056	28,918,328	26,047,091	25,173,805	22,959,490	24,712,839
274,095,463	292,983,220	268,286,093	276,230,766	193,954,987	223,092,260
17,667,031	18,556,018	18,114,461	21,125,510	13,627,650	19,618,019
1,125,015	1,123,934	1,087,844	989,722	1,180,584	972,659
74,811,471	79,008,781	81,959,301	73,801,668	88,110,603	89,345,418
33,897,154	39,540,356	14,097,605	9,502,218	15,080,720	33,758,751
<u>819,913,588</u>	<u>807,039,468</u>	<u>756,499,009</u>	<u>761,278,893</u>	<u>589,264,170</u>	<u>587,447,846</u>
<u>1,549,507,344</u>	<u>1,527,872,140</u>	<u>1,525,085,969</u>	<u>1,438,796,324</u>	<u>1,378,986,592</u>	<u>1,336,834,937</u>

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

	Fiscal Year			
	2013	2012	2011	2010
Net (Expense) Revenue				
Governmental Activities	\$ (844,455,572)	\$ (931,054,706)	\$ (948,737,571)	\$ (1,029,947,520)
Business-type Activities	(192,268,891)	(137,696,190)	(221,982,357)	(189,592,088)
Total Primary Government Net Expense	(1,036,724,463)	(1,068,750,896)	(1,170,719,928)	(1,219,539,608)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	199,191,923	216,931,618	235,857,331	218,008,102
Municipal Income Tax	248,017,356	233,035,540	228,303,884	216,522,405
Utility Users' Tax	35,299,844	39,828,340	44,640,365	44,190,132
Wagering Tax	174,357,416	181,574,627	177,046,311	183,466,226
State Hotel and Liquor Tax	-	-	-	2,969,380
Other Taxes and Assessments	14,384,429	16,528,509	17,373,679	15,404,967
State Shared Taxes	182,454,314	173,292,222	239,342,109	239,047,211
State Returnable Liquor License Fees	604,206	-	-	-
Interest and Penalties on Taxes	924,928	4,264,747	7,554,054	9,332,781
Investment Earnings	(88,533,105)	8,366,960	8,606,985	8,832,971
Miscellaneous Revenue	11,854,410	2,578,822	3,595,798	6,618,964
Gain (Loss) on Disposal of Capital Assets	(8,829,927)	-	(528,568)	(27,775)
Special Item	-	-	(9,865,937)	49,980,314
Transfers	(52,662,094)	(87,675,853)	(73,390,635)	(74,579,168)
Total Governmental Activities	717,063,700	788,725,532	878,535,376	919,766,510
Business-type Activities:				
Investment Earnings (Loss)	(46,468,811)	(152,915,970)	9,837,046	(42,428,588)
Miscellaneous Revenues (Expenses)	7,265,917	2,299,933	6,310,694	788,385
Gain (Loss) on Disposal of Capital Assets	(2,752)	-	(91,476,801)	-
Special Item	-	-	-	-
Transfers	52,662,094	87,675,853	73,390,635	74,579,168
Total Business-type Activities	13,456,448	(62,940,184)	(1,938,426)	32,938,965
Total Primary Government	730,520,148	725,785,348	876,596,950	952,705,475
Change in Net Position				
Governmental Activities	(127,391,872)	(142,329,174)	(70,202,195)	(110,181,010)
Business-type Activities	(178,812,443)	(200,636,374)	(223,920,783)	(156,653,123)
Total Primary Government	\$ (306,204,315)	\$ (342,965,548)	\$ (294,122,978)	\$ (266,834,133)

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2004 through 2013

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ (1,153,166,900)	\$ (1,101,560,186)	\$ (936,814,957)	\$ (1,115,340,483)	\$ (1,141,814,471)	\$ (1,206,846,156)
(206,001,722)	(213,368,168)	(226,112,009)	(45,051,566)	(32,593,170)	(29,993,369)
(1,359,168,622)	(1,314,928,354)	(1,162,926,966)	(1,160,392,049)	(1,174,407,641)	(1,236,839,525)
231,428,726	225,602,203	241,428,477	243,621,932	239,507,939	253,880,972
240,824,363	276,485,035	278,309,191	284,111,220	282,501,875	290,614,837
49,900,471	51,590,794	53,768,977	122,824,621	52,939,839	47,422,918
172,912,862	186,277,275	179,763,570	156,588,917	137,970,347	116,145,598
17,367,715	16,220,140	17,579,292	16,287,676	16,310,767	16,217,263
12,878,272	13,283,748	16,201,899	13,602,597	-	4,337,425
268,246,565	272,569,363	272,635,060	280,818,221	282,914,217	286,479,535
-	-	-	-	-	-
10,696,529	10,857,112	10,342,478	9,181,155	11,712,960	13,780,520
7,056,295	19,189,619	24,075,811	18,396,691	14,464,802	4,500,270
9,273,309	13,586,014	37,634,868	22,780,845	9,984,374	13,624,695
(5,204,095)	(278,706)	(31,728)	(308,855)	(3,551,036)	(451,750)
-	-	-	-	-	-
(73,992,223)	(101,438,533)	(71,720,196)	(35,227,632)	(89,585,306)	(77,108,036)
941,388,789	983,944,064	1,059,987,699	1,132,677,388	955,170,778	969,444,247
25,458,070	58,176,113	-	39,193,811	22,808,775	12,516,207
(8,435,836)	(3,990,512)	69,331,846	2,879,273	(6,850,110)	3,812,743
-	-	1,017,226	25,970,429	-	-
(36,900,173)	(141,962,894)	-	-	-	-
73,992,223	101,438,533	71,720,196	35,227,632	89,585,306	77,108,036
54,114,284	13,661,240	142,069,268	103,271,145	105,543,971	93,436,986
995,503,073	997,605,304	1,202,056,967	1,235,948,533	1,060,714,749	1,062,881,233
(211,778,111)	(117,616,122)	123,172,742	17,336,905	(186,643,693)	(237,401,909)
(151,887,438)	(199,706,928)	(84,042,741)	58,219,579	72,950,801	63,443,617
\$ (363,665,549)	\$ (317,323,050)	\$ 39,130,001	\$ 75,556,484	\$ (113,692,892)	\$ (173,958,292)

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

	Fiscal Year				
	2013	2012	2011	2010	2009
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ 64,597,471	\$ 65,191,371
Unreserved (Deficit)	-	-	-	(155,692,159)	(331,925,012)
Nonspendable	4,050,006	20,940,729	20,692,552	-	-
Restricted	979,826	979,826	979,826	-	-
Committed	54,550,314	35,234,345	26,833,858	-	-
Unassigned (Deficit)	(132,560,895)	(326,641,557)	(196,577,910)	-	-
Total General Fund	<u>\$ (72,980,749)</u>	<u>\$ (269,486,657)</u>	<u>\$ (148,071,674)</u>	<u>\$ (91,094,688)</u>	<u>\$ (266,733,641)</u>
Retirement Service Funds:					
Reserved	\$ -	\$ -	\$ -	\$ 24,496,356	\$ 24,574,826
Unreserved (Deficit)	-	-	-	-	-
Nonspendable	24,016,604	24,016,604	24,295,379	-	-
Total Retirement System Service Funds	<u>\$ 24,016,604</u>	<u>\$ 24,016,604</u>	<u>\$ 24,295,379</u>	<u>\$ 24,496,356</u>	<u>\$ 24,574,826</u>
All Other Governmental Funds:					
Special Revenue Funds					
Reserved	\$ -	\$ -	\$ -	\$ 41,022,881	\$ 43,974,045
Unreserved (Deficit)	-	-	-	12,313,800	17,785,520
Nonspendable	-	1,457,015	1,597,869	-	-
Restricted	69,437,600	65,845,376	70,907,819	-	-
Capital Projects Funds					
Reserved	-	-	-	90,526,155	99,750,093
Restricted	79,371,566	129,888,278	148,878,121	-	-
Debt Service Fund					
Reserved	-	-	-	6,135,145	52,194,439
Assigned	7,899,702	6,314,687	4,561,750	-	-
Permanent Funds					
Reserved	-	-	-	1,588,224	1,574,670
Nonspendable	937,861	937,861	937,861	-	-
Restricted	819,870	778,733	748,159	-	-
Total All Other Governmental Funds	<u>\$ 158,466,599</u>	<u>\$ 205,221,950</u>	<u>\$ 227,631,579</u>	<u>\$ 151,586,205</u>	<u>\$ 215,278,767</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2004 through 2013

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.

Fiscal Year				
2008	2007	2006	2005	2004
\$ 77,472,983	\$ 64,169,704	\$ 66,502,619	\$ 121,809,601	\$ 164,248,792
(219,158,137)	(155,575,800)	(173,678,707)	(155,404,035)	(95,032,523)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ (141,685,154)</u>	<u>\$ (91,406,096)</u>	<u>\$ (107,176,088)</u>	<u>\$ (33,594,434)</u>	<u>\$ 69,216,269</u>
\$ 24,851,160	\$ 24,927,727	\$ 24,955,781	\$ 46,884,125	\$ -
(276,334)	-	-	-	-
-	-	-	-	-
<u>\$ 24,574,826</u>	<u>\$ 24,927,727</u>	<u>\$ 24,955,781</u>	<u>\$ 46,884,125</u>	<u>\$ -</u>
\$ 66,158,392	\$ 72,014,875	\$ 14,657,665	\$ 14,946,632	\$ 13,418,399
16,865,024	22,230,294	77,241,086	76,896,645	74,394,377
-	-	-	-	-
-	-	-	-	-
126,274,973	88,507,405	134,433,861	139,812,882	159,136,549
-	-	-	-	-
42,825,432	39,781,836	27,799,931	29,061,404	70,466,781
-	-	-	-	-
1,494,202	1,445,462	1,291,569	1,253,623	1,232,820
-	-	-	-	-
-	-	-	-	-
<u>\$ 253,618,023</u>	<u>\$ 223,979,872</u>	<u>\$ 255,424,112</u>	<u>\$ 261,971,186</u>	<u>\$ 318,648,926</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				
	2013	2012	2011	2010	2009
Revenues					
Taxes:					
Property Taxes	\$ 199,191,923	\$ 216,931,618	\$ 252,020,089	\$ 201,845,344	\$ 230,833,394
Municipal Income Tax	248,017,356	233,035,540	228,303,884	216,522,405	240,824,363
Utility Users' Tax	35,299,844	39,828,340	44,640,365	44,190,132	49,900,667
Wagering Taxes	174,599,992	181,443,475	176,899,280	183,338,299	173,026,122
Gas and Weight Tax	52,081,247	53,142,793	58,623,860	57,775,086	58,813,648
Other Taxes and Assessments	14,384,429	16,528,509	17,373,670	15,404,967	12,878,272
State Hotel and Liquor Tax	-	-	-	2,969,380	17,367,715
Interest and Penalties on Taxes	924,928	4,264,747	7,554,054	9,332,781	10,696,529
Licenses, Permits, and Inspection Charges	32,615,445	27,100,204	27,095,599	27,669,454	32,471,933
Intergovernmental:					
Federal	152,579,860	253,933,239	301,484,858	265,421,498	233,526,888
State					
State Shared Revenue	182,454,314	172,704,390	239,320,847	263,060,088	266,032,168
State Returnable Liquor License Fees	604,206	-	-	-	-
Other State Sourced Revenue	25,994,536	37,269,243	46,887,654	47,852,739	40,049,141
State Equity Grant	-	-	-	-	-
Other	6,029,547	6,663,482	8,347,440	6,788,282	14,500,644
Sales and Charges for Services	176,029,645	197,066,068	201,253,031	196,333,386	237,044,188
Ordinance Fines and Forfeitures	21,154,594	16,972,056	21,152,772	18,872,226	23,747,573
Revenue from Use of Assets	12,017,348	2,069,012	3,595,798	6,618,964	27,013,424
Investment Earnings	(399,654)	445,251	685,276	911,263	7,056,295
Other Revenue	35,958,150	64,241,114	77,135,224	64,761,863	72,117,140
Total Revenues	1,369,537,710	1,523,639,081	1,712,373,701	1,629,668,157	1,747,900,104
Expenditures					
Current:					
Public Protection	476,940,028	675,359,091	735,650,626	641,884,276	654,450,029
Health	37,448,812	142,365,025	169,338,220	170,489,091	155,442,680
Recreation and Culture	13,345,639	16,976,912	18,210,536	18,155,021	21,041,925
Economic Development	76,109,395	67,115,000	79,792,267	57,522,689	65,217,992
Educational Development	37,126,254	52,430,587	58,526,359	90,527,365	75,409,235
Housing Supply and Conditions	4,188,991	4,215,134	5,871,130	8,240,422	9,022,633
Physical Environment	106,802,886	113,603,551	113,296,648	104,042,673	159,233,592
Transportation Facilitation	1,749,362	14,990,983	26,836,954	715,17,424	66,567,770
Development and Management	19,105,297	176,507,779	180,366,148	237,069,025	305,203,444
Debt Service:					
Principal	103,880,615	97,498,429	87,904,525	89,653,619	129,696,883
Interest	133,319,492	126,728,009	131,087,371	124,280,049	124,716,178
Audit	-	-	-	-	-
Bond Issuance Costs	1,612,046	485,599	1,416,768	2,487,193	-
Capital Outlay	127,079,320	97,650,840	102,395,459	49,231,014	77,094,313
Total Expenditures	1,310,655,747	1,585,926,939	1,710,693,191	1,665,099,861	1,843,096,674
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,881,963	(62,287,858)	1,680,510	(35,431,704)	(95,196,570)
Other Financing Sources (Uses)					
Sources:					
Transfers In	174,825,814	179,921,845	173,340,882	171,409,769	210,043,052
Pension Obligation Certificates Issued	-	-	-	-	-
Swap Termination Fee	-	-	-	-	-
Proceeds of Section 108 Federal Note	-	-	-	-	-
Proceeds of Capital Leases	-	-	-	-	-
Proceeds from Debt Issuances	134,438,642	5,753,000	100,000,000	258,210,000	6,197,000
Premium from Debt Issuances	9,092,046	-	-	1,873,225	-
Total Other Financing Sources	318,356,502	185,674,845	273,340,882	431,492,994	216,240,052
Uses:					
Transfers Out	(227,487,908)	(267,597,697)	(246,731,517)	(245,988,937)	(284,035,275)
Principal Paid to Bond Agent for Refunded Bonds	-	-	-	(35,810,944)	-
Interest Paid to Bond Agent for Refunded Bonds	-	-	-	-	-
Total Other Financing Uses	(227,487,908)	(267,597,697)	(246,731,517)	(281,799,881)	(284,035,275)
Total Other Financing Sources (Uses)	90,868,594	(81,922,852)	26,609,365	149,693,113	(67,795,223)
Special Item	-	-	(9,865,937)	-	-
Net Change in Fund Balances	149,750,557	(144,210,710)	18,423,938	114,261,409	(162,991,793)
Fund Balance (Deficit) at Beginning of Year, as Restated	(40,248,103)	103,855,284	84,987,873	(26,880,048)	136,507,695
Increase (Decrease) in Inventories	-	107,323	443,473	(2,393,488)	(395,950)
Fund Balance (Deficit) at End of Year	\$ 109,502,454	\$ (40,248,103)	\$ 103,855,284	\$ 84,987,873	\$ (26,880,048)
Debt service as a percentage of noncapital expenditures	20.18%	15.10%	13.70%	13.39%	14.41%

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2004 through 2013

Fiscal Year					
2008	2007	2006	2005	2004	
\$ 225,890,313	\$ 257,003,325	\$ 243,621,932	\$ 238,771,142	\$ 249,372,955	
276,485,035	278,309,191	284,111,220	282,501,875	290,614,837	
51,590,599	53,768,977	60,019,626	52,939,839	50,473,815	
180,365,237	179,763,570	156,588,917	137,970,347	116,145,598	
6,107,748	62,080,522	62,804,995	63,476,425	65,806,351	
13,283,748	16,201,899	13,583,421	13,565,118	14,911,156	
16,220,140	17,579,292	16,287,676	16,310,767	16,217,263	
10,857,112	10,342,478	9,181,155	11,491,470	13,969,136	
35,138,940	32,536,815	35,585,150	35,609,100	29,992,269	
222,675,031	219,592,658	218,119,145	276,372,474	253,620,853	
249,027,299	272,084,669	279,467,063	282,914,217	286,479,535	
-	-	-	-	-	
4,106,268	4,187,552	75,774,530	36,867,375	64,707,175	
-	-	-	1,076,931	982,701	
4,026,591	14,359,711	25,192,384	16,346,773	36,215,990	
258,599,558	243,533,764	189,253,428	183,294,833	190,928,138	
20,850,629	25,680,231	21,525,257	27,481,642	28,237,898	
13,560,617	37,634,876	22,780,845	16,782,057	28,696,431	
19,189,619	24,075,811	18,396,691	14,464,802	4,500,270	
73,606,042	123,867,578	106,521,883	131,657,892	124,787,604	
<u>1,773,499,944</u>	<u>1,910,293,919</u>	<u>1,838,815,318</u>	<u>1,839,895,079</u>	<u>1,866,659,975</u>	
660,230,564	654,137,306	687,251,144	1,423,581,547	738,330,832	
157,414,372	154,283,807	177,723,221	197,473,468	172,301,527	
2,126,879	24,648,968	55,390,716	99,296,179	73,769,563	
99,342,897	86,454,732	88,424,272	99,655,593	96,272,459	
57,388,638	58,021,384	64,427,129	77,259,012	95,579,152	
9,607,906	8,412,644	14,786,461	27,863,296	21,150,047	
202,986,951	197,682,760	220,208,683	301,784,627	232,268,536	
58,595,880	72,482,752	79,343,398	46,272,594	49,857,971	
298,231,422	310,231,013	233,297,837	495,348,897	387,713,093	
140,216,435	95,599,337	88,150,364	73,544,336	81,450,470	
110,841,259	138,408,774	120,956,704	51,462,415	53,075,658	
-	-	-	-	-	
3,182,053	-	56,147,009	44,262,505	5,591,428	
88,458,549	69,848,815	175,169,666	282,545,708	162,593,794	
<u>1,907,762,805</u>	<u>1,870,212,292</u>	<u>2,061,276,874</u>	<u>3,220,350,177</u>	<u>2,169,954,530</u>	
(134,262,861)	40,081,627	(222,461,556)	(1,380,455,098)	(303,294,555)	
208,766,473	176,069,587	129,799,480	141,075,789	162,683,542	
-	-	77,108,137	1,170,607,421	-	
-	-	38,969,807	-	-	
-	14,958,000	1,800,000	7,789,000	-	
-	-	34,892,659	315,351	24,541,150	
28,178,578	-	81,903,071	353,830,000	347,398,138	
4,974,370	-	3,778,114	13,014,675	18,570,675	
<u>495,524,421</u>	<u>191,027,587</u>	<u>1,062,230,268</u>	<u>1,686,632,236</u>	<u>553,193,505</u>	
(310,205,006)	(247,789,783)	(165,027,112)	(230,661,095)	(239,791,578)	
(72,410,000)	-	(764,864,391)	(16,180,000)	(120,725,000)	
(1,314,181)	-	(1,741,161)	(10,865,420)	(2,847,682)	
<u>(383,929,187)</u>	<u>(247,789,783)</u>	<u>93,163,264</u>	<u>403,326,515</u>	<u>363,364,260</u>	
111,595,234	(56,762,196)	130,597,604	1,283,305,721	189,829,245	
-	-	-	-	38,250,000	
(22,667,627)	(16,680,569)	(9,186,952)	(97,149,377)	(75,215,310)	
157,501,503	173,203,805	275,260,877	387,865,195	456,395,275	
1673,819	978,267	(10,193,120)	(15,454,941)	6,685,230	
<u>\$ 136,507,695</u>	<u>\$ 157,501,503</u>	<u>\$ 173,203,805</u>	<u>\$ 275,260,877</u>	<u>\$ 387,865,195</u>	
13.97%	13.00%	14.06%	5.76%	6.98%	

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

Fiscal Year Ended June 30	Assessed Value		
	Residential Property	Commercial Property	Industrial Property
2013	\$ 4,850,303	\$ 2,417,371	\$ 576,900
2012	5,475,901	2,617,911	660,159
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

Fiscal Year Ended June 30	Taxable Value		
	Residential Property	Commercial Property	Industrial Property
2013	\$ 4,265,567	\$ 2,082,686	\$ 506,261
2012	4,591,719	2,181,621	612,936
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

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

Assessed Value		
Personal Property	Total	Total Direct Tax Rate (Per Thousand of Taxable Value)
\$ 1,592,878	\$ 9,437,452	29.57 %
1,369,132	10,123,104	29.51
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

Taxable Value		
Personal Property	Total	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 1,592,856	\$ 8,447,370	89.51 %
1,369,138	8,755,414	86.49
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

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)

City Direct Rates

Fiscal Year	Basic General City Rate (Note 1)	Debt Service (Note 1)	Total Direct
2013	19.9520	9.6136	29.5656
2012	19.9520	9.5558	29.5078
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

Note 1 Source: City of Detroit's Budget Department
 (Red Books for 2004 through 2013)

Note 2 Source: State of Michigan website

Note 3 Source: City of Detroit, Finance Department - Treasury Division

Overlapping Rates

Detroit Public Schools		Library (Note 1)	County (Note 3)	State Education Tax (Note 1)
Homestead (Note 2)	Non-Homestead (Note 2)			
13.0969	30.9277	4.6307	13.7768	6.0000
13.2996	31.1304	4.6307	14.0778	6.0000
13.1015	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

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)

Taxpayer	2013		
	Taxable Assessed Value (Note 1)	Rank	Percentage of Total City Taxable Assessed Value (Note 2)
Marathon Oil Company	\$ 609,060,077	1	7.21 %
Detroit Edison Company	394,090,732	2	4.67
Vanguard Health Systems - Hospitals	279,670,748	3	3.31
MGM Grand Detroit LLC	210,047,733	4	2.49
Chrysler Group LLC	176,957,041	5	2.09
Riverfront Holdings Inc.	112,227,313	6	1.33
Greektown Casino LLC	87,121,757	7	1.03
General Motors LLC	74,777,226	8	0.89
Detroit Entertainment LLC	64,838,913	9	0.77
International Transmission Co.	54,834,859	10	0.65

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, 2004 Comprehensive Annual Financial Report (Exhibit AA-14)

2004 (Note 3)

	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
	N/A	N/A	N/A
\$	354,451,848	2	4.52 %
	N/A	N/A	N/A
	35,336,546	10	0.45
	758,848,438	1	9.67
	121,819,245	5	1.55
	41,368,163	8	0.53
	191,414,065	3	2.44
	N/A	N/A	N/A
	38,592,402	9	0.49

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2013	\$ 239,186	\$ 163,443	68.33 %
2012	251,399	210,359	83.68
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

* Information not available for years 2007, 2009-2013

Source: City of Detroit, Finance Department - Treasury Division

Note: The methodology for compiling the information in this schedule was changed for 2013 and was not applied retroactively.

Total Collections to Date

Collections in Subsequent Years	Amount	Percentage of Levy
*	\$ 163,443	68.33 %
*	210,359	83.68
*	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
8,677	240,373	99.23

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)

Governmental Activities (Note 1)

Fiscal Year	General Obligation Bonds	Detroit Building Authority Bonds	Revenue Bonds	Notes Payable	Loans Payable	Pension Obligation Certificates
2013	\$ 1,024,819	\$ -	\$ -	\$ 88,310	\$ 37,820	\$ 1,194,228
2012	971,213	-	-	89,391	34,207	1,194,270
2011	1,049,088	-	-	88,926	36,595	1,208,030
2010	1,028,036	2,655	-	89,506	37,944	1,216,977
2009	858,446	4,230	82,707	81,626	47,016	1,220,881
2008	969,868	5,650	94,453	77,681	56,316	1,220,923
2007	919,620	6,955	105,600	41,940	62,688	1,220,965
2006	953,275	8,322	114,183	28,315	74,442	1,206,770
2005	967,895	9,922	125,013	27,795	45,370	1,170,607
2004	827,370	11,414	135,368	22,523	52,730	-

Note 1 Source: City of Detroit - Comprehensive Annual
Financial Report for Fiscal Years Ended June 30, 2004 through 2013

Business-type Activities (Note 1)

Sewage Disposal Fund		Transportation Fund		Water Fund		Automobile Parking Fund			
Revenue Bonds	Pension Obligation Certificates	General Obligation Bonds	Pension Obligation Certificates	Revenue Bonds	Pension Obligation Certificates	Revenue Bonds	Total Primary Government	Per Capita	
\$ 3,190,578	\$ 90,151	\$ 5,458	\$ 105,185	\$ 2,488,622	\$ 79,555	\$ 9,125	\$ 8,313,850	\$ 11,648	
3,250,005	90,154	6,272	105,189	2,518,913	79,558	10,261	8,349,432	11,698	
2,894,198	91,193	6,272	106,401	2,159,832	80,474	11,341	7,732,348	10,833	
2,940,530	91,868	6,272	107,188	2,190,140	81,070	40,931	7,833,116	8,234	
2,980,741	92,163	6,272	107,532	2,298,509	81,330	42,616	7,904,069	8,309	
3,006,776	92,166	6,272	107,536	2,328,126	81,333	44,165	8,091,264	8,506	
3,018,976	9,140	-	107,539	2,344,255	159,196	45,668	8,042,542	8,455	
2,657,446	9,031	-	106,268	1,971,744	162,415	54,230	7,346,442	7,723	
2,653,827	8,761	-	103,084	1,991,615	157,548	60,845	7,322,282	7,697	
2,375,153	-	-	-	1,713,435	-	67,100	5,205,093	5,472	

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)

General Bonded Debt (Note 1)

Fiscal Year	General Bonds	Detroit Building Authority Bonds	Pension Obligation Certificates	Restricted for Debt Service	Total (Net of Restricted for Debt Service)
2013	\$ 1,009,395	\$ -	\$ 1,180,285	\$ (31,916)	\$ 2,157,764
2012	963,400	-	1,180,285	(30,331)	2,113,354
2011	1,039,505	-	1,194,003	(28,857)	2,204,651
2010	1,013,920	2,655	1,202,909	(30,632)	2,188,852
2009	838,735	4,230	1,206,770	(76,769)	1,972,966
2008	942,850	5,650	1,206,770	(67,400)	2,087,870
2007	883,510	6,955	1,206,770	(64,710)	2,032,525
2006	953,275	8,322	1,206,770	(28,201)	2,140,166
2005	967,895	9,922	1,170,607	(29,235)	2,119,189
2004	827,370	11,414	-	(52,783)	786,001

Note 1 Source: City of Detroit - Comprehensive Annual Financial Report for Fiscal Years Ended June 30, 2004 through 2013

Note 2 Source: City of Detroit's Budget Department (Red Books for 2004 through 2013)

General Bonded Debt (Note 1)

Taxable Value (Note 2)	Percentage of Actual Taxable Value of Property (Note 2)	Per Capita
\$ 8,447,370	25.54 %	\$ 3,023.02
8,755,414	24.14	2,960.80
9,111,881	24.20	3,088.71
9,725,919	22.51	2,300.98
10,031,268	19.67	2,074.03
9,896,705	21.10	2,194.82
8,996,155	22.59	2,136.64
8,749,830	24.46	2,249.80
8,335,790	25.42	2,227.75
7,844,209	10.02	826.26

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Schedule 11
City of Detroit, Michigan
Debt Capacity - Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
(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	\$ 1,694,186,754	100.00 %	\$ 1,694,186,754
Wayne County	345,555,078	18.41	63,616,690
Wayne County Community College	7,470,000	29.60	<u>2,211,120</u>
Subtotal, overlapping debt			1,760,014,564
City of Detroit direct debt	2,345,176,789	100.00	<u>2,345,176,789</u>
Total Direct and Overlapping Debt			<u><u>\$ 4,105,191,353</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)

	Fiscal Year				
	2013	2012	2011	2010	2009
Debt limit	\$ 1,558,064	\$ 1,033,010	\$ 1,218,147	\$ 1,218,793	\$ 1,388,266
Total net debt applicable to limit	<u>1,039,011</u>	<u>957,128</u>	<u>1,033,233</u>	<u>919,650</u>	<u>820,400</u>
Legal debt margin	<u>\$ 519,053</u>	<u>\$ 75,882</u>	<u>\$ 184,914</u>	<u>\$ 299,143</u>	<u>\$ 567,866</u>
Total net debt applicable to the limit as a percentage of debt limit	66.69%	92.65%	84.82%	75.46%	59.10%

Source: City of Detroit Finance Department, Debt Management Division

Fiscal Year				
2008	2007	2006	2005	2004
\$ 1,505,243	\$ 1,527,708	\$ 1,443,061	\$ 1,390,749	\$ 1,320,970
<u>820,400</u>	<u>758,805</u>	<u>815,002</u>	<u>728,229</u>	<u>738,889</u>
<u>\$ 684,843</u>	<u>\$ 768,903</u>	<u>\$ 628,059</u>	<u>\$ 662,520</u>	<u>\$ 582,081</u>
54.50%	49.67%	56.48%	52.36%	55.94%

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

Sewage Disposal Revenue Bonds						
Fiscal Year	Total Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt (c) Coverage	
2004	\$ 320,515	\$ 177,747	\$ 142,768	\$ 115,970	123.11%	
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	
2012	444,471	217,024	227,447	199,990	1.14	
2013	440,660	209,785	230,875	225,223	1.03	

Water Revenue Bonds						
Fiscal Year	Total Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt (c) Coverage	
2004	\$ 259,641	\$ 152,562	\$ 107,079	\$ 95,331	112.32%	
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	
2012	343,923	165,081	178,842	153,442	1.17	
2013	361,091	151,204	209,887	172,638	1.22	

Automobile Parking Revenue Bonds						
Fiscal Year	Total (a) Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt Coverage	
2004	\$ 19,478	\$ 12,295	\$ 7,183	\$ 10,510	68.34%	
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	
2012	10,617	7,911	2,706	1,665	1.63	
2013	11,993	6,365	5,627	1,664	3.38	

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.
- (c) This calculation is for statistical analysis only. The calculation of debt service coverage in accordance with the bond ordinance is beyond the scope of this presentation.

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

Year	Population (Note 1)	Unemployment Rate (Note 2)	Per Capita Personal Income (Note 3)	Total Personal Income (in Millions)
2013	713,777	18.6 %	\$ 13,956	\$ *
2012	713,777	18.3	15,062	*
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	*	*

* Information Not Available at Date of Publication of CAFR

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

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

Employer	2013 (Note 1)		
	Employees	Rank	Percentage of Total City Employment (Note 3)
City of Detroit	11,396	1	4.1 %
Detroit Public Schools	10,951	2	3.9
Detroit Medical Center	10,823	3	3.9
Henry Ford Health System	8,774	4	3.1
U.S. Government	6,665	5	2.4
Wayne State University	6,272	6	2.2
State of Michigan	4,212	7	1.5
Chrysler Group L.L.C.	4,150	8	1.5
St. John Providence Health System	4,006	9	1.4
DTE Energy Co.	3,640	10	1.3

Note 1 Source: Crain's Book of Lists, 2013 Edition (City of Detroit Based)

Note 2 Source: City of Detroit 2005-2006 Executive Budget Summary (Page D-4)

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

2003 (Note 2)

Employees	Rank	Percentage of Total City Employment (Note 3)
20,799	2	6.3 %
26,000	1	7.9
11,836	3	3.6
7,337	6	2.2
11,363	4	3.5
5,154	11	1.6
5,637	10	1.7
9,707	5	3.0
5,767	9	1.8
4,045	14	1.2

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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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Governmental Agencies										
Executive Agencies										
Arts	-	-	-	-	-	-	-	1	1	1
Budget	15	15	16	20	23	22	23	23	28	28
Building and Safety	183	204	235	258	276	296	296	299	294	302
Civic Center	-	-	-	-	33	35	35	59	70	89
Consumer Affairs	-	-	-	-	-	-	-	14	13	17
Cultural Affairs	-	-	-	-	-	-	-	-	10	14
Public Works	503	542	639	649	737	750	748	873	1,226	1,314
Workforce Development	-	46	73	113	99	91	98	90	79	81
Environmental	-	-	3	10	51	53	51	21	23	29
Finance	224	235	266	285	310	327	310	298	402	506
Fire-Civilian	181	67	7	7	18	6	-	442	442	440
Fire-Uniform	912	1,190	1,323	1,348	1,388	1,438	1,479	1,069	1,281	1,286
General Services	384	343	447	481	528	676	670	-	-	-
Health & Wellness Promotion	31	185	243	262	317	348	335	434	505	568
Historical	-	-	-	-	-	-	-	6	24	39
Human Resources	82	107	176	171	168	175	179	174	232	266
Human Rights	7	6	8	-	12	13	7	7	19	25
Human Services	-	52	85	95	91	117	122	128	145	142
Information Technology Services	30	43	46	65	92	99	105	94	112	124
Inspector General	7	-	-	-	-	-	-	-	-	-
Law	88	94	105	113	122	127	134	140	180	195
Mayor's Office	22	39	52	63	74	108	107	59	97	100
Planning and Development	110	122	154	160	173	172	181	197	239	255
Police-Civilian	86	308	305	317	309	387	373	427	445	514
Police-Uniform	2,475	2,708	2,890	2,971	3,379	3,034	3,126	3,162	3,658	3,867
Communication and Creative Services	-	-	-	-	-	-	-	-	21	17
Public Lighting	98	103	123	160	206	225	217	228	254	281
Recreation	203	300	510	508	385	471	464	399	465	638
Senior Citizens	-	-	-	-	3	-	-	5	8	9
Youth	-	-	-	-	-	-	1	-	-	-
Zoological Institute	-	-	-	-	-	1	-	86	194	213
Administrative Hearings	8	4	6	9	6	6	5	5	4	-
Homeland Security	3	2	2	1	5	5	5	4	6	-
Housing	-	-	3	3	3	3	3	3	3	179
Legislative Agencies										
Auditor General	10	12	15	17	18	21	18	18	16	26
Board of Zoning Appeals	13	12	12	12	12	13	15	11	13	15
City Council	118	52	61	74	97	90	91	92	104	108
Ombudsman	6	7	7	11	11	10	7	6	9	11
City Clerk	15	18	20	22	23	25	25	27	30	31
Elections	81	83	51	55	102	68	60	65	74	75
Judiciary Agency										
36th District Court	31	31	35	33	33	32	31	31	31	31
Other Agencies										
Non-Departmental	24	14	20	21	33	44	37	41	44	29
Library	344	334	371	450	466	460	457	457	463	457
Total General Governmental Agencies	6,294	7,278	8,309	8,764	9,603	9,748	9,815	9,495	11,264	12,322
Enterprise Agencies										
Airport	2	7	8	9	10	11	11	13	22	26
Department of Transportation	809	1,131	1,292	1,351	1,514	1,512	1,562	1,530	1,588	1,748
Municipal Parking	86	97	92	97	104	109	114	108	108	118
Water and Sewage Disposal	1,721	2,012	2,123	2,081	2,189	2,260	2,224	2,311	2,592	2,735
Total Enterprise Agencies	2,618	3,247	3,515	3,538	3,817	3,892	3,911	3,962	4,310	4,627
Grand Total	8,912	10,525	11,824	12,302	13,420	13,640	13,726	13,457	15,574	16,949

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		
	2013	2012	2011
Public Protection:			
Police			
Number of Stations (Including 19 Mini-Stations)	37	39	23
Number of Employees (Uniform)	2,389	2,637	2,771
911 Calls Received / Answered	1,274,796 / 1,252,547	1,384,274 / 1,323,069	1,503,255 / 1,367,627
Number of Narcotics Raids	2,440	3,462	3,147
Number of Community Policing Programs	874	375	350
Fire			
Number of Fire Stations	37	46	46
Number of Employees	1,292	1,455	1,455
Number of Fire Fighting Vehicles	78	78	76
Number of Fire Hydrants	28,000	28,000	28,000
Responses to Fire Alarms (Including False Alarms)	21,449	34,613	26,813
Responses to Special Calls and Emergency Medical Service Calls	109,237	126,099	136,705
Estimated Fire Loss of Property	\$ 245,851,910	\$ 149,261,205	\$ 285,142,382
Public Works			
Number of Employees	554	625	655
Miles of Streets (Paved + Unpaved)	2,571	2,571	2,572
Miles of Alleys (Paved + Unpaved)	1,264	1,264	1,264
Miles of Sidewalks	4,243	4,243	4,243
Public Lighting			
Number of Street Lights	88,000	88,000	88,000
Number of Revenue Customers	256	256	116
Size of Generating Station in Kilo watts	30,000	30,000	140,000
Kilo watt Hours Generated (Net)	164,000	191,320	29,352,500
Kilo watt Hours Delivered to System	487,465,000	604,471,560	549,972,720
Steam Heating Plants - Steam Produced in Pounds	95,670,000	87,505	57,840,415
Recreation and Culture			
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	17	17
Number of Skating Rinks	2	2	2
Number of Swimming Pools	9	10	10
Number of Municipal Beaches	1	1	1
Total Playing Permits Issued at Five Municipal Golf Courses	109,474	121,612	92,857
Library			
Number of Libraries (Including Two Bookmobiles)	23	24	27
Estimated Number of Books	7,192,232	7,113,304	7,030,335
Circulation	1,790,839	2,260,177	2,588,135

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
30	19	8	12	24	28	30
2,928	2,971	3,005	3,126	3,162	3,658	3,818
1,590,368 / 1,465,475	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
300	N/A	N/A	N/A	N/A	N/A	N/A
45	49	46	48	48	49	49
1,535	1,480	1,535	1,479	1,511	1,723	1,726
93	93	90	212	256	238	238
28,000	28,000	28,000	38,000	38,000	38,000	38,000
19,224	19,530	23,174	33,399	33,992	34,160	34,160
144,101	143,694	142,573	142,370	132,432	151,285	151,285
\$ 467,135,907	\$ 549,374,611	\$ 397,605,618	\$ 1,190,738,018	\$ 96,771,056	\$ 1,921,197,050	\$ 1,921,197,050
729	730	753	748	873	1,124	1,189
2,571	2,570	2,570	2,570	2,784	2,784	2,784
1,264	1,264	1,264	1,264	1,284	1,284	1,264
4,243	4,243	4,243	4,243	4,265	4,265	4,243
88,000	88,000	87,500	87,500	88,000	87,500	87,000
116	190	235	185	201	179	1,302
184,000	184,000	177,000	177,000	184,000	184,000	184,000
121,769,000	134,189,000	136,207,800	94,000,300	256,395,400	308,391,000	253,271,700
576,292,000	449,929,000	608,442,800	631,299,700	634,026,280	567,529,080	541,722,900
54,729,562	79,773,679	104,544,579	85,000,000	62,306,014	71,852,887	75,226,300
354	354	354	387	391	391	391
-	-	-	-	1	1	1
13	13	13	14	30	30	30
2	2	1	2	1	1	1
10	2	2	8	17	17	18
1	1	1	1	1	1	1
104,652	127,915	132,405	202,403	269,870	269,870	269,870
27	27	27	27	27	27	26
8,304,694	8,314,427	7,903,837	7,903,837	3,497,342	3,497,342	3,343,509
2,446,842	2,308,336	1,199,736	1,199,736	889,315	981,689	996,316

(Continued)

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

	Fiscal Year		
	2013	2012	2011
Water System			
Number of Customer Accounts	258,000	262,000	267,500
Average Pumpage - Millions of Gallons per Day	549.9	556.3	543.4
Greatest Pumpage for a Single Day During Fiscal Year - Gallons	957,200,000	983,100,000	968,000,000
Greatest Pumpage for a Single Hour During Fiscal Year - Gallons	42,917,000	44,833,000	43,625,000
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	\$ 18.76	\$ 17.02	\$ 15.48
Sewage System			
Number of Sewage Disposal Plants	1	1	1
Number of Pumping Stations	11	11	11
Miles of (Trunk Line + Lateral) Sewers	2,913	2,913	2,913
Miles of Lateral Sewers	2,125	2,125	2,125
Transportation			
Number of Employees	989	1,139	1,341
Number of Revenue Vehicles	444	465	445
Seating Capacity	17,534	18,363	17,570
Number of Route Miles	1,014	1,056	1,091
Number of Passengers (Estimated)	30,898,942	32,750,907	35,615,420
Regular Fare	\$ 150	\$ 150	\$ 150
Tickets	N/A	N/A	N/A
Transfers	\$ 0.25	\$ 0.25	\$ 0.25
Weekly GO Pass	\$ 14.40	\$ 14.40	\$ 14.40
Health			
Number of Employees	*	*	271
Birth Rate per Thousand	*	*	21.6
Death Rate per Thousand	*	*	*
Infant Mortality Rate per Thousand Live Births	*	*	7.1
Educational Development			
School Enrollment	51,318	66,745	75,152
Operating Expenditures	712,922,213	915,495,622	1,067,536,984
Cost Per Pupil	13,892	13,716	14,205
Operating Revenues	*	*	*
Revenue Per Pupil	*	*	*
Total Teaching Staff	3,398	4,396	4,982

Source: City of Detroit, Michigan, Various Departments

* Information Not Available at Date of Publication of CAFR

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
268,500	268,500	275,900	264,173	264,259	281,104	262,415
515.3	557.1	601.7	575.2	599.6	640.0	606.0
793,800,000	963,500,000	1,097,900,000	1,031,300,000	1,049,800,000	1,060,500,000	1,082,200,000
37,750,000	42,583,000	51,992,000	49,125,000	50,333,000	52,208,000	48,667,000
1,780	1,780	1,780	1,780	1,780	1,670	1,680
3,840	3,840	3,840	3,840	3,840	3,840	3,846
\$ 13.73	\$ 13.06	\$ 12.92	\$ 12.02	\$ 11.87	\$ 11.49	\$ 11.00
1	1	1	1	1	1	1
12	12	12	12	12	12	12
2,913	2,913	2,913	2,913	2,913	3,383	2,913
2,125	2,125	2,125	-	-	-	-
1,524	1,524	1,562	1,562	1,530	1,605	1,757
445	445	541	541	550	561	572
17,570	17,355	21,916	21,916	22,278	22,065	23,887
933	1,291	1,291	1,291	1,291	1,198	1,324
36,555,845	38,612,890	35,204,863	35,204,863	37,083,344	36,000,000	38,000,000
\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.00
N/A	N/A	N/A	5 for \$ 7.50	5 for \$ 7.50	5 for \$ 6.50	5 for \$ 6.50
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ -
\$ 14.40	\$ 14.40	\$ 14.40	N/A	N/A	N/A	N/A
308	339	338	335	434	508	578
15.1	12.9	13.3	14.6	14.3	14.8	15.0
10.60	10.40	8.97	10.50	9.50	9.50	10.00
14.9	14.9	14.9	15.0	15.5	16.3	17.0
84,877	95,494	106,485	118,394	130,718	141,148	150,415
1,169,738,265	1,220,054,459	1,330,196,819	1,424,921,672	1,447,382,665	1,586,659,192	1,671,326,148
13,782	12,776	12,492	12,035	11,073	11,241	11,111
1,210,725,507	1,297,710,119	1,345,462,713	1,547,683,775	1,545,022,504	1,593,214,258	1,669,936,585
14,264	13,589	12,635	13,072	11,820	11,288	11,102
5,222	5,797	6,269	7,064	7,628	8,149	9,412

OUR SPECIAL THANKS TO:

City of Detroit, Michigan

www.detroitmi.gov

Finance Department

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including all Finance Department staff

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