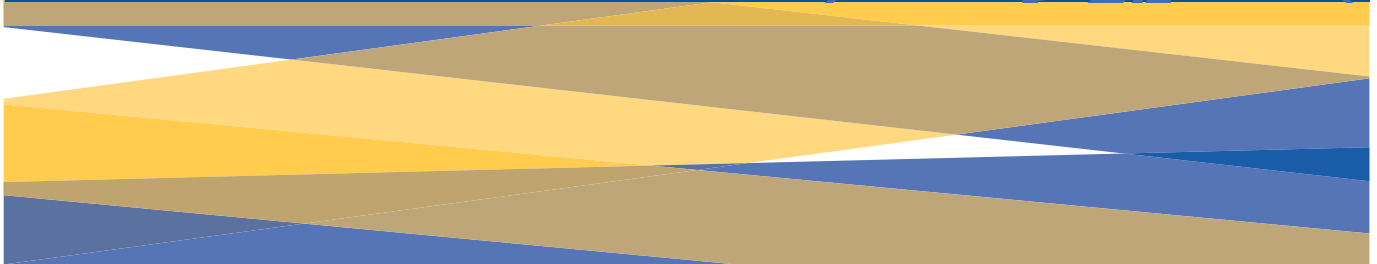


CITY OF DETROIT
Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2008

Dave Bing, Mayor
Norman L. White, Chief Financial Officer





"We hope for better things."

"It shall rise again from the ashes."

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

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PHOTO CREDITS:

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



November 18, 2009

The City of Detroit
The Honorable Mayor David Bing. and
The Honorable City Council

The management and staff of the Finance Department are pleased to submit the City of Detroit's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008 along with the Independent Auditor's Report.

INTRODUCTION TO THE REPORT

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

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

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

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

Statements; the Basic Financial Statements, which present the government-wide financial statements and the fund financial statements for government funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about the infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.

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

Independent Auditors: The City's Charter requires the Auditor General of the City to audit the transactions of all City agencies at least once every two years. The Auditor General is appointed by the City Council for a 10-year term. Additionally, state laws require the City to have its financial statements audited by an independent, outside auditor once every five years. However, beginning with the fiscal year 1980, the Mayor and City Council agreed to have an annual financial statement audit by an independent auditor. The independent auditor's report on the financial statements is included in the financial section of this report. Also, the City must also comply with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

PROFILE OF THE GOVERNMENT

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

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

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

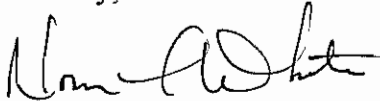
Legislative Branch: The legislative branch is comprised of the City Council and its agencies. The nine members of City Council are also elected to a four-year term. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved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

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

ACKNOWLEDGEMENTS

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

Sincerely,

A handwritten signature in black ink, appearing to read "Norm White", written in a cursive style.

Norman White
Chief Financial Officer



The Detroit Fire Department rolls out a new fleet of state-of-the-art fire apparatus in August 2007.



CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT





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

LOREN E. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL'S LETTER

November 20, 2009

The Honorable Mayor Dave Bing
And Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008, were audited by KPMG LLP., under contract with the City of Detroit's, Office of the Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

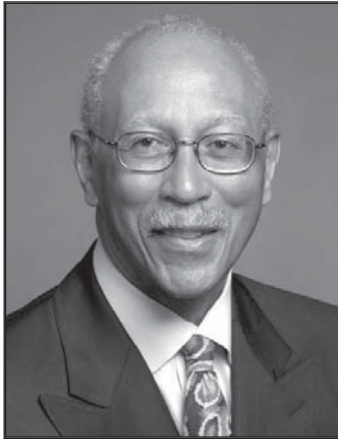
Respectfully,

Loren E Monroe

Loren E. Monroe, CPA
Auditor General

**PRINCIPAL OFFICIALS
OF THE
CITY OF DETROIT, MICHIGAN**

**Executive
(Elected)**



**Mayor
DAVE BING**

**Legislative
(Elected)**

City Council



KENNETH V. COCKREL JR.
President



JOANN WATSON
President Pro Tem



SHEILA M. COCKREL



BARBARA-ROSE COLLINS



BRENDA JONES



KWAME KENYATTA



MARTHA REEVES



ALBERTA TINSLEY-TALABI

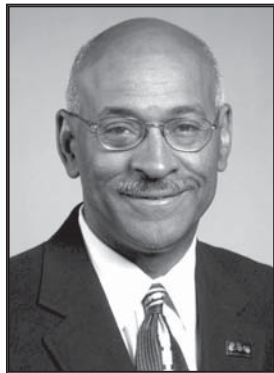
**PRINCIPAL OFFICIALS
OF THE
CITY OF DETROIT, MICHIGAN**

Legislative
(Elected)



City Clerk
JANICE WINFREY

Other Executive Officials
(Appointed)



CHARLES BECKHAM
Chief Administrative Officer



NORMAN WHITE
Chief Financial Officer

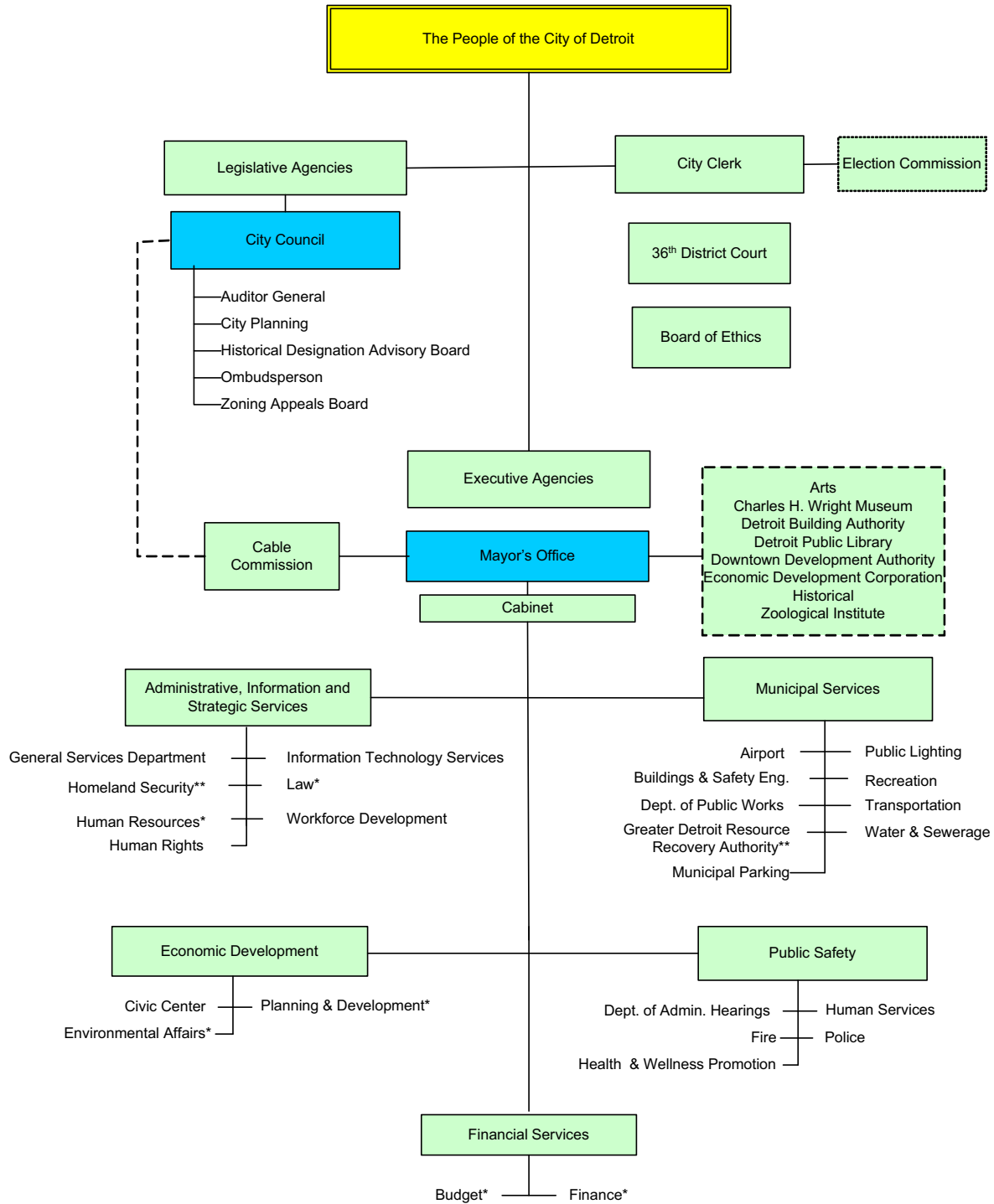
Downtown Detroit teems with the lively sights and sounds of the African World Festival in Hart Plaza.



CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT



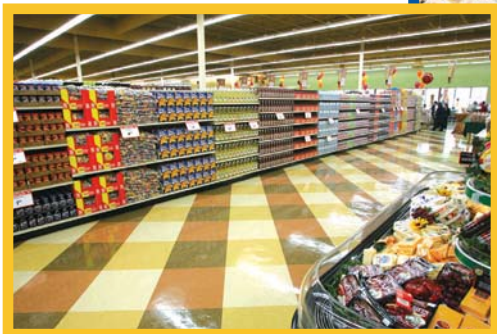
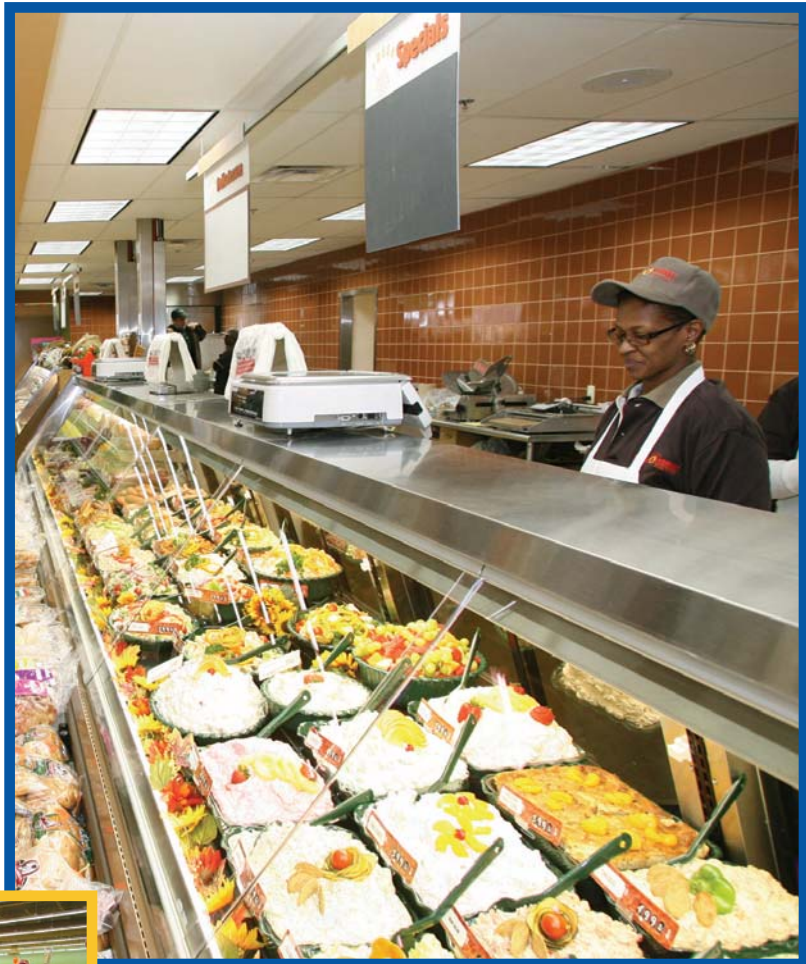
2007-08 Organization of City Departments



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



Local residents enjoy the availability of fresh, quality food at the grand opening of Mike's Fresh Market on Livernois.



CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL

The Financial Section contains:

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

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INDEPENDENT AUDITORS' REPORT



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

Independent Auditor's Report

The Honorable Mayor Dave Bing
and
the Honorable Members of the City Council
City of Detroit, Michigan:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Detroit's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, and Museum of African American History which represent 99.84% and 97.02% of the assets and expenses, respectively, of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System, the Policemen and Firemen Retirement System and the Detroit Building Authority, which represent 95.01% and 35.94% of the assets and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included in the aggregate discretely presented component units and aggregate remaining fund information, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Detroit Brownfield Redevelopment Authority, Detroit Public Library, Downtown Development Authority, Eastern Market Corporation, Greater Detroit Resource Recovery Authority, Local Development Finance Authority, Museum of African American History, General Retirement System, and Policemen and Firemen Retirement System were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



As discussed in note II.A to the basic financial statements, the City has an accumulated unreserved undesignated deficit in the General Fund of \$219 million as of June 30, 2008 which has contributed to the City's dependence on short-term borrowing for cash flow purposes.

As discussed in Note I.A.13 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, during the year ended June 30, 2008.

As discussed in Note I.A.14 to the basic financial statements, the City ceased reporting regulatory assets and liabilities under Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of the City of Detroit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on Pages 7 through 25, the budgetary comparison information on pages 125 through 129 and the schedules of employer contributions and the schedules of funding progress on page 132 and 133 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

Detroit, Michigan

November 20, 2009



Once again, Detroit residents rose up with pride and teamwork and volunteered to protect the city's neighborhoods against the scourge of arson during Angels' Night.



CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT



MANAGEMENT'S

DISCUSSION

AND ANALYSIS

(MD&A)

(UNAUDITED)



Young and old alike joyfully celebrate the lighting of the Detroit Christmas Tree and enjoy the festive lights, decorations and skating at The Rink at Campus Martius.

CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(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, 2008. We encourage readers to consider the information we present here in conjunction with the information presented in the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The primary government's total net assets decreased by \$317.4 million and its assets exceeded liabilities at June 30, 2008 by \$1.3 billion. The primary government's unrestricted deficit was \$501.3 million at June 30, 2008, an increase of \$74.4 million from the \$426.9 million deficit at June 30, 2007.
- The Government Accounting Standards Board (GASB) released Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other post employment benefits" including dental, eye-care, life insurance and death benefits. This change caused the financial statements of the City to recognize the cost and related liability of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. For the City, this resulted in \$146.5 million in increased expenses and a related liability for the year ended June 30, 2008. This adversely impacted the net assets and cumulative surplus/deficit of the government and business activities of the City. The actuary estimated that the present value of the future post employment benefit payments other than pensions to be \$6.2 billion at July 1, 2007. The unfunded actuarial accrued liability for the post employment benefits was estimated to be \$4.8 billion at July 1, 2007.
- Also contributing to the decline in net assets was the Sewage Disposal Fund's recording of a special item (loss) during the year ended June 30, 2008 to recognize an impairment loss of \$142.0 million due to the City's decision to suspend the Detroit River Outflow construction project. The outflow project, which involved deep tunneling, was initiated in 1999 and included construction of an entrance and access shaft, and six diffuser riser shafts in the Detroit River as required by an operating permit issued by the Michigan Department of Environmental Quality (MDEQ). The project was suspended due to flooding of the initial outflow tunnel. As a result of the Project delay and the City's request, a temporary stay of execution was granted by the MDEQ for a period of up to five (5) years. With the stay the City has officially placed the Project on hold, while it researches and determines the most efficient and cost effective designs for completing the Project, while accomplishing it's original objectives.
- At June 30, 2008, the City's governmental activities had net assets of \$29.4 million, a decrease of \$117.6 million from June 30, 2007. The governmental activities cumulative unrestricted deficit increased by \$85.0 million to \$687.5 million at June 30, 2008. The implementation of GASB Statement No. 45 increased expenses and liabilities by \$114.1 million and contributed to the decline in net assets and increase in the cumulative deficit of the governmental activities.
- The City's business-type activities had net assets of \$1.2 billion, a decrease of \$199.8 million from the fiscal year ended June 30, 2007. The business-type activities cumulative unrestricted net assets increased by \$10.6 million to \$186.2 million at June 30, 2008.
- At June 30, 2008, the General Fund had a total fund deficit of \$141.7 million, an increase of \$50.3 million from the prior year. The write off of the Transportation Fund's net inter-fund receivable of \$24.4 million and the withholding by the State of Michigan of \$23.0 million in revenue sharing due to the late 2007 CAFR contributed to the increase in General Fund deficit. The Unreserved Fund Balance had a \$219.2 million cumulative deficit at June 30, 2008 compared with the \$155.6 million deficit at the end of fiscal year 2007. The City has issued a deficit reduction plan for the General Fund, which includes staffing reductions and days off without pay for certain employees (i.e., furlough days), reduction in level of City provided services, reduced subsidies and enhanced procedures for the collection of revenues.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

- The City's total bonded debt decreased by \$25.1 million during the fiscal year ended June 30, 2008. This was primarily due to debt retirement by business activities that exceeded the new debt issued by \$64.9 million. The Sewage Disposal Fund issued a total of \$167.6 million in bonds in September 2007. The City's governmental activities issued \$130.2 million in General Obligation (Unlimited Tax) and \$68.4 million of General Obligation (Limited Tax) bonds to finance capital projects and purchase vehicles. A total of \$72.4 million of previously issued debt was refunded.
- Total long-term obligations were \$8.6 billion for the fiscal year ended June 30, 2008 compared to \$8.1 billion for the fiscal year ended June 30, 2007. Contributing to the increase in long-term obligations was the \$146.5 million other post employment benefits liability resulting from the implementation of GASB Statement No. 45. The POC long-term obligation did not change from the \$1.5 billion at June 30, 2007, as principal payments are not due until fiscal year 2009-10.
- For the fiscal year beginning July 1, 2007, the City created a new Solid Waste Special Revenue (non-major) Fund. This fund accounted for the solid waste removal and other related services that were previously accounted for in the General Fund under Physical Environment expenditures. The Physical Environment expenditures for the General Fund were \$94.7 million for the year ended June 30, 2008, a \$103.0 million decrease from the \$197.7 million for the year ended June 30, 2007. The total Physical Environment expenditures for the Solid Waste Special Revenue Fund for the year ended June 30, 2008 was \$108.3 million or \$5.3 million greater than the decrease reported in the General Fund. The General Fund contributed \$41.9 million for the year ended June 30, 2008 to the Solid Waste Fund to balance the Fund's revenues with the expenditures.
- The Police and Fire Retirement System granted the General Fund a \$25.0 million credit for the required pension contribution for the year ended June 30, 2008. This resulted in a \$25.0 million decrease in General Fund pension costs compared to the June 30, 2007 pension costs. General Fund Pension Costs were \$122.0 million for the year ended June 30, 2008 compared to \$137.0 million for the prior year.
- The State of Michigan withheld \$23.0 million of revenue sharing for the year ended June 30, 2008 until October 2008 because the City had not issued the 2007 CAFR timely. Since the revenue sharing was not received within 60 days of the fiscal year end (period of availability), the City's General Fund revenue sharing for the year ended June 30, 2008 was \$23.0 million less than the prior year and contributed to the increase in the General Fund deficit. The \$23.0 million revenue was included on the City's government-wide statements, as they are recorded on the accrual basis (see Overview of the Financial Statements below).
- The City's General Fund wrote off \$24.4 million in net inter-fund receivables due from the Transportation Fund due to the inability to timely collect them. As a result, the General Fund deficit for the year ended June 30, 2008 was increased by \$24.4 million and the Transportation Fund deficit was reduced by the same amount.
- For the year ended June 30, 2008, the City recorded \$57.6 million in liabilities due to Wayne County and reduced property tax revenues by the same amount for estimated charge-backs/recoveries of uncollectable delinquent taxes. Wayne County has been providing the City with payments for the purchase of current year delinquent taxes every year since 2004. The County in the current year will deduct (charge-back) the City for prior year taxes purchased that it determines to be uncollectable. For the year ended June 30, 2007, the liability totaled \$8.2 million. The \$49.4 million increase in the liability and decrease in property tax revenue was due to a more conservative estimate based on the down-turn in the economy and current trends of the County charge-backs.
- As part of a "global settlement" of several outstanding sewer rate issues between the Detroit Water and Sewage Disposal Departments and suburban customers, the City agreed to pay out of the General Fund \$27.0 million to the Water and Sewage Disposal Funds' capital funds for disputed capital costs for the 800 Megahertz (MHz) Communication System charged to those funds. In June 2008, the City issued \$25.0 million in general obligation bonds for additional 800 MHz capital costs. The proceeds of that sale were applied to the settlement along with an additional \$2.0 million from the General Fund. Additionally, the settlement terms provided that the Detroit Water and Sewage Disposal Departments would reduce the interest rate charged to Macomb County, resulting in a credit to Macomb County of \$17 million, that Wayne, Oakland, and Macomb Counties would sign a new thirty-year sewer

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

service contract with the Department, and that the Department would transfer ownership of the Oakland-Macomb Interceptor, to either Macomb County or an authority created by Oakland and Macomb Counties, subject to a six-month due diligence. In August 2009, the City Council and the Detroit Water and Sewer Department's Board of Water Commissioners approved the transfer of the Sewage Fund's Oakland-Macomb Interceptor to Macomb and Oakland counties for approximately \$100 million. As a result, Macomb and Oakland Counties will assume responsibility for maintenance and upkeep of the interceptor upon transfer of ownership.

- During the fiscal year ended June 30, 2008 the City ceased reporting the Sewage Disposal Fund regulatory assets and liabilities under FAS 71, *Accounting for the Effects of Certain Types of Regulation*. In prior years, the City reported an asset or liability for the impact of look-back adjustments, such that revenue surpluses resulted in a liability (to be returned in the rate period two years subsequent), and revenue shortfalls resulted in a receivable (to be received from the customers in the rates two years subsequent). Further, certain cash outlays that were funded through bond issuances but that traditionally would be considered expenses of the current period had been reported as an asset because the rate model considered them future recoverable costs.

The City has changed its method of accounting because interperiod equity (the concept of whether current year revenues are sufficient to pay for current year services) is more appropriately measured when revenue surpluses result in an increase in net assets, and when revenue shortfalls or current period maintenance expenses result in a decrease in net assets. The City has retrospectively applied this change in accounting to the earliest period presented. As a result of this change, the July 1, 2007 current receivables were reduced by \$34.6 million; noncurrent receivables were reduced by \$21.8 million; capital assets were reduced by \$112.9 million, current liabilities were reduced by \$3.2 million; long-term liabilities were reduced by \$7.0 million; and net assets were reduced by \$159.1 million.

The effect to the Sewage Disposal Fund net assets as of June 30, 2007 is summarized as follows:

Net assets at June 30, 2007, as previously reported		\$ 1,036,421,217
Adjustments to reflect change in accounting to eliminate regulatory assets and liabilities:		
Current rate adjustments receivable	(34,566,151)	
Noncurrent rate adjustments receivable	(21,828,526)	
Regulatory assets reported in capital assets	(112,925,915)	
Current rate adjustments payable	3,198,237	
Noncurrent rate adjustments payable	7,009,595	(159,112,760)
Net assets at June 30, 2007, as restated		\$ 877,308,457

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

The Statement of Net Assets (page 29) presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the City's financial position is improving or eroding.

The Statement of Activities (pages 30 and 31) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

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

Fund Financial Statements

The fund financial statements begin on page 32 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. The City's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* - Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund, General Retirement System Service Corporation, Police and Fire Retirement System Corporation, and Other Governmental Funds.
- *Proprietary funds* - When the City charges customers for services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary (e.g., Enterprise) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public (e.g., Transportation Fund).
- *Fiduciary funds* - The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets (pages 48 and 49). 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.

City of Detroit, Michigan
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(UNAUDITED)

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 56 of the report.

Additional Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Government-wide Net Assets

Net assets (assets less liabilities) serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1.3 billion at June 30, 2008. The net assets decreased \$317.4 million (20.1 percent) from the balance for the fiscal year ended June 30, 2007.

Summary of Net Assets
June 30, 2008 and 2007
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other non-current assets	\$ 1,957,672	\$ 1,844,080	\$ 1,939,100	\$ 2,103,902	\$ 3,896,772	\$ 3,947,982
Capital assets	1,508,889	1,501,871	5,323,892	5,344,488	6,832,781	6,846,359
Total assets	<u>3,466,561</u>	<u>3,345,951</u>	<u>7,262,992</u>	<u>7,448,390</u>	<u>10,729,553</u>	<u>10,794,341</u>
Current and other liabilities	636,733	726,151	230,690	347,055	867,423	1,073,206
Long-term obligations	2,800,428	2,472,784	5,797,953	5,667,279	8,598,381	8,140,063
Total liabilities	<u>3,437,161</u>	<u>3,198,935</u>	<u>6,028,643</u>	<u>6,014,334</u>	<u>9,465,804</u>	<u>9,213,269</u>
Net assets:						
Invested in capital assets, net of related debt	558,341	592,162	743,866	1,037,600	1,302,207	1,629,762
Restricted	158,523	157,360	304,273	266,995	462,796	424,355
Unrestricted (deficit)	(687,464)	(602,506)	186,210	175,649	(501,254)	(426,857)
Total net assets	<u>\$ 29,400</u>	<u>\$ 147,016</u>	<u>\$ 1,234,349</u>	<u>\$ 1,434,056</u>	<u>\$ 1,263,749</u>	<u>\$ 1,581,072</u>

Total Primary Government

The largest portion of the City's net assets at June 30, 2008 is its \$1.3 billion investment in capital assets (e.g., land, buildings, equipment, infrastructure and others), net of any related debt outstanding that was needed to acquire or construct the assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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Restricted net assets totaling \$462.8 million are the next largest portion. These are resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City presents restricted net assets in 2007-08 to include Highway and Street Improvement funds (\$49.2 million), Capital Acquisitions (\$126.9), Restricted for Debt Service (\$251.3), Endowments and Trusts (\$1.5) and Other Funds (\$33.9). The restricted net assets increased by \$38.4 million when compared to the prior year.

The remaining balance is an unrestricted accumulated deficit of \$501.3 million. 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 increased by \$74.4 million from the \$426.9 million at June 30, 2007.

Governmental Activities

Net assets of the City's governmental activities decreased \$117.6 million to \$29.4 million for the fiscal year ended June 30, 2008. Net assets invested in capital assets totaled \$558.3 million; a decrease of \$33.9 million from the prior fiscal year. Restricted net assets totaled \$158.5 million. The remaining unrestricted net assets deficit totaled \$687.5 million at June 30, 2008, an \$85.0 million increase from the \$602.5 million deficit at June 30, 2007.

Business-type Activities

The net assets of the business-type activities had a decrease of \$199.8 million for the fiscal year ended June 30, 2008 from the prior fiscal year. The unrestricted net assets increased \$10.6 million from the \$175.6 million surplus at June 30, 2007 to \$186.2 million at June 30, 2008.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Government-wide Changes in Net Assets

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

Summary of Changes in Net Assets June 30, 2008 and 2007 (In Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2008	2007	2008	2007	2008	2007	
Revenues							
Program revenues							
Charges for services	\$ 387,893	\$ 430,676	\$ 688,490	\$ 660,442	\$ 1,076,383	\$ 1,091,118	
Operating grants	306,575	271,970	79,009	81,959	385,584	353,929	
Capital grants	26,365	65,941	39,540	14,098	65,905	80,039	
General revenues							
Property Taxes	225,602	241,428	-	-	225,602	241,428	
Municipal Income Tax	276,485	278,309	-	-	276,485	278,309	
Utility Users Tax	51,591	53,769	-	-	51,591	53,769	
Wagering Tax	186,277	179,764	-	-	186,277	179,764	
Hotel and Liquor Tax	16,220	17,579	-	-	16,220	17,579	
Other Local Taxes	13,284	16,202	-	-	13,284	16,202	
State Shared Taxes	272,569	272,635	-	-	272,569	272,635	
Investment Earnings	19,190	24,076	58,176	69,332	77,366	93,408	
Miscellaneous	24,164	47,946	(3,990)	1,017	20,174	48,963	
Total Revenues	1,806,215	1,900,295	861,225	826,848	2,667,440	2,727,143	
Expenses							
Public Protection	761,894	633,174	-	-	761,894	633,174	
Health	158,827	153,368	-	-	158,827	153,368	
Recreation and Culture	36,295	36,050	-	-	36,295	36,050	
Economic Development	87,717	93,706	-	-	87,717	93,706	
Educational Development	57,475	57,658	-	-	57,475	57,658	
Housing Supply and Conditions	10,591	7,905	-	-	10,591	7,905	
Physical Environment	226,460	213,288	-	-	226,460	213,288	
Transportation Facilitation	70,564	71,947	-	-	70,564	71,947	
Development and Management	304,815	297,444	-	-	304,815	297,444	
Interest on Long-term Debt	107,754	140,862	-	-	107,754	140,862	
Sewage Disposal	-	-	429,113	427,789	429,113	427,789	
Transportation	-	-	212,653	200,555	212,653	200,555	
Water	-	-	360,778	335,000	360,778	335,000	
Automobile Parking	-	-	14,361	16,307	14,361	16,307	
Airport	-	-	3,503	2,960	3,503	2,960	
Total Expenses	1,822,392	1,705,402	1,020,408	982,611	2,842,800	2,688,013	
Excess (deficiency) before Contributions, Transfers, and Special Item							
	(16,177)	194,893	(159,183)	(155,763)	(175,360)	39,130	
Transfers, net Special Item							
	(101,439)	(71,720)	101,439	71,720	-	-	
	-	-	(141,963)	-	(141,963)	-	
Increase/(decrease) in Net Assets							
	(117,616)	123,173	(199,707)	(84,043)	(317,323)	39,130	
Net Assets, July 1	147,016	23,843	1,434,056	1,518,099	1,581,072	1,541,942	
Net Assets, June 30	\$ 29,400	\$ 147,016	\$ 1,234,349	\$ 1,434,056	\$ 1,263,749	\$ 1,581,072	

Total Primary Government

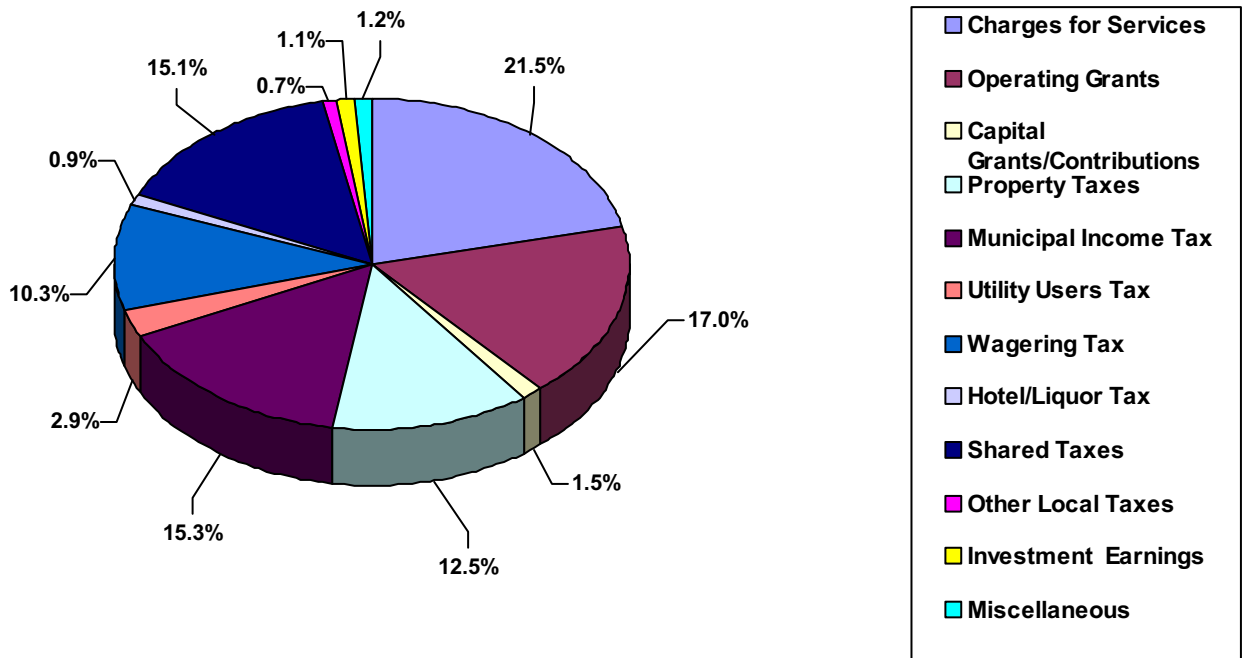
Total revenues for the fiscal year ended June 30, 2008 were \$2.7 billion; a decrease of \$59.7 million from the prior fiscal year. Charges for services decreased \$14.7 million. Total tax revenues decreased by \$17.6 million primarily due to the \$57.6 million estimated charge-back due to Wayne County for uncollectable delinquent property taxes. Wagering tax revenues increased by \$6.5 million. Grant revenues increased \$17.5 million for the fiscal year ended June 30, 2008 due to timing differences of award years (October 1 – September 30) and the City's fiscal year (July 1 – June 30). Investment earnings decreased \$16.0 million for the year ended June 30, 2008 primarily due to lower interest rates and less cash available for investments for the year ended June 30, 2008.

Total expenses were \$2.8 billion; an increase of \$154.8 million from the prior fiscal year. The implementation of GASB 45 contributed \$146.5 million in additional expenses (See detailed explanations in the Financial Highlights section of this discussion and analysis). Also, the Sewage Disposal Fund reported a special item (loss) of \$142.0 million to recognize an impairment loss for the Detroit River Outflow construction project.

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2008:

Revenues by Source - Governmental Activities



The governmental activities revenues totaled \$1.8 billion for the fiscal year ended June 30, 2008, a \$94.1 million decrease from the year ended June 30, 2007.

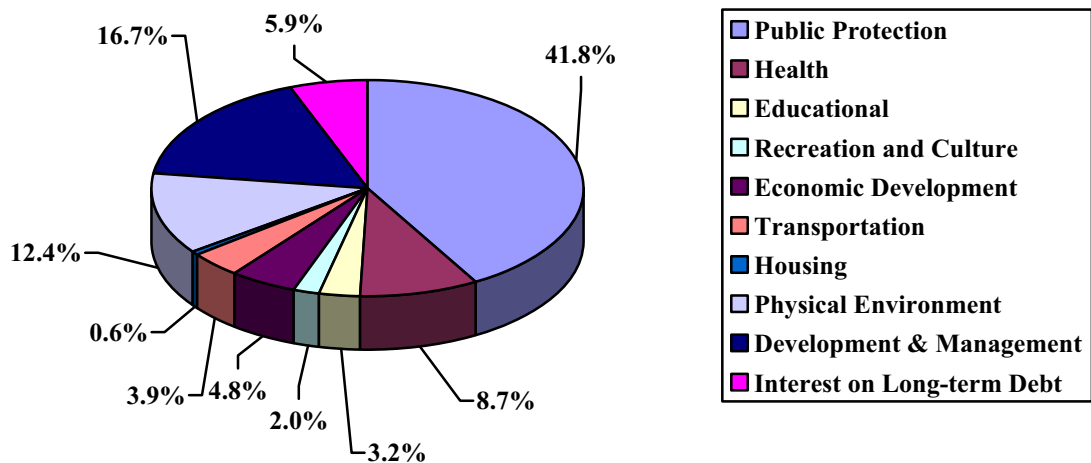
City of Detroit, Michigan
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The amount that taxpayers paid for these activities through City taxes was \$769.5 million. Municipal income taxes were the largest component of taxes collected and totaled \$276.5 million. Other funding for governmental activities was provided from the following sources:

- Charges for services paid by those who directly benefited totaled \$387.9 million. These services included permits, parking fines, licenses, and solid waste fees. Charges for services were \$42.8 million less than the \$430.7 million for the year ended June 30, 2007. The main difference was that a \$27.6 million General Fund contribution was made to the vehicle fund in 2007, which was not made in 2008. Public Lighting revenues were up \$8.6 million from the prior year. Also, the Casino municipal service fees were up \$7.5 million due to an accrual of revenues due the City.
- Other governments and organizations subsidized programs such as health related activities and community development projects with grants and contributions totaling \$332.9 million. This was \$5.0 million less than the \$337.9 million for the year ended June 30, 2007.
- Other revenues such as state aid (revenue sharing), interest, and miscellaneous income funded the “public benefit” portion of various programs and totaled \$315.9 million. This was \$28.8 million less than the \$344.7 million for the year ended June 30, 2007. The decrease was mainly due to the \$24.8 million decline in City property sales from the prior year.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2008:

Expenditures by Function Type - Governmental Activities



Public Protection (police and fire protection) was the largest component of current expenses, accounting for 41.8 percent of total expenses. Public protection expenses increased by \$128.7 million from 2007 mainly as a result of the application of GASB 45, which added \$96.0 million in post employment benefit expenses other than pensions for the year. There was a 2% raise for police and fire personnel that contributed to a \$12.5 million increase in salaries and wages for the year ended June 30, 2008. Also, a \$10.2 million increase in legal claims expenses, mainly for the Police Department, contributed to the increase in Public Protection expenses.

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Development and Management was the next largest component at 16.7% of total expense. Development and Management expenses totaling \$304.8 million for the year ended June 30, 2008 were up \$7.4 million from the \$297.4 million for the fiscal year ended June 30, 2007. The increase was due in part to a \$16.0 million increase in risk management costs, mainly litigation for the million condemnation lawsuit for the casino land acquisition, which cost the City \$20.7 million. The increase was offset by adjustments to more fairly allocate hospitalization and other fringe benefits which resulted in an \$11.3 million reduction in costs from the prior year.

Physical Environment expenses were 12.4% of total expense and increased by \$13.2 million from the prior fiscal year. The largest increases were for supplies and maintenance expenses (\$11.6 million), legal expenses (\$6.1 million) and GASB 45 post employment benefit expenses (\$3.2 million). These increases were offset partially by decreases in tipping fees of \$5.4 million. Physical environment costs include the solid waste fund's operations, which totaled \$108.3 million for the year ended June 30, 2008.

Interest on long-term debt decreased \$33.1 million from the \$140.9 million for the year ended June 30, 2007. A major reason for the large decrease in interest expenses was a classification error causing a \$9.8 million overstatement of the interest expense reported for the year ended June 30, 2007. In addition, a \$5.2 million adjustment for POC Swap interest payments held by the service corporations reduced interest expenses in 2007-08. The \$5.2 million Swap interest payments were made to the service corporations by the Swap Counterparties when the swapped (fixed) interest rates for the POCs were lower than the original interest rate in 2006 and 2007. Also, interest rates were down for the year ended June 30, 2008 compared to the prior year and contributed to a reduction in interest expenses for debt with variable interest rates.

Business-type Activities

The business-type activities' net assets decreased by \$199.8 million for the fiscal year ended June 30, 2008. Detailed below are the results for the major business-type funds:

Water Fund

The Water Fund had a decrease in net assets of \$26.6 million. The Water Fund had an adjustment to operating expenses of \$28.3 million for the year ended June 30, 2008 for expenses that were improperly reported as capital assets in prior years. Also, the \$123.6 million interest expense contributed to the decrease in net assets. Water sales revenues from Detroit and suburban customers totaled \$291.3 million for the fiscal year ended June 30, 2008 compared to \$266.0 million for the fiscal year ended June 30, 2007. The increase is attributable to rate increases.

Sewage Disposal Fund

The Sewage Disposal Fund had a decrease in net assets of \$201.5 million mainly due to the \$142.0 million special item (impairment loss) for the Detroit River Outflow construction project (see the Financial Highlights section of this discussion and analysis for more details). Also, the \$120.5 million of interest expense contributed to the decrease in net assets. Sewage Disposal Fund revenues from Detroit and suburban customers totaled \$341.1 million in the fiscal year ended June 30, 2008, down \$.4 million from the \$341.5 million in the fiscal year ended June 30, 2007.

Transportation Fund

The Transportation Fund had an increase in net assets of \$13.0 million at June 30, 2008 mainly due to the City's General Fund write-off of \$24.4 million in net inter-fund receivables due from the Transportation Fund because of the inability to timely collect them. The increase in net assets was partially offset due to the application of GASB 45 which increased benefit costs by \$15.6 million. The fund had a \$2.9 million increase in farebox revenue from riders. Also, mainly due to the write-off of the net inter-fund receivable due from the Transportation Fund, the City's contribution to the Transportation Fund for the year ended June 30, 2008 was \$27.0 million greater than the \$70.8 million for the year ended June 30, 2007. Operating expenses increased \$19.6 million mainly due to the increased benefit costs related to GASB 45 and increased diesel fuel price per gallon costs. Fuel Costs for the year ended June 30, 2008 were \$20.5 million compared to \$15.3 million for the prior fiscal year. Federal and State capital contributions were up \$16.5 million for the year, as the Fund was constructing the Rosa Parks Transit Center and renovating the Shoemaker Garage.

Automobile Parking Fund

The Automobile Parking Fund recorded an increase in net assets of \$5.3 million. Fund operating revenues totaled \$18.6 million for the fiscal year ended June 30, 2008 compared to \$18.1 million for the fiscal year ended June 30, 2007. The Fund reduced operating expenses by \$1.6 million for the year ended June 30, 2008. Salaries, wages and benefits decreased \$1.1 million for the year.

Airport Fund

The Airport Fund had a \$10.2 million increase in net assets for the year ended June 30, 2008. The increase was mainly due to a \$10 million capital contribution during the year.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds reported combined ending fund balances of \$136.5 million at June 30, 2008. The fund balance includes an unreserved deficit of \$202.6 million, a \$69.3 million increase from the prior fiscal year. The remainder of the \$339.1 million is reserved for specific purposes, such as advances to component units, inventory, encumbrances, short-term loans and advances to other funds, risk management operations, motor vehicle operations, endowments and trusts, debt service and capital projects.

General Fund

The General Fund is the chief operating fund of the City. The fund had a \$141.7 million fund balance deficit at June 30, 2008 a \$50.3 million increase from the \$91.4 million fund balance deficit at June 30, 2007. The fund balance includes an unreserved deficit of \$219.2 million, a \$63.6 million increase from the \$155.6 million deficit at June 30, 2007. The General Fund reserved fund balance was \$77.5 million at June 30, 2008 compared to \$64.2 million at June 30, 2007. The major reasons for the increased deficit were: (1) the \$33.2 million increased liability and reduced property tax revenues due to Wayne County charge-backs for delinquent property taxes; (2) write-off of \$24.4 million in net inter-fund receivables due from the Transportation Fund due to the inability to timely collect them; and (3) State withholding of \$23.0 million of Revenue sharing due to the untimely completion of the 2007 CAFR.

General Fund Budgetary Highlights:

The City's 2008 General Fund Budget is \$1.9 billion. The City's 2008 General Fund Budget contains no additions or material changes to existing taxes and fees. Within the 2007-2008 adopted budget, the City Council appropriated \$88.6 million to reduce the prior years' deficit. The City's 2008 Budget was approved by the City Council in June 2007.

The estimated revenues in the budget exceeded actual revenues and other resources by \$506.9 million for the fiscal year ended June 30, 2008. The revenue shortfall is mainly attributable to actual grant revenues and other revenue being \$166.1 million, and \$202.8 million, respectively, less than the final budget (see explanation below for grants). Other revenues were less than Budget partially due to the elimination of intra-fund transactions such as the Risk Management Fund premium of \$51.7 million, which reduce the actual amount of other revenue and contribute to the Budget variance. Actual taxes, assessments and interest and penalties revenues were \$45.0 million less than budgeted revenues. The increase in estimated Wayne County charge-backs mentioned above was a major reason for the property tax deficit. The declining economy and loss of residents also contributed to the lower tax revenues. State Revenue Sharing was \$26.2 million less than budgeted mainly due to the State withholding \$23.0 million due to the late CAFR. Sales and charges for revenues were \$32.4 million less than Budget primarily due to less interdepartmental billings which reduced personal service revenues by \$23.9 million.

Actual expenditures were less than budgeted expenditures by \$453.9 million for the fiscal year ended June 30, 2008 due to grant expenditures being less than budgeted (see explanation below) and unfilled positions. Public Protection expenses were \$106.9 million less than the budgeted appropriations mainly due to unfilled police positions. Development and Management expenditures were \$289.2 million under the budgeted appropriations mainly due to the \$88.6 million carry-forward of the prior year's deficit, elimination of intra-fund billings such as the Risk Management Fund premium, and unfilled positions.

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The City's budget for grant revenues and expenses are greater than the actual revenues and expenditures because: (1) City of Detroit 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 than 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 brings 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 \$284.3 million and a total net increase in appropriations of \$200.8 million. The difference was offset by a total net decrease in Other Financing Sources and Uses of \$83.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total Government

At the end of the fiscal year 2008, the City had invested \$6.8 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). This was a decrease of \$13.6 million from the prior fiscal year.

Capital Assets as of June 30, 2008 and 2007
(Net of Depreciation, In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land and Land Rights	\$ 418,734	\$ 418,683	\$ 49,317	\$ 38,945	\$ 468,051	\$ 457,628
Land Improvements	-	-	55,027	56,938	55,027	56,938
Building & Structures	685,157	671,176	2,622,216	2,772,714	3,307,373	3,443,890
Sewer & Water Lines	-	-	934,028	934,737	934,028	934,737
Machinery, Equipment						
Fixtures & Vehicles	136,065	131,887	1,075,331	1,176,180	1,211,396	1,308,067
Works of Art	29,788	29,788	-	-	29,788	29,788
Infrastructure	196,472	199,172	-	-	196,472	199,172
Construction-in-Progress	42,674	51,165	587,973	364,974	630,647	416,139
Total	<u>\$ 1,508,889</u>	<u>\$ 1,501,871</u>	<u>\$ 5,323,892</u>	<u>\$ 5,344,488</u>	<u>\$ 6,832,781</u>	<u>\$ 6,846,359</u>

Governmental Activities

Governmental Activities capital assets at June 30, 2008 were \$7.0 million more than the \$1.5 billion at June 30, 2007. The City acquired \$88.5 million in new assets and \$32.6 million of construction in progress (CIP) was completed. Depreciation expenses totaled \$81.2 million for the year ended June 30, 2008.

The General Fund acquired \$21.0 million in communication equipment and other capital assets from the Water and Sewer Departments as a result of the court settlement for the 800 MHz project that awarded \$27.0 million to the Water and Sewer Departments.

Major capital assets acquired and projects completed during the year ended June 30, 2008 included the following:

- The timekeeping (Workbrain) segment of the H/R Payroll Project was put into service along with the Unisys upgrade at a cost of \$17.8 million.
- The last phase of the Detroit Institute of Arts (DIA) project was put into service totaling \$11.4 million.
- There were \$16.5 million in upgrades and renovations to the Recreation Department's Northwest Activity Center.
- The Department of Public Works spent approximately \$14.4 million in street resurfacing/infrastructure repair projects.

Business-type Activities

Business-type Activities capital assets at June 30, 2008 were \$5.3 billion, a decrease of \$20.6 million from the balance at June 30, 2007.

Construction work in progress, major capital assets acquired, and projects completed during the year ended June 30, 2008 included the following:

- The Transportation Department expended \$23.4 million on construction work in progress for facility improvements, and the Rosa Parks Transit Center.
- 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 \$2.2 billion through fiscal year 2013. The 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, 2008 and June 30, 2007 was approximately \$155.0 million and \$163.0 million, respectively. Projects that will be completed as part of the Water Program include the replacement of water distribution mains, installation of the automated meters reading system, and improvements to water plants, booster stations and transmission mains. The City received loans from the State of Michigan Drinking Water Revolving Loan Fund totaling \$2.2 million during the year ended June 30, 2008. The proceeds of the loan were used to pay costs of acquiring and constructing certain repairs, extensions, and improvements to the Water Supply System.
- The Sewage Disposal Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program. The total cost of this Program is anticipated to be approximately \$2.11 billion through fiscal year 2013. The program is being financed primarily from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2008 and 2007 was approximately \$421.0 million and \$490.0 million, respectively. Projects that will be completed as part of the Sewage Program includes the design and construction of combined sewage overflow facilities, rehabilitation of pumping stations, improvements at the wastewater facility, and relining of lateral sewers. The City received loans from the State of Michigan Revolving Loan Fund totaling \$31.7 million during the year ended June 30, 2008. The proceeds of the loans were used to pay costs of acquiring and constructing certain repairs, extensions, and improvements to the Sewerage Disposal System.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Long-Term Debt

Outstanding Bonded Debt as of June 30, 2008 and 2007
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 942,228	\$ 890,465	\$ -	\$ -	\$ 942,228	\$ 890,465
Revenue bonds	100,365	112,340	5,355,708	5,420,579	5,456,073	5,532,919
Total	\$ 1,042,593	\$ 1,002,805	\$ 5,355,708	\$ 5,420,579	\$ 6,398,301	\$ 6,423,384

At the end of the current fiscal year, the City had total bonded debt of \$6.4 billion outstanding. Of this amount, \$942.2 million are general obligation bonds backed by the full faith and credit of the City and \$5.5 billion are revenue bonds of the City's business enterprises and Cobo Hall convention center.

The City's total bonded debt decreased by \$25.1 million during fiscal year 2008. Governmental activities increased by \$39.8 million, while business-type activities' debt decreased by \$64.9 million. In May 2008 the City issued \$204.9 million in General Obligation bonds to: refund \$72.4 million in bonds; \$57.8 million, to fund various capital projects; \$43.4 million to fund vehicle purchases; \$25.0 million to pay the 800 MHz lawsuit; and \$6.3 million to pay for the Transportation Fund's fareboxes. In September 2007, the Sewage Disposal System issued \$167.6 million in Revenue Bonds to fund its capital improvement program.

In addition to the bonded debt, the City's General Fund had a total debt of \$1.7 billion at June 30, 2008 for: pension obligation certificates (\$1.2 billion); notes payable (\$77.7 million); loans payable (\$56.3 million); other pension employee benefits (\$114.1 million); and other debt (\$267.1 million) such as accrued compensated absences, workers compensation and claims and judgments. The Pension obligation certificates did not change from June 30, 2007, because principal payments are not due until fiscal year 2009-2010. Notes payable increased \$35.8 million and loans payable decreased by \$6.4 million at June 30, 2008. The City obtained \$76.7 million in new notes payable offset by principal payments of \$40.9 million for the year. The notes are used to fund City economic development projects such as the Book Cadillac Hotel. The loans are used to fund projects such as the City's upgrade of the HR/payroll system.

During the year ended June 30, 2008, the City changed its estimate of the allocation of pension related costs between the Water and Sewage Disposal enterprise funds. Such a change in accounting estimate impacts the allocation of the net pension asset, pension obligation certificate payable, annual pension expense, and interest expense on the pension obligation certificates. In prior years, the allocation of these amounts was based on the actuarial valuation's allocation of pension assets, actuarial accrued liabilities, and annual required contribution. It would be more appropriate to allocate all related assets, liabilities and expenses based on the current allocation of employee payroll costs between the two funds.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The net impact of this change in estimate (allocation) to each fund as of July 1, 2007 was \$8.1 million and was reported as an interfund transfer (transfer from the Sewage Disposal Fund to the Water Fund). The impact of this change in estimate to the pension obligation certificates issuance costs, net pension asset, and pension obligation certificates payable was reported as a reclassification as of July 1, 2007 as follows:

<u>Statement of net assets caption</u>	<u>Amounts previously reported at June 30, 2007</u>	<u>Reclassification</u>	<u>Amounts reported at July 1, 2007</u>
Sewage Disposal Fund:			
Pension obligation certificates issuance costs..... \$	476,644	\$ 4,326,052	\$ 4,802,696
Net pension asset.....	11,424,380	70,639,426	82,063,806
Pension obligation certificates payable, net	9,139,646	83,029,390	92,169,036
Water Fund:			
Pension obligation certificates issuance costs.....	8,574,202	(4,326,052)	4,248,150
Net pension asset.....	146,055,290	(70,639,426)	75,415,864
Pension obligation certificates payable, net	164,365,382	(83,029,390)	81,335,992

On May 14, 2008, the City elected to change the interest rate mode for \$385.3 million of variable rate demand bonds from a variable rate “weekly mode” to a “fixed rate mode” for the following issues: (i) \$190.4 million of Water Supply System Revenue Refunding Second Lien Bonds Series 2001-C; and (ii) \$194.9 million of Water Supply System Revenue Senior Lien Bonds Series 2005-B. For financial reporting purposes, the subsequent remarketing/conversion of the Series 2001-C and 2005-B revenue bonds was accounted for as an advance refunding (extinguishment of the variable rate demand bonds and issuance of the fixed rate bonds). The Water Fund completed the advance refunding due to the increase in interest rates resulting from the downgrading of the bond insurer. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$22.1 million. This difference, reported in the financial statements as a deferred amount on refunding, is being amortized as an adjustment to interest expense through the year 2035 using the straight-line method.

On May 7, 2008, the City elected to change the interest rate mode for \$382.7 million of variable rate demand bonds from a “variable rate mode” to a “fixed rate mode” for the following issues: (i) \$122.9 million of Sewage Disposal System Revenue Refunding Senior Lien Bonds Series 2001-C2; (ii) \$136.2 million of Sewage Disposal System Revenue Second Lien Revenue Bonds Series 2001-E; and (iii) \$123.7 million of Sewage Disposal System Revenue Second Lien Bonds Series 2006-A. For financial reporting purposes, the subsequent remarketing/conversion of the Series 2001-C2, 2001-E, and 2006-A revenue bonds was accounted for as an advance refunding (extinguishment of the variable rate demand bonds and issuance of the fixed rate bonds). The Sewage Disposal Fund completed the advance refunding due to the increase in interest rates resulting from the downgrading of the bond insurer. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$14.6 million. This difference, reported in the financial statements as a deferred amount on refunding, is being amortized as an adjustment to interest expense through the year 2036 using the straight-line method.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10 percent of the assessed value of all the real and personal property in the City; or (b) 15 percent of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred, which exceeds 10 percent is, or has been, used solely for the construction or renovation of hospital facilities. Not all the General Bonded debt is subject to the general debt limitation. The City’s legal debt limitation at June 30, 2008 was \$1.4 billion of which \$752.6 million is available for use.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The City's ratings on uninsured general obligation bonds as of June 30, 2008 were:

Moody's Investors Service, Inc.	Baa2
Standard and Poor's Corporation	BBB
Fitch IBCA, Inc.	BBB

On January 6, 2009, Standard & Poor's Rating Services (S&P) downgraded the City's \$530 million of outstanding unlimited tax general obligation bond rating from "BBB" to "BB" and its \$355 million of outstanding limited tax general obligation bond rating from "BBB-" to "BB". On that date, S&P also downgraded to BB, the rating on the \$536 million of outstanding Detroit Retirement Systems Funding Trust 2005 Taxable Certificates of Participation Series 2005 and the \$948 million of Detroit Retirement Systems Funding Trust 2006 Taxable Certificates of Participation Series 2006 (collectively, the Pension Obligation Certificates or POCs). On January 13, 2009, Moody's Investors Service (Moody's) downgraded the ratings on the City's unlimited-tax general obligation debt and on the POCs from "Baa3" to "Ba2" and its limited-tax general obligation debt rating from "Ba1" to "Ba3". At the same time, Moody's downgraded from "Aa3" to "Baa3" the Global Scale Rating assigned to the outstanding POCs. On January 22, 2009, Fitch Ratings downgraded the City's unlimited tax general obligation bonds to BB from BBB; the City's limited tax general obligation bonds to BB- from BBB, and the Detroit Retirement's Systems Funding Trust Series 2005 and 2006 Taxable Certificates of Participation to BB from BBB.

In August 2009, Moody's Investors Service downgraded Detroit's Unlimited Tax General Obligation Bonds rating from "Ba2" to "Ba3", Limited Tax General Obligation Bonds rating from "Ba3" to "B1" and Detroit Retirement Systems Funding Trust Series 2005-A, 2006-A and B, from "Ba2" to "Ba3."

The most significant impact of the recent downgrades in the City's credit ratings to a level below investment grade status comes in the form of greater limitations on the access to capital. Secondly, with the continuing deterioration in the economy and its direct effect on the debt/credit ratings of the City and certain bond insurers, the City now faces potential higher borrowing costs. The City is however committed to taking steps to ensure adequate capital funding is maintained.

The uncertainty risk of a Swap Termination arose with the continued credit rating declines of bond insurers and the recent credit rating downgrades of the City. As of June 30, 2008, the City had eight interest rate exchange agreements (the "Swap Agreements") that the SWAP counterparties could seek to terminate the contracts as a result of these rating changes. 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.

The City received formal notice on January 8, 2009 from the Swap Counterparty to four of the eight Swap Agreements stating that an event had occurred, which, if not cured by the City within 30 days from the date of the notice, will constitute an Additional Termination Event, allowing such Swap Counterparty to designate an Early Termination Date with respect to the applicable Swap Agreement. The City also received formal notice on January 14, 2009 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.

The City avoided termination of the swap agreements in June 2009 by entering into a collateral agreement with the Swap Counterparties. The collateral agreement requires the City to transfer daily Casino tax revenues to a trustee to ensure payment of the quarterly POC interest payments. The collateral agreement will secure the City's obligation to make payments to the Service Corporations for payment to the Swap Counterparties under the Swap Agreements. The collateral agreement will also provide for an increase of approximately 1.5% in the payment that the City is obligated to pay to the Service Corporations in respect to quarterly payments that the Service Corporations are obligated to make under the Swap Agreements, beginning in fiscal year 2011. The collateral agreement also includes a provision for the Counterparties to terminate the Swap Agreements 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).

If the Swap Agreements were terminated, the amount of swap termination payments would be based upon a variety of factors such as the various Swap Counterparties' financial pricing models, 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. Should such Termination Events occur in connection with these Swap Agreements, and not be cured, there presently exists significant risk in connection with the City's ability to meet the cash demands under the terms of the amended Swap Agreements.

Additional information on the City's long-term debt can be found in Notes III, (B), 4. Long-Term Obligations; 5. Derivatives Not Reported at Fair Value; and 6. Other Information.

ECONOMIC CONDITION AND NEXT YEAR'S BUDGET

The City's economic and demographic profile remains one of the weakest in the nation. Though limited signs of economic improvement can be seen on a national level, locally and throughout the State of Michigan the economic conditions remain depressed. The City faces continued rising unemployment (28.2% in June 2009), potentially leading to more significant reductions in personal income tax income. Higher resident home foreclosures and delinquent property tax levels represent another sign of significant future financial concern. Distributable state aid (i.e., revenue sharing) for the year ended June 30, 2008, which represents another major source of City revenue, remained in line with the prior year's level but significant reductions are projected for the future.

Unemployment levels in the City have been consistently higher than in the rest of the State. For June 2008, Detroit's jobless rate was 16.5 percent an increase of 1.6 percent from June 2007. In June 2009, the City's jobless rate was 28.2%.

Recent market conditions have resulted in an unusually high degree of volatility and increased risks associated with certain investments held by the General Retirement System and Police and Fire Retirement System, which has impacted the value of investments after the date of these financial statements. As of January 31, 2009, the market value of the assets held by the General Retirement System and Police and Fire Retirement System declined by approximately 33% and 31%, respectively, from the market value at June 30, 2008, which ultimately will affect the funded status of the plans. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation is performed. While it is unknown at this time, the future respective net pension obligations and/or assets and pension costs recorded by the City could be negatively impacted by the current market conditions.

Next Year's Budget

The 2008-2009 budget includes:

- Wage increase of 4% for civilian employees and 3% for uniform employees.
- Funding of \$14.4 million for the General Fund fleet replacement.
- Final payment of \$40.2 million for fiscal stabilization bonds.
- Final payment of \$57.2 million for GDRRA (Greater Detroit Resource Recovery Authority) debt.
- Appropriation of \$5.1 million in block grant funds for the City's demolition program.
- A total of \$3.9 million subsidy to the C.H. Wright Museum of African American History for operating support.
- Casino percentage payment of \$8 million for Recreation capital improvements and funding seasonal summer employees.
- Increase of \$5.3 million subsidy for the Transportation Fund.
- Funding of \$3.5 million for Airport Land (Minitake) Acquisition.
- Funding of \$5.1 million for major renovations of fire facilities. Also, \$.4 million for electric generators for fire stations.
- Capital Funding of \$16.7 million for the Detroit Historical Museum and Exhibits Expansion.
- Capital Funding of \$17.5 million for the Police Property Room and Crime Lab.
- Appropriations totaling \$78.0 million to reduce the accumulated deficit.

The 2008-2009 Budget has 50 more positions than the fiscal year ended June 30, 2008:

Description	Postions FY 2008-09	Postions FY 2007-08	Variance
General City	9,803	9,748	55
Enterprise Agencies	5,523	5,528	(5)
Total Budgeted	15,326	15,276	50

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

The City's component units issue their own audited financial statements. These statements may be obtained by directly contacting the component unit. A list of contact numbers is provided on page 58 of this report.



City employees experience the joy of giving as they distribute hundreds of Thanksgiving baskets to thankful residents.

CITY OF DETROIT • COMPREHENSIVE ANNUAL FINANCIAL REPORT



BASIC

FINANCIAL

STATEMENTS

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City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and Cash Equivalents.....	\$ 268,248,166	\$ 148,779,898	\$ 417,028,064	\$ 76,653,079
Investments.....	328,129,442	1,204,743,899	1,532,873,341	270,548,426
Accounts and Contracts Receivable - Net.....	46,327,210	144,600,009	190,927,219	13,798,562
Internal Balances.....	(22,034,946)	22,034,946	—	—
Due from Primary Government.....	—	—	—	26,557,719
Due from Fiduciary Funds.....	—	—	—	248,049
Due from Component Units.....	4,713,268	—	4,713,268	—
Due from Other Governmental Agencies.....	135,630,840	25,965,569	161,596,409	5,580,928
Inventory.....	14,561,380	22,433,238	36,994,618	4,390,668
Prepaid Expenses.....	1,104,325	3,557,642	4,661,967	835,701
Long-Term Receivable.....	—	650,000	650,000	—
Loans and Notes Receivable.....	—	—	—	43,837,164
Advance to Component Unit.....	24,554,826	—	24,554,826	—
Other Assets.....	14,014	—	14,014	69,498,212
Net Pension Asset.....	1,078,959,099	265,478,441	1,344,437,540	23,811,150
Bonds, Notes and POC Issuance Costs.....	77,464,542	100,856,726	178,321,268	3,184,196
Capital Assets:				
Non-Depreciable.....	491,196,968	637,289,381	1,128,486,349	25,104,231
Depreciable, Net.....	1,017,692,129	4,686,602,802	5,704,294,931	392,464,654
Total Capital Assets, Net.....	<u>1,508,889,097</u>	<u>5,323,892,183</u>	<u>6,832,781,280</u>	<u>417,568,885</u>
Total Assets.....	<u>3,466,561,263</u>	<u>7,262,992,551</u>	<u>10,729,553,814</u>	<u>956,512,739</u>
LIABILITIES				
Accounts and Contracts Payable.....	155,361,110	103,932,201	259,293,311	23,122,756
Accrued Liabilities.....	69,008,237	—	69,008,237	—
Accrued Salaries and Wages.....	27,692,361	9,709,152	37,401,513	670,544
Accrued Interest Payable.....	14,094,443	99,260,995	113,355,438	4,960,569
Due to Other Governmental Agencies.....	180,273,051	158,466	180,431,517	19,426,925
Due to Primary Government.....	—	—	—	4,713,268
Due to Fiduciary Funds.....	—	—	—	7,303
Advance Payable to Primary Government.....	—	—	—	24,554,826
Due to Component Units.....	23,219,642	3,338,077	26,557,719	—
Deposits and Refunds.....	23,880,931	—	23,880,931	—
Deferred Revenue.....	2,649,132	671,643	3,320,775	1,586,576
Revenue and Tax Anticipation Notes Payable.....	129,600,000	—	129,600,000	—
Other Liabilities.....	10,954,624	13,619,535	24,574,159	24,011,083
Long-Term Obligations :				
Due within one year.....	221,452,510	120,280,482	341,732,992	93,064,048
Due in more than one year.....	2,578,975,648	5,677,672,751	8,256,648,399	388,738,443
Total Liabilities.....	<u>3,437,161,689</u>	<u>6,028,643,302</u>	<u>9,465,804,991</u>	<u>584,856,341</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	558,340,662	743,865,611	1,302,206,273	344,232,961
Restricted for:				
Highway & Street Improvement.....	49,163,351	—	49,163,351	—
Endowments and Trust (Expendable).....	1,494,202	—	1,494,202	4,566,113
Endowments and Trust (Non-Expendable).....	—	—	—	1,485,348
Capital Projects and Acquisitions.....	6,605,165	120,331,062	126,936,227	93,910,624
Debt Service.....	67,400,258	183,942,051	251,342,309	31,535,518
Other.....	33,860,065	—	33,860,065	3,078,505
Unrestricted (Deficit).....	(687,464,129)	186,210,525	(501,253,604)	(107,152,671)
Total Net Assets.....	<u>\$ 29,399,574</u>	<u>\$ 1,234,349,249</u>	<u>\$ 1,263,748,823</u>	<u>\$ 371,656,398</u>

See accompanying notes to basic financial statements.

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Protection.....	\$ 761,894,177	\$ 90,415,439	\$ 18,586,641	\$ —
Health.....	158,826,732	15,108,413	127,614,408	—
Recreation and Culture.....	36,295,041	24,489,607	1,376,903	—
Economic Development.....	87,717,239	694,676	35,128,552	—
Educational Development.....	57,474,770	—	59,037,831	—
Housing Supply and Conditions.....	10,591,479	5,989,939	2,036,899	—
Physical Environment.....	226,460,478	127,140,951	950,776	—
Transportation Facilitation.....	70,563,909	902,039	61,070,748	26,365,200
Development and Management.....	304,815,026	123,151,397	772,253	—
Interest on Long-Term Debt.....	107,754,007	—	—	—
Total Government Activities.....	<u>1,822,392,858</u>	<u>387,892,461</u>	<u>306,575,011</u>	<u>26,365,200</u>
Business-type Activities:				
Sewage Disposal.....	429,112,536	346,908,831	—	—
Transportation.....	212,652,767	28,918,328	77,075,442	28,936,155
Water.....	360,778,077	292,983,220	—	605,746
Automobile Parking.....	14,361,352	18,556,018	—	—
Airport.....	3,502,904	1,123,934	1,933,339	9,998,455
Total Business-type Activities.....	<u>1,020,407,636</u>	<u>688,490,331</u>	<u>79,008,781</u>	<u>39,540,356</u>
Total Primary Government.....	<u>\$ 2,842,800,494</u>	<u>\$ 1,076,382,792</u>	<u>\$ 385,583,792</u>	<u>\$ 65,905,556</u>
Component Units:				
Detroit Brownfield Redevelopment Authority....	\$ 2,734,924	\$ 150,000	\$ 207,340	\$ —
Detroit Public Library.....	43,615,320	591,758	2,293,173	—
Detroit Transportation Corporation.....	19,320,879	1,084,693	10,289,648	—
Downtown Development Authority.....	18,461,116	8,071,637	—	—
Eastern Market Corporation.....	1,691,590	888,090	1,451,136	—
Economic Development Corporation.....	17,803,856	20,628,447	1,100,000	—
Greater Detroit Resource Recovery Authority....	126,016,102	56,133,977	—	—
Local Development Finance Authority.....	6,605,540	—	—	—
Museum of African American History.....	8,095,196	1,622,105	2,109,648	—
Tax Increment Finance Authority.....	7,506,641	—	—	—
Total Component Units.....	<u>\$ 251,851,164</u>	<u>\$ 89,170,707</u>	<u>\$ 17,450,945</u>	<u>\$ —</u>
General Revenues:				
Taxes:				
Property Taxes.....				
Municipal Income Tax.....				
Utility Users' Tax.....				
Wagering Tax.....				
State Hotel and Liquor Tax.....				
Other Taxes and Assessments.....				
State Shared Taxes.....				
Interest and Penalties on Taxes.....				
Tipping Fees.....				
Contributions.....				
Investment Earnings.....				
Miscellaneous Revenues (Expenses).....				
Gain (Loss) on Disposal of Capital Assets.....				
Special Item - See Note I. E. 15.....				
Transfers.....				
Total General Revenues, Special Item, and Transfers.....				
Change in Net Assets.....				
Net Assets - Beginning of Year, as restated - See Note I. E. 14.....				
Net Assets - End of Year.....				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (652,892,097)	\$ —	\$ (652,892,097)	\$ —
(16,103,911)	—	(16,103,911)	—
(10,428,531)	—	(10,428,531)	—
(51,894,011)	—	(51,894,011)	—
1,563,061	—	1,563,061	—
(2,564,641)	—	(2,564,641)	—
(98,368,751)	—	(98,368,751)	—
17,774,078	—	17,774,078	—
(180,891,376)	—	(180,891,376)	—
(107,754,007)	—	(107,754,007)	—
<u>(1,101,560,186)</u>	<u>—</u>	<u>(1,101,560,186)</u>	<u>—</u>
—	(82,203,705)	(82,203,705)	—
—	(77,722,842)	(77,722,842)	—
—	(67,189,111)	(67,189,111)	—
—	4,194,666	4,194,666	—
—	9,552,824	9,552,824	—
<u>—</u>	<u>(213,368,168)</u>	<u>(213,368,168)</u>	<u>—</u>
<u>(1,101,560,186)</u>	<u>(213,368,168)</u>	<u>(1,314,928,354)</u>	<u>—</u>
—	—	—	(2,377,584)
—	—	—	(40,730,389)
—	—	—	(7,946,538)
—	—	—	(10,389,479)
—	—	—	647,636
—	—	—	3,924,591
—	—	—	(69,882,125)
—	—	—	(6,605,540)
—	—	—	(4,363,443)
—	—	—	(7,506,641)
<u>—</u>	<u>—</u>	<u>—</u>	<u>(145,229,512)</u>
225,602,203	—	225,602,203	87,582,875
276,485,035	—	276,485,035	—
51,590,794	—	51,590,794	—
186,277,275	—	186,277,275	—
16,220,140	—	16,220,140	—
13,283,748	—	13,283,748	2,785,705
272,569,363	—	272,569,363	1,551,773
10,857,112	—	10,857,112	436,355
—	—	—	82,524,464
—	—	—	8,103,479
19,189,619	58,176,113	77,365,732	8,150,639
13,586,014	(3,990,512)	9,595,502	1,482,813
(278,706)	—	(278,706)	—
—	(141,962,894)	(141,962,894)	—
<u>(101,438,533)</u>	<u>101,438,533</u>	<u>—</u>	<u>—</u>
<u>983,944,064</u>	<u>13,661,240</u>	<u>997,605,304</u>	<u>192,618,103</u>
<u>(117,616,122)</u>	<u>(199,706,928)</u>	<u>(317,323,050)</u>	<u>47,388,591</u>
<u>147,015,696</u>	<u>1,434,056,177</u>	<u>1,581,071,873</u>	<u>324,267,807</u>
<u>\$ 29,399,574</u>	<u>\$ 1,234,349,249</u>	<u>\$ 1,263,748,823</u>	<u>\$ 371,656,398</u>

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Non-Major Governmental Funds	Totals
ASSETS					
Cash and Cash Equivalents.....	\$ 166,597,212	\$ 10,000	\$ 10,000	\$ 101,630,954	\$ 268,248,166
Investments.....	147,458,466	2,370,975	3,267,344	175,032,657	328,129,442
Accounts and Contracts Receivable:					
Estimated Withheld Income Taxes Receivable.....	20,709,776	—	—	—	20,709,776
Utility Users' Taxes Receivable.....	3,324,277	—	—	—	3,324,277
Property Tax Receivable.....	79,814,512	—	—	27,017,454	106,831,966
Land Contracts Receivable.....	632,746	—	—	—	632,746
Income Tax Assessments.....	38,984,711	—	—	—	38,984,711
Special Assessments.....	28,099,940	—	—	217,816	28,317,756
Interest and Penalties.....	7,821,817	—	—	2,647,710	10,469,527
Loans Receivable.....	—	—	—	18,468,175	18,468,175
Trade Receivables.....	166,096,075	—	—	1,037,379	167,133,454
Total Accounts and Contracts Receivable.....	345,483,854	—	—	49,388,534	394,872,388
Allowance for Uncollectible Accounts.....	(305,313,574)	—	—	(48,989,489)	(354,303,063)
Total Accounts and Contracts Receivable - Net.....	40,170,280	—	—	399,045	40,569,325
Due from Other Funds.....	46,383,889	294,498	259,181	49,479,473	96,417,041
Due from Fiduciary Funds.....	5,757,885	—	—	—	5,757,885
Due from Component Units.....	4,703,816	9,452	—	—	4,713,268
Due from Other Governmental Agencies.....	108,012,692	—	—	27,618,148	135,630,840
Inventory.....	14,422,371	—	—	139,009	14,561,380
Prepaid Expenditures.....	976,689	—	—	127,636	1,104,325
Working Capital Advances to Other Funds.....	10,775,006	—	—	—	10,775,006
Advances to Component Units.....	—	24,554,826	—	—	24,554,826
Other Advances.....	5,000	—	—	—	5,000
Other Assets.....	9,014	—	—	—	9,014
Total Assets	\$ 545,272,320	\$ 27,239,751	\$ 3,536,525	\$ 354,426,922	\$ 930,475,518

See accompanying notes to basic financial statements.

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Non-Major Governmental Funds	Totals
LIABILITIES					
Accounts and Contracts Payable.....	\$ 16,513,740	\$ —	\$ —	\$ 18,426,930	\$ 34,940,670
Accrued Liabilities.....	51,047,059	303,950	259,181	17,398,047	69,008,237
Accrued Salaries and Wages.....	26,580,006	—	—	1,112,355	27,692,361
Due to Other Funds.....	91,148,257	2,297,241	3,267,344	31,664,151	128,376,993
Due to Fiduciary Funds.....	120,420,440	—	—	—	120,420,440
Advances from Other Funds.....	—	—	—	850,000	850,000
Due to Other Governmental Agencies.....	156,715,788	—	—	23,557,263	180,273,051
Due to Component Units.....	23,145,908	73,734	—	—	23,219,642
Income Tax Refunds Payable.....	11,943,698	—	—	—	11,943,698
Deposits from Vendors and Customers.....	10,936,313	—	—	1,000,920	11,937,233
Deferred Revenue.....	39,317,309	—	—	2,638,399	41,955,708
Revenue and Tax Anticipation Notes Payable	129,600,000	—	—	—	129,600,000
Other Liabilities.....	6,793,790	—	—	4,160,834	10,954,624
Accrued Compensated Absences.....	162,301	—	—	—	162,301
Claims and Judgments.....	2,632,865	—	—	—	2,632,865
Total Liabilities.....	686,957,474	2,674,925	3,526,525	100,808,899	793,967,823
FUND BALANCES					
Reserved Fund Balances:					
Reserved for Inventory.....	14,422,371	—	—	139,009	14,561,380
Reserved for Highway and Street Improvements.....	—	—	—	49,024,342	49,024,342
Reserved for Motor Vehicle Operations.....	12,925,388	—	—	—	12,925,388
Reserved for Encumbrances.....	16,973,144	—	—	16,995,041	33,968,185
Reserved for Advances to Other Funds.....	10,775,006	—	—	—	10,775,006
Reserved for Advances to Component Units.....	—	24,554,826	—	—	24,554,826
Reserved for Risk Management Operations.....	22,377,074	—	—	—	22,377,074
Reserved for Endowments and Trusts.....	—	—	—	1,494,202	1,494,202
Reserved for Debt Service.....	—	286,334	10,000	42,825,432	43,121,766
Reserved for Capital Acquisitions	—	—	—	126,274,973	126,274,973
Total Reserved Fund Balances.....	77,472,983	24,841,160	10,000	236,752,999	339,077,142
Unreserved Fund Balance:					
General Fund (Deficit).....	(219,158,137)	(276,334)	—	—	(219,434,471)
Special Revenue Funds.....	—	—	—	16,865,024	16,865,024
Total Unreserved Fund Balance (Deficit).....	(219,158,137)	(276,334)	—	16,865,024	(202,569,447)
Total Fund Balances (Deficit).....	(141,685,154)	24,564,826	10,000	253,618,023	136,507,695
Total Liabilities and Fund Balances.....	\$ 545,272,320	\$ 27,239,751	\$ 3,536,525	\$ 354,426,922	\$ 930,475,518

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund Balances - Total Governmental funds..... \$ 136,507,695

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental fund:

Governmental capital assets.....	\$ 2,969,981,819	
Less accumulated depreciation.....	<u>(1,461,092,722)</u>	1,508,889,097

Other assets used in governmental activities are not financial resources
and therefore are not reported in the governmental fund:

Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds.....		39,306,576
---	--	------------

Net Pension Asset.....		1,078,959,099
------------------------	--	---------------

Bond and Pension Obligation Certificate issuance costs.....	107,760,883	
Less accumulated amortization.....	<u>(30,296,341)</u>	77,464,542

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

Accrued interest payable.....	(14,094,443)	
General Obligation Bonds.....	(942,228,278)	
Revenue Bonds.....	(100,365,000)	
Discount on Capital Appreciation Bonds.....	5,911,813	
Notes Payable.....	(77,681,000)	
Loans Payable.....	(56,315,740)	
Unamortized Premiums.....	(27,645,215)	
Unamortized Discounts.....	5,175	
Swap Termination Fees.....	(36,282,233)	
Accrued Compensated Absences.....	(120,872,875)	
Accrued Workers Compensation.....	(69,853,000)	
Claims and Judgments.....	(73,610,107)	
Accrued Other Postemployment Benefits.....	(114,056,030)	
Pension Obligation Certificates Payable.....	(1,206,770,168)	
Deferred Amount on Refundings.....	<u>22,129,666</u>	<u>(2,811,727,435)</u>

Net Assets of Governmental Activities..... \$ 29,399,574

See accompanying notes to basic financial statements.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Non-Major Governmental Funds	Totals
REVENUES:					
Taxes:					
Property Taxes.....	\$ 155,155,928	\$ —	\$ —	\$ 70,734,385	\$ 225,890,313
Municipal Income Tax.....	276,485,035	—	—	—	276,485,035
Utility Users' tax.....	51,590,599	—	—	—	51,590,599
Wagering Taxes.....	180,365,237	—	—	—	180,365,237
Gas and Weight Tax.....	—	—	—	61,070,748	61,070,748
Other Taxes and Assessments.....	10,547,778	—	—	2,735,970	13,283,748
State Hotel and Liquor Tax.....	—	—	—	16,220,140	16,220,140
State Shared Taxes.....	249,027,299	—	—	—	249,027,299
Shared Taxes-Liquor and Beer Licenses.....	573,613	—	—	—	573,613
Interest and Penalties on Taxes.....	10,857,112	—	—	—	10,857,112
Licenses, Permits and Inspection Charges.....	8,959,356	—	—	25,605,971	34,565,327
Intergovernmental:					
Federal.....	50,152,843	—	—	172,522,188	222,675,031
State.....	12,719,575	—	—	28,343,111	41,062,686
Other.....	589,446	—	—	3,437,145	4,026,591
Sales and Charges for Services.....	193,251,964	—	—	65,347,594	258,599,558
Ordinance Fines and Forfeitures.....	17,640,789	—	—	3,209,840	20,850,629
Revenue from Use of Assets.....	10,700,617	—	—	2,860,000	13,560,617
Investment Earnings.....	12,108,402	—	—	7,081,217	19,189,619
Other Revenue.....	62,704,105	1,324,112	—	9,577,825	73,606,042
Total Revenues.....	1,303,429,698	1,324,112	—	468,746,134	1,773,499,944
EXPENDITURES:					
Current:					
Public Protection.....	619,516,107	—	—	40,714,457	660,230,564
Health.....	81,988,374	—	—	75,425,998	157,414,372
Recreation and Culture.....	21,265,879	—	—	—	21,265,879
Economic Development.....	15,746,837	—	—	83,596,060	99,342,897
Educational Development.....	—	—	—	57,388,638	57,388,638
Housing Supply and Conditions.....	9,607,906	—	—	—	9,607,906
Physical Environment.....	94,722,523	—	—	108,264,428	202,986,951
Transportation Facilitation.....	—	—	—	58,595,880	58,595,880
Development and Management.....	298,231,422	—	—	—	298,231,422
Debt Service:					
Principal.....	—	—	—	140,216,435	140,216,435
Interest.....	3,431,243	26,516,495	34,418,387	46,475,134	110,841,259
Bond Issuance Costs.....	758,193	—	—	2,423,860	3,182,053
Capital Outlay.....	36,089,801	—	—	52,368,748	88,458,549
Total Expenditures.....	1,181,358,285	26,516,495	34,418,387	665,469,638	1,907,762,805
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	122,071,413	(25,192,383)	(34,418,387)	(196,723,504)	(134,262,861)
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In.....	13,951,542	25,144,894	34,112,975	135,557,062	208,766,473
Proceeds from Bonds and Note Issuances.....	74,929,578	—	—	206,854,000	281,783,578
Premium on General Obligation Bond Issuance.....	280,429	—	—	4,693,941	4,974,370
Uses:					
Transfers Out.....	(264,177,777)	—	—	(46,027,229)	(310,205,006)
Principal Paid to Bond Agents for Refunded Bonds.....	—	—	—	(72,410,000)	(72,410,000)
Interest Paid to Bond Agents for Refunded Bonds.....	—	—	—	(1,314,181)	(1,314,181)
Total Other Financing Sources (Uses).....	(175,016,228)	25,144,894	34,112,975	227,353,593	111,595,234
Net Change in Fund Balances.....	(52,944,815)	(47,489)	(305,412)	30,630,089	(22,667,627)
Fund Balances (Deficit) at Beginning of Year.....	(91,406,096)	24,612,315	315,412	223,979,872	157,501,503
Increase (Decrease) in Inventories.....	2,665,757	—	—	(991,938)	1,673,819
Fund Balances (Deficit) at End of Year.....	\$ (141,685,154)	\$ 24,564,826	\$ 10,000	\$ 253,618,023	\$ 136,507,695

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, 2008

Change in Fund Balances - Total Governmental Funds.....	\$	(22,667,627)
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 governmental funds.....		32,994,031
Inventory.....		1,673,819
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.....	\$ 88,458,549	
Less current year depreciation.....	<u>(81,162,050)</u>	7,296,499
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets.....		(278,706)
Payments to The Pension Systems increased the net pension asset.....		27,317,160
Bond and note proceeds and provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and premiums that must be amortized over the life of the bond.....		(286,757,948)
Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement in net assets.....		212,626,435
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.....	(320,176)	
Change in accrued interest payable.....	2,200,104	
Accretion on capital appreciation bonds.....	(827,946)	
Amortization of bond discounts.....	(3,005,011)	
Amortization of bond premiums.....	9,494,474	
Amortization of deferred amounts on refunding.....	42,041	
Change in accrued compensated absences.....	11,743,498	
Change in accrued workers compensation claims.....	(6,383,980)	
Change in accrued public claims and judgments.....	11,293,241	
Change in accrued other postemployment benefits.....	<u>(114,056,030)</u>	<u>(89,819,785)</u>
Change in Net Assets of Governmental Activities.....	\$	<u><u>(117,616,122)</u></u>

See accompanying notes to basic financial statements.

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City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

ASSETS	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Current Assets:		
Cash and Cash Equivalents.....	\$ 42,472,216	\$ 130,847
Investments.....	29,222,612	393,752
Accounts and Contracts Receivable:		
Other Receivables- Trade.....	179,124,565	811,339
Total Accounts and Contracts Receivable.....	179,124,565	811,339
Allowance for Uncollectible Accounts.....	(90,605,647)	(35,974)
Total Accounts and Contracts Receivable - Net.....	88,518,918	775,365
Due from Other Funds.....	20,030,027	949,565
Due from Fiduciary Funds.....	—	2,061,403
Due from Other Governmental Agencies.....	—	24,142,250
Inventory.....	7,972,508	7,110,076
Prepaid Expenses.....	1,870,227	—
Restricted:		
Cash and Cash Equivalents.....	19,993,654	—
Investments.....	71,438,000	—
Due from Other Funds.....	13,500,000	—
Total Current Assets.....	295,018,162	35,563,258
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents.....	—	—
Investments.....	475,640,082	—
Other Receivables.....	—	650,000
Net Pension Asset.....	84,465,857	103,370,274
Bond and Pension Obligation Certificate Issuance Costs.....	50,203,227	5,431,232
Capital Assets:		
Land and Land Rights.....	13,835,431	7,578,462
Land Improvements.....	62,807,512	—
Buildings and Structures.....	2,205,377,156	66,715,005
Interceptors and Regulators.....	482,437,015	—
Mains.....	—	—
Services and Meters.....	—	—
Vehicles and Buses.....	—	157,191,748
Machinery, Equipment, and Fixtures.....	890,878,033	47,944,816
Construction in Progress.....	296,954,660	33,402,445
Total Capital Assets.....	3,952,289,807	312,832,476
Less: Accumulated Depreciation.....	(929,478,815)	(168,414,331)
Net Capital Assets.....	3,022,810,992	144,418,145
Total Noncurrent Assets.....	3,633,120,158	253,869,651
Total Assets.....	3,928,138,320	289,432,909

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Non-Major Fund</u>	<u>Totals</u>
\$ 48,660,120	\$ 193,391	\$ 1,424,221	\$ 92,880,795
49,496,338	200,815	—	79,313,517
<u>87,733,087</u>	<u>1,309,244</u>	<u>1,045,317</u>	<u>270,023,552</u>
87,733,087	1,309,244	1,045,317	270,023,552
(35,952,199)	(109,851)	(937,158)	(127,640,829)
<u>51,780,888</u>	<u>1,199,393</u>	<u>108,159</u>	<u>142,382,723</u>
21,334,188	1,030,923	332,111	43,676,814
—	155,883	—	2,217,286
—	—	1,823,319	25,965,569
7,350,654	—	—	22,433,238
1,498,226	128,395	60,794	3,557,642
23,731,177	—	289,386	44,014,217
106,114,606	7,628,225	—	185,180,831
13,824,852	—	—	27,324,852
<u>323,791,049</u>	<u>10,537,025</u>	<u>4,037,990</u>	<u>668,947,484</u>
11,884,886	—	—	11,884,886
435,763,345	28,846,124	—	940,249,551
—	—	—	650,000
77,642,310	—	—	265,478,441
45,222,267	—	—	100,856,726
7,394,093	4,967,313	15,541,442	49,316,741
15,086,454	214,908	8,020,718	86,129,592
949,361,500	194,778,754	5,853,773	3,422,086,188
—	—	—	482,437,015
798,741,741	—	—	798,741,741
95,055,216	—	—	95,055,216
—	1,007,768	1,373,694	159,573,210
796,756,315	3,310,338	1,770,770	1,740,660,272
255,431,184	2,184,351	—	587,972,640
<u>2,917,826,503</u>	<u>206,463,432</u>	<u>32,560,397</u>	<u>7,421,972,615</u>
(871,906,146)	(113,329,150)	(14,951,990)	(2,098,080,432)
<u>2,045,920,357</u>	<u>93,134,282</u>	<u>17,608,407</u>	<u>5,323,892,183</u>
<u>2,616,433,165</u>	<u>121,980,406</u>	<u>17,608,407</u>	<u>6,643,011,787</u>
<u>2,940,224,214</u>	<u>132,517,431</u>	<u>21,646,397</u>	<u>7,311,959,271</u>

(Continued)

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

LIABILITIES AND NET ASSETS	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Current Liabilities:		
Accounts and Contracts Payable.....	15,831,195	17,543,646
Accrued Salaries and Wages.....	1,494,149	5,012,345
Due to Other Funds.....	6,203,434	40,967
Due to Fiduciary Funds.....	7,150,822	2,279,852
Due to Component Units.....	—	3,338,077
Due to Other Governmental Agencies.....	—	158,466
Accrued Interest Payable.....	2,197,997	782,567
Other Liabilities.....	7,051,673	—
Deferred Revenue.....	—	346,643
Bonds, Notes, and Leases Payable.....	26,758,422	3,453,429
Accrued Compensated Absences.....	4,590,574	4,391,562
Accrued Worker's Compensation and Claims and Judgments.....	877,000	1,287,246
Payable from Restricted Assets:		
Bonds, Notes, and Leases Payable.....	32,750,000	—
Accrued Interest Payable.....	46,590,675	—
Accounts and Contracts Payable.....	20,687,528	—
Due to Other Funds.....	16,620,220	—
Other Liabilities.....	—	—
Total Current Liabilities.....	<u>188,803,689</u>	<u>38,634,800</u>
Noncurrent Liabilities:		
Advance From Other Funds.....	—	—
Bonds and Notes Payable - Net.....	2,948,130,743	6,271,722
Pension Obligation Certificates Payable - Net.....	92,165,806	107,535,652
Capital Leases Payable.....	1,503,991	23,939,383
Accrued Compensated Absences.....	6,301,561	1,097,891
Accrued Worker's Compensation and Claims and Judgments.....	6,592,000	5,148,985
Accrued Other Postemployment Benefits.....	8,868,194	15,568,020
Total Noncurrent Liabilities.....	<u>3,063,562,295</u>	<u>159,561,653</u>
Total Liabilities	<u>3,252,365,984</u>	<u>198,196,453</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	427,406,590	110,753,611
Restricted for Capital Acquisitions.....	60,588,611	—
Restricted for Debt Service.....	112,949,550	—
Unrestricted (Deficit).....	74,827,585	(19,517,155)
Total Net Assets.....	<u>\$ 675,772,336</u>	<u>\$ 91,236,456</u>

See accompanying notes to basic financial statements.

Water Fund	Automobile Parking Fund	Non-Major Fund	Totals
16,644,824	1,405,130	30,265	51,455,060
3,114,934	50,538	37,186	9,709,152
6,762,711	611,763	172,604	13,791,479
1,788,861	81,821	—	11,301,356
—	—	—	3,338,077
—	—	—	158,466
105,924	—	—	3,086,488
4,774,543	1,062,350	279,064	13,167,630
—	—	325,000	671,643
2,188,422	1,460,000	—	33,860,273
7,288,290	200,367	65,070	16,535,863
2,584,700	135,400	685,000	5,569,346
31,565,000	—	—	64,315,000
49,583,832	—	—	96,174,507
20,018,563	469,694	—	41,175,785
8,630,015	—	—	25,250,235
451,905	—	—	451,905
<u>155,502,524</u>	<u>5,477,063</u>	<u>1,594,189</u>	<u>390,012,265</u>
—	9,925,006	—	9,925,006
2,295,236,022	42,704,770	—	5,292,343,257
81,333,125	—	—	281,034,583
1,503,991	—	—	26,947,365
8,620,754	279,502	87,967	16,387,675
16,082,000	597,000	106,800	28,526,785
7,614,170	291,157	91,545	32,433,086
<u>2,410,390,062</u>	<u>53,797,435</u>	<u>286,312</u>	<u>5,687,597,757</u>
<u>2,565,892,586</u>	<u>59,274,498</u>	<u>1,880,501</u>	<u>6,077,610,022</u>
131,959,821	56,137,182	17,608,407	743,865,611
57,338,174	2,404,277	—	120,331,062
66,934,304	4,058,197	—	183,942,051
118,099,329	10,643,277	2,157,489	186,210,525
<u>\$ 374,331,628</u>	<u>\$ 73,242,933</u>	<u>\$ 19,765,896</u>	<u>\$ 1,234,349,249</u>

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services.....	\$ 341,130,859	\$ 27,962,636
Rentals, Fees and Surcharges.....	1,435,519	765,059
Miscellaneous.....	4,342,453	190,633
Total Operating Revenues.....	346,908,831	28,918,328
Operating Expenses:		
Salaries, Wages and Benefits.....	54,784,392	123,597,657
Contractual Services.....	—	19,858,535
Operating	132,366,836	10,670,643
Maintenance.....	13,027,555	—
Materials, Supplies and Other Expenses.....	14,251,015	38,947,602
Non-Recurring Capital Asset Adjustments.....	—	—
Depreciation and Amortization.....	94,145,601	19,578,330
Total Operating Expenses.....	308,575,399	212,652,767
Total Operating Income (Loss).....	38,333,432	(183,734,439)
Non-Operating Revenues (Expenses):		
Investment Earnings.....	27,634,679	95,084
Grants-Federal and State.....	—	77,075,442
Interest on Bonds, Notes Payable, and Loans.....	(120,537,137)	—
Other Revenues (Expenses).....	1,548,292	(7,218,713)
Total Non-Operating Revenues (Expenses), Net.....	(91,354,166)	69,951,813
Net Income (Loss) Before Contributions, Transfers and Special Item.....	(53,020,734)	(113,782,626)
Capital Contributions.....	—	28,936,155
Transfers In.....	1,511,419	97,833,558
Transfers Out.....	(8,063,912)	—
Special Item - See Note I. E. 15.....	(141,962,894)	—
Increase (Decrease) in Net Assets.....	(201,536,121)	12,987,087
Net Assets - Beginning of Year, as restated - See Note I. E. 14.....	877,308,457	78,249,369
Net Assets - End of Year.....	\$ 675,772,336	\$ 91,236,456

See accompanying notes to basic financial statements.

Water Fund	Automobile Parking Fund	Non-Major Fund	Totals
\$ 291,309,191	\$ —	\$ 57,635	\$ 660,460,321
—	18,116,299	631,470	20,948,347
1,674,029	439,719	434,829	7,081,663
<u>292,983,220</u>	<u>18,556,018</u>	<u>1,123,934</u>	<u>688,490,331</u>
55,988,331	2,416,426	762,831	237,549,637
—	4,125,120	—	23,983,655
83,390,002	1,133,107	589,540	228,150,128
—	69,858	176,510	13,273,923
1,991,566	530,268	581,185	56,301,636
28,283,497	—	—	28,283,497
67,504,841	3,274,302	1,392,838	185,895,912
<u>237,158,237</u>	<u>11,549,081</u>	<u>3,502,904</u>	<u>773,438,388</u>
<u>55,824,983</u>	<u>7,006,937</u>	<u>(2,378,970)</u>	<u>(84,948,057)</u>
29,312,849	1,095,547	37,954	58,176,113
—	—	1,933,339	79,008,781
(123,619,840)	(2,812,271)	—	(246,969,248)
1,679,909	—	—	(3,990,512)
<u>(92,627,082)</u>	<u>(1,716,724)</u>	<u>1,971,293</u>	<u>(113,774,866)</u>
(36,802,099)	5,290,213	(407,677)	(198,722,923)
605,746	—	9,998,455	39,540,356
9,575,331	—	582,137	109,502,445
—	—	—	(8,063,912)
—	—	—	(141,962,894)
<u>(26,621,022)</u>	<u>5,290,213</u>	<u>10,172,915</u>	<u>(199,706,928)</u>
<u>400,952,650</u>	<u>67,952,720</u>	<u>9,592,981</u>	<u>1,434,056,177</u>
<u>\$ 374,331,628</u>	<u>\$ 73,242,933</u>	<u>\$ 19,765,896</u>	<u>\$ 1,234,349,249</u>

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operating Activities:		
Receipts from Customers.....	\$ 368,898,278	\$ 28,744,581
Advances from Other Funds.....	—	—
Payments from (to) Other Funds.....	(22,432,497)	—
Loans to Other Funds.....	—	—
Payments to Suppliers.....	(130,163,614)	(73,015,021)
Payments to Employees.....	(61,271,767)	(106,261,143)
	<u>155,030,400</u>	<u>(150,531,583)</u>
Cash Flows from Non-Capital Financing Activities:		
Interest Expenses - Pension Obligation Certificates.....	(793,730)	(5,638,884)
Issuance Costs-Pension Obligation Certificates.....	—	—
Grants and Contributions from Other Governments.....	—	79,479,012
Due to Other Governmental Agencies.....	—	648,885
Transfers from Other Funds.....	—	73,723,106
Miscellaneous Non Operating Revenue	43,684	—
	<u>(750,046)</u>	<u>148,212,119</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions.....	—	23,834,157
Proceeds from Sale of Capital Assets.....	—	—
Acquisition and Construction of Capital Assets.....	(152,122,837)	(24,196,183)
Proceeds from Bond and Note Issuances.....	422,479,082	6,210,120
Principal Paid on Bonds, Notes and Leases.....	(68,393,108)	(3,313,383)
Payment to Escrow Agent for Refunded Bonds.....	(382,710,000)	—
Interest Paid on Bonds, Notes and Leases - Net.....	(129,140,562)	(1,250,195)
	<u>(309,887,425)</u>	<u>1,284,516</u>
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments.....	997,733,594	19,115,574
Purchase of Investments.....	(853,134,737)	(19,395,085)
Interest from Investment Securities.....	27,634,679	95,084
	<u>172,233,536</u>	<u>(184,427)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	16,626,465	(1,219,375)
Cash and Cash Equivalents at Beginning of Year.....	45,839,405	1,350,222
Cash and Cash Equivalents at End of Year.....	<u>\$ 62,465,870</u>	<u>\$ 130,847</u>

See accompanying notes to basic financial statements.

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Non-Major Fund</u>	<u>Totals</u>
\$ 296,138,334	\$ 18,970,896	\$ 1,267,293	\$ 714,019,382
—	(900,000)	—	(900,000)
—	184,377	—	(22,248,120)
(5,064,574)	(239,253)	—	(5,303,827)
(65,722,592)	(5,500,605)	(1,182,646)	(275,584,478)
(74,593,124)	(2,635,100)	(105,394)	(244,866,528)
<u>150,758,044</u>	<u>9,880,315</u>	<u>(20,747)</u>	<u>165,116,429</u>
(2,591,607)	—	—	(9,024,221)
175,301	—	—	175,301
—	—	110,020	79,589,032
—	—	—	648,885
—	—	582,137	74,305,243
—	—	—	43,684
<u>(2,416,306)</u>	<u>—</u>	<u>692,157</u>	<u>145,737,924</u>
605,746	—	661,366	25,101,269
86,638	—	—	86,638
(133,762,629)	(3,102,243)	(1,034,979)	(314,218,871)
396,231,225	—	—	824,920,427
(32,498,981)	(1,415,000)	—	(105,620,472)
(391,521,000)	—	—	(774,231,000)
(124,860,901)	(2,930,023)	—	(258,181,681)
<u>(285,719,902)</u>	<u>(7,447,266)</u>	<u>(373,613)</u>	<u>(602,143,690)</u>
1,179,079,102	22,014,707	—	2,217,942,977
(1,031,860,603)	(25,792,274)	—	(1,930,182,699)
29,312,849	1,095,547	37,954	58,176,113
<u>176,531,348</u>	<u>(2,682,020)</u>	<u>37,954</u>	<u>345,936,391</u>
39,153,184	(248,971)	335,751	54,647,054
45,122,999	442,362	1,377,856	94,132,844
<u>\$ 84,276,183</u>	<u>\$ 193,391</u>	<u>\$ 1,713,607</u>	<u>\$ 148,779,898</u>

(Continued)

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Sewage Disposal Fund	Transportation Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss).....	\$ 38,333,432	\$ (183,734,439)
Adjustments to Operating Income (Loss):		
Depreciation and Amortization	94,145,601	19,126,710
Write off and Impairment of Capital Assets.....	246,460	451,620
Loss on Disposal of Capital Assets.....	2,969,197	—
Non-recurring Capital Adjustments.....	—	—
Allowance for Uncollectible Accounts.....	—	—
Changes in Assets and Liabilities:		
Accounts Receivable.....	21,989,447	(185,512)
Inventories.....	626,071	(775,116)
Net Pension Asset.....	(2,402,051)	(2,358,709)
Prepaid Expenses.....	1,672,445	—
Due from Other Funds.....	(15,965,471)	(505,060)
Due from Fiduciary Funds.....	—	(2,061,403)
Deferred Revenues.....	—	11,765
Accounts and Contracts Payable.....	2,427,719	1,614,236
Due to Other Funds.....	(6,467,026)	(46,964)
Due to Fiduciary Funds.....	5,594,927	(2,401,350)
Other Liabilities.....	4,155,393	—
Accrued Compensated Absences.....	(1,263,921)	242,011
Accrued Public Liability and Worker Compensation.....	(349,639)	1,643,160
Accrued Other Postemployment Benefits.....	8,868,194	15,568,020
Accrued Salaries and Wages.....	449,622	2,879,448
Advances from other funds.....	—	—
Net Cash Provided by (Used in) Operating Activities.....	\$ 155,030,400	\$ (150,531,583)

See accompanying notes to basic financial statements.

Water Fund	Automobile Parking Fund	Non-Major Fund	Totals
\$ 55,824,983	\$ 7,006,937	\$ (2,378,970)	\$ (84,948,057)
67,504,841	3,274,302	1,392,838	185,444,292
239,518	—	—	937,598
792,000	—	—	3,761,197
28,283,497	—	—	28,283,497
—	—	441,310	441,310
3,155,114	414,878	(281,251)	25,092,676
(13,531)	—	—	(162,576)
1,048,911	—	—	(3,711,849)
(2,226,448)	(61,899)	21,165	(594,737)
(6,184,069)	184,377	66,766	(22,403,457)
(534,574)	—	—	(2,595,977)
—	—	(16,700)	(4,935)
(3,340,783)	519,194	(128,709)	1,091,657
1,119,495	(239,253)	61,098	(5,572,650)
—	—	—	3,193,577
(5,692,747)	(99,547)	144,269	(1,492,632)
—	(86,438)	(30,205)	(1,138,553)
1,820,081	(434,636)	593,731	3,272,697
7,614,170	291,157	91,545	32,433,086
1,347,586	11,243	2,366	4,690,265
—	(900,000)	—	(900,000)
<u>\$ 150,758,044</u>	<u>\$ 9,880,315</u>	<u>\$ (20,747)</u>	<u>\$ 165,116,429</u>

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Pension and Other Employee Benefit Funds	Agency Funds	Totals
ASSETS			
Cash and Cash Equivalents.....	\$ 13,113,253	\$ 2,329,920	\$ 15,443,173
Investments at Fair Value:			
Short-Term Investments.....	173,072,652	—	173,072,652
Commercial Paper.....	19,595,030	—	19,595,030
U.S. Government Obligations.....	56,258	—	56,258
Bonds and Stocks.....	4,924,814,176	—	4,924,814,176
Mortgage-Backed Securities.....	213,122,831	—	213,122,831
Mortgage and Construction Loans.....	357,657,160	—	357,657,160
Equity Interest in Real Estate.....	920,502,242	—	920,502,242
Real Estate Investment Trusts Held by Custodian.....	32,853,730	—	32,853,730
Pooled Investments.....	327,429,823	19,872,621	347,302,444
Private Placements.....	440,650,067	—	440,650,067
Total Investments.....	7,409,753,969	19,872,621	7,429,626,590
Accrued Interest Receivable.....	33,535,096	—	33,535,096
Accounts Receivable:			
Due from Primary Government.....	131,721,796	—	131,721,796
Due from Component Units.....	7,303	—	7,303
From Investment Sales.....	110,232,849	—	110,232,849
Other Receivables.....	1,174,275	—	1,174,275
Total Accounts Receivable.....	243,136,223	—	243,136,223
Cash and Investments Held as Collateral for Securities Lending	1,341,794,098	—	1,341,794,098
Capital Assets.....	2,627,948	—	2,627,948
Total Assets.....	9,043,960,587	22,202,541	9,066,163,128
LIABILITIES			
Accounts and Contracts Payable.....	836,529	2,131,758	2,968,287
Payables for Investment Purchases.....	167,128,910	—	167,128,910
Benefits and Claims Payable.....	10,339,702	—	10,339,702
Due to Primary Government.....	6,543,982	1,431,189	7,975,171
Due to Component Units.....	249,272	—	249,272
Amount Due to Broker for Securities Lending.....	1,341,794,098	—	1,341,794,098
Other Liabilities.....	85,731,991	18,639,594	104,371,585
Total Liabilities.....	1,612,624,484	22,202,541	1,634,827,025
Net Assets Held in Trust for Pension and Employee Benefits.....	\$ 7,431,336,103	\$ —	\$ 7,431,336,103

See accompanying notes to basic financial statements.

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions.....	\$ 333,228,494
Plan Member Contributions.....	62,611,146
Other Income.....	<u>2,947,582</u>
Total Contributions.....	398,787,222
Investment Earnings.....	<u>(511,481,739)</u>
Total Additions.....	<u>(112,694,517)</u>
DEDUCTIONS:	
Pension and Annuity Benefits.....	428,398,608
Premiums to Insurers and Damage Claims.....	286,006,837
Refunds.....	96,521,519
General and Administrative Expenses.....	<u>8,934,180</u>
Total Deductions.....	<u>819,861,144</u>
Net Decrease.....	(932,555,661)
Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year.....	<u>8,363,891,764</u>
Net Assets Held in Trust for Pension and Employee Benefits, End of Year.....	<u>\$ 7,431,336,103</u>

See accompanying notes to basic financial statements.

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority
ASSETS:				
Cash and Cash Equivalents.....	\$ 1,639,003	\$ 9,630,579	\$ 2,849,914	\$ 483,167
Investments.....	—	20,921,302	11,266,434	91,283,680
Accounts and Contracts Receivable - Taxes, Interest, and Penalties Receivable - Net.....	1,545,950	3,478,959	—	6,407,642
Due from Primary Government.....	1,090,456	16,878,820	1,424,861	427,647
Due from Fiduciary Funds.....	—	248,049	—	—
Due from Other Governmental Agencies.....	—	3,630,071	379,395	—
Inventory.....	—	—	4,225,782	—
Prepaid Expenses.....	7,910	68,452	460,369	82,540
Loans and Notes Receivable.....	—	—	—	42,883,949
Other Assets.....	75,000	1,254,466	356,411	60,331,257
Net Pension Asset.....	—	23,811,150	—	—
Bond and Note Issue Costs.....	—	—	—	2,984,024
Capital Assets:				
Non-Depreciable.....	—	1,371,996	7,314,331	7,544,670
Depreciable, Net.....	—	20,843,326	59,230,392	21,932,483
Capital Assets, Net.....	—	22,215,322	66,544,723	29,477,153
Total Assets.....	4,358,319	102,137,170	87,507,889	234,361,059
LIABILITIES:				
Accounts and Contracts Payable.....	360,183	1,094,933	1,521,943	377,501
Accrued Salaries and Wages.....	—	354,273	199,109	—
Accrued Interest Payable.....	—	—	—	3,552,046
Due to Primary Government.....	—	2,363,823	—	—
Due to Fiduciary Funds.....	—	7,303	—	—
Due to Other Governmental Agencies.....	—	976,941	—	18,449,984
Deferred Revenues.....	—	1,242,474	8,010	—
Other Liabilities.....	3,303,971	185,544	833,506	13,318,512
Long-term Obligations:				
Advance Payable to Primary Government for POC's.....	—	24,554,826	—	—
Due within one year.....	—	2,017,779	—	13,324,697
Due in more than one year.....	—	6,967,197	275,922	119,016,679
Total Liabilities.....	3,664,154	39,765,093	2,838,490	168,039,419
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt.....	—	21,943,002	66,544,723	29,477,153
Restricted for:				
Endowments and Trusts (Expendable).....	—	4,566,113	—	—
Endowments and Trusts (Non-Expendable).....	—	648,788	—	—
Capital Projects.....	254,798	—	10,665,495	35,360,520
Debt Service.....	—	—	—	—
Other.....	—	—	—	—
Unrestricted (Deficit).....	439,367	35,214,174	7,459,181	1,483,967
Total Net Assets (Deficit)	\$ 694,165	\$ 62,372,077	\$ 84,669,399	\$ 66,321,640

See accompanying notes to basic financial statements.

Eastern Market Corporation	Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Tax Increment Finance Authority	Totals
\$ 923,768	\$ 29,742,381	\$ 26,362,836	\$ 3,394,448	\$ 1,626,983	\$ —	\$ 76,653,079
1,229,023	19,258,590	94,299,422	31,145,217	1,144,758	—	270,548,426
—	—	—	2,366,011	—	—	13,798,562
—	2,004,238	—	4,731,697	—	—	26,557,719
—	—	—	—	—	—	248,049
—	—	—	—	—	1,571,462	5,580,928
2,873	—	—	—	162,013	—	4,390,668
19,909	—	159,800	—	36,721	—	835,701
—	953,215	—	—	—	—	43,837,164
111,330	1,001,553	5,806,243	56,350	505,602	—	69,498,212
—	—	—	—	—	—	23,811,150
—	—	200,172	—	—	—	3,184,196
—	—	8,873,234	—	—	—	25,104,231
720,088	—	286,932,297	—	2,806,068	—	392,464,654
720,088	—	295,805,531	—	2,806,068	—	417,568,885
3,006,991	52,959,977	422,634,004	41,693,723	6,282,145	1,571,462	956,512,739
325,879	5,278,712	13,617,496	109	546,000	—	23,122,756
18,220	—	—	—	98,942	—	670,544
—	74,182	624,300	710,041	—	—	4,960,569
—	—	777,983	—	—	1,571,462	4,713,268
—	—	—	—	—	—	7,303
—	—	—	—	—	—	19,426,925
261,092	75,000	—	—	—	—	1,586,576
—	—	—	6,369,550	—	—	24,011,083
—	—	—	—	—	—	24,554,826
—	1,112,796	73,263,776	3,345,000	—	—	93,064,048
—	—	189,583,645	72,895,000	—	—	388,738,443
605,191	6,540,690	277,867,200	83,319,700	644,942	1,571,462	584,856,341
720,088	—	222,741,927	—	2,806,068	—	344,232,961
—	—	—	—	—	—	4,566,113
—	—	—	—	836,560	—	1,485,348
—	46,299,364	—	—	1,330,447	—	93,910,624
—	—	—	31,535,518	—	—	31,535,518
—	—	—	3,078,505	—	—	3,078,505
1,681,712	119,923	(77,975,123)	(76,240,000)	664,128	—	(107,152,671)
\$ 2,401,800	\$ 46,419,287	\$ 144,766,804	\$ (41,625,977)	\$ 5,637,203	\$ —	\$ 371,656,398

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2008

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority
Expenses.....	\$ (2,734,924)	\$ (43,615,320)	\$ (19,320,879)	\$ (18,461,116)
Program Revenues:				
Charges for Services.....	150,000	591,758	1,084,693	8,071,637
Operating Grants and Contributions.....	207,340	2,293,173	10,289,648	—
Total Program Revenues.....	357,340	2,884,931	11,374,341	8,071,637
Net Program (Expenses) Revenue.....	(2,377,584)	(40,730,389)	(7,946,538)	(10,389,479)
General Revenues:				
Property Taxes.....	2,656,518	42,520,718	—	23,764,936
Other Taxes.....	—	2,785,705	—	—
Shared Taxes.....	—	1,551,773	—	—
Interest and Penalties on Taxes.....	—	436,355	—	—
Tipping Fees.....	—	—	—	—
Contributions.....	—	—	4,519,956	—
Investment Earnings.....	66,096	566,514	792,948	—
Miscellaneous Revenue.....	—	57,120	344,308	1,035,411
Total General Revenues.....	2,722,614	47,918,185	5,657,212	24,800,347
Change in Net Assets.....	345,030	7,187,796	(2,289,326)	14,410,868
Net Assets (Deficit) - Beginning of Year - As Restated - see Note I. E. 14.....	349,135	55,184,281	86,958,725	51,910,772
Net Assets (Deficit) - End of Year.....	\$ 694,165	\$ 62,372,077	\$ 84,669,399	\$ 66,321,640

See accompanying notes to basic financial statements

Eastern Market Corporation	Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Tax Increment Finance Authority	Totals
\$ (1,691,590)	\$ (17,803,856)	\$ (126,016,102)	\$ (6,605,540)	\$ (8,095,196)	\$ (7,506,641)	\$ (251,851,164)
888,090	20,628,447	56,133,977	—	1,622,105	—	89,170,707
1,451,136	1,100,000	—	—	2,109,648	—	17,450,945
2,339,226	21,728,447	56,133,977	—	3,731,753	—	106,621,652
647,636	3,924,591	(69,882,125)	(6,605,540)	(4,363,443)	(7,506,641)	(145,229,512)
—	—	—	11,134,062	—	7,506,641	87,582,875
—	—	—	—	—	—	2,785,705
—	—	—	—	—	—	1,551,773
—	—	—	—	—	—	436,355
—	—	82,524,464	—	—	—	82,524,464
—	867,222	—	—	2,716,301	—	8,103,479
64,585	4,598	5,461,347	1,227,476	(32,925)	—	8,150,639
—	—	—	45,974	—	—	1,482,813
64,585	871,820	87,985,811	12,407,512	2,683,376	7,506,641	192,618,103
712,221	4,796,411	18,103,686	5,801,972	(1,680,067)	—	47,388,591
1,689,579	41,622,876	126,663,118	(47,427,949)	7,317,270	—	324,267,807
\$ 2,401,800	\$ 46,419,287	\$ 144,766,804	\$ (41,625,977)	\$ 5,637,203	\$ —	\$ 371,656,398

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

A. REPORTING ENTITY

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The 13 component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

1. Blended Component Units:

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

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

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

In May 2006, the City entered into a separate service contract with each of the DGRSSC and the DPFRSSC, in which the City contractually obligated itself to make periodic payments to the corporations in return for their service of reducing the financial burden of the City's pension costs. The DGRSSC and the DPFRSSC, severally and not jointly, entered into a Trust Agreement with U.S. Bank National Association, as Trustee, which created the Detroit Retirement Systems Funding Trust 2006 (DRSFT), a grantor trust established and existing under Michigan law. The DGRSSC and DPFRSSC sold and assigned to the DRSFT their rights to receive certain of the payments to be received from the City under the service contracts.

2. Discretely Presented Component Units:

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

Detroit Brownfield Redevelopment Authority (DBRA): The DBRA was created by a City Council resolution and approved by the Mayor in April 1998, under the provisions of Act 381, Public Acts of Michigan of 1996. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property.

Detroit Public Library (DPL): The DPL is a statutory body created by the State. The DPL was created to provide reference materials, research information, and publications to residents of the City and the County. Funding is provided by an ad valorem tax of 4.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. City Council is responsible for approving DPL's annual budget.

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

Downtown Development Authority (DDA): The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of 1.0 mill on real and personal property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

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 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 primarily funded by means of grants from the City.

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

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

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

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

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

Blended Component Units:

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

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

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

Discretely Presented Component Units:

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

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

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

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

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

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

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

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

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

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

3. Related Organizations:

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

Detroit Historical Society
Detroit Institute of Arts
Detroit Zoological Society

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

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

B. JOINT VENTURE

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

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

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease. Also, the extended lease agreement identified the intention to renovate space occupied by the County and provided the commitment of the County to enter into a separate supplemental lease for the repayment for the debt used in the renovations. Therefore, the County has an ongoing financial responsibility.

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

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

C. BASIS OF PRESENTATION

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

1. Government-wide Financial Statements

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

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Proprietary fund operating revenues, such as charges for services primarily result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City uses the following major funds:

Governmental Funds:

- a. **General Fund** accounts for several of the City's primary services (Police, Fire, Public Works, Community and Youth Services, etc.) and is the primary operating unit of the City.
- b. **Detroit General Retirement System Service Corporation Fund** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005 and refunding in 2006.
- c. **Police and Fire Retirement System Service Corporation Fund** accounts for the proceeds and service payments related to the issuance of the Pension Obligation Certificates in June of 2005 and refunding in 2006.

Proprietary Funds:

- a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant, sewers, including sanitary and combined sewers, combined sewer outfalls, and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.
- b. **Transportation Fund** accounts for the City's mass transit system with a fleet of over 540 coaches. The fund operates three light repair garages and terminals.
- c. **Water Fund** accounts for the operations of five water treatment plants, 20 booster stations, a transmission and distribution system and reservoirs. The fund provides service to Detroit and 125 other communities in southeastern Michigan.

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

Additionally, the City reports the following Fiduciary Fund types:

Fiduciary Funds:

- a. **Pension and Other Employee Benefit Funds** account for moneys held in trust by the City for pension benefits and other employee benefits. The City uses pension trust funds to account for the retirement plans for civilian employees, firefighters and police officers. The Employee Benefit funds accounts for various health and long-term disability benefits for employees and retirees.
- b. **Agency Funds** account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

D. BASIS OF ACCOUNTING

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, compensated absences and other long-term obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources that are susceptible to accrual include property taxes, income taxes, utility taxes, state-shared revenue, state gas and weight tax revenue, interest and certain grants associated with the current fiscal period. All other revenue sources are considered to be measurable and available only when cash is received.

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

E. ASSETS, LIABILITIES, AND FUND EQUITY

- 1. Cash and Investments:** Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date of acquisition by the City. The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, domestic certificates of deposit, certain commercial paper, U.S. government repurchase agreements, bankers acceptances, mutual funds and investment pools that are composed of authorized investment vehicles. Investments are reported at fair value.

The Retirement Systems and the Employees' Benefit Fund are authorized by Michigan Public Act 314 of 1965 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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 the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

2. Interfund Transactions:

The City has the following types of interfund transactions:

- a. **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.
 - b. **Services Provided and Used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.
 - c. **Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
 - d. **Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
- 3. Inventories:** Cost of inventories of the governmental-type funds is recorded as expenditures at the time of purchase. Inventories at year-end for the General, and Major and Local Street funds are recorded in the balance sheet at cost, based on a physical inventory. A reserve for inventories is in the fund balance of the related fund. The inventories reserve increase (decrease) from year to year is displayed on the CAFR separate from their respective fund balances below their beginning fund balance. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.
- 4. Capital Assets:** Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at fair market value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and storm water lines. All acquisitions of land and land improvements will be capitalized regardless of cost. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. Capitalized interest, net of related debt, for the year ended June 30, 2008 for the Sewage Disposal and Water Funds was \$13,375,556 and \$9,483,662, 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 is expensed as incurred.

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

	<u>Years</u>
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.

Water Fund Capital Asset Adjustments

During the fiscal year ended June 30, 2008, the City identified \$28.2 million in operating expenses that were improperly included in capital assets of the Water Fund in prior years. As a result, capital assets were reduced and a non-recurring capital asset adjustment was recorded as an operating expense in the Water Fund's statement of revenues, expenses, and changes in fund net assets.

- 5. Bond Premiums, Discounts, Issuance Costs and Deferred Amount on Refunding:** In the government-wide and proprietary fund financial statements, bond premiums and discounts are amortized using the effective interest method. Issuance costs and gains and losses (deferred amounts) on refundings are deferred and amortized over the life of the bonds using the straight-line method.

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

- 6. Encumbrances:** Encumbrances outstanding for governmental funds at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting, except budgetary-basis expenditures, which include purchase orders and contracts (encumbrances) issued for goods or services not received at year-end.
- 7. Compensated Absences:** For funds other than the Transportation Fund, unused vacation pay and banked overtime accumulate up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age 60 or completes 25 years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

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

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

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

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

- 9. Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2008 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by non-residents, and 1.0% 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 assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.
- 10. Fund Balances:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balances represent tentative City plans that are subject to change.

- 11. Net Assets:** The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as follows:
- a. **Invested in Capital Assets Net of Related Debt** – consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.
 - b. **Restricted Net Assets** – consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, laws, 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.
 - c. **Unrestricted Net Assets** – Consist of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, net of related debt.”
- 12. Use of Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 13. New Accounting Pronouncements:** In July 2004, GASB issued *Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. This statement establishes accounting and financial reporting standards for employers that participate in a defined benefit “other post employment benefit” (OPEB) plan. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City is also required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employer’s contributions to a plan, including the OPEB liability or asset at transition, if any. The City implemented this statement during the year ended June 30, 2008. As a result, the City has recorded a net OPEB liability (i.e., “Accrued Employee Benefits”) of \$114,056,030 and \$32,433,086, in the Governmental Activities and Business-type Activities Long-Term Obligations section of the Statement of Net Assets, respectively as of June 30, 2008. See Note III. B. 6. Other Information, for additional details.

In June 2005, GASB issued *Statement No. 47, Accounting for Termination Benefits by Employers*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early-retirement incentives) when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. As an exception to the general recognition and measurement requirements discussed above, the effects of a termination benefit on an employer’s obligations for defined benefit pension or other post employment benefits in the case of the City will be accounted for and reported under the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*, as applicable. The City implemented the provisions of the statement applicable to termination benefits provided through its defined OPEB plan in conjunction with *Statement No. 45* during the year ended June 30, 2008. For all other termination benefits, the City implemented the provisions of this statement during the year ended June 30, 2007.

In September 2006, GASB issued *Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The City implemented *Statement No. 48* during with the fiscal year ended June 30, 2008. Additional note disclosures are being provided as a result of implementation. There was no impact on beginning fund balances or beginning net assets as a result of implementing this statement.

In November 2006, GASB issued *Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement *Statement No. 49* beginning with the fiscal year ending June 30, 2009.

In May 2007, GASB issued *Statement No. 50 Pension Disclosures* - an amendment of GASB Statements *No.25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City implemented *Statement No. 50* during with the fiscal year ended June 30, 2008. As a result, additional disclosures are being provided within the notes to the financial statement in accordance with the pronouncement.

In June 2007, GASB issued *Statement No. 51, Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. This Statement also provides guidance on recognizing internally generated computer software as an intangible asset. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement *Statement No. 51* beginning the fiscal year ending June 30, 2010.

In June 2008, GASB issued *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. Specifically, it requires that derivative instruments, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, be reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement *Statement No. 53* beginning with the fiscal year ending June 30, 2010.

In March 2009, the GASB issued *Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement *Statement No. 54* beginning with the fiscal year ended June 30, 2011.

14. Accounting Changes and Prior Year Restatements:

Sewage Disposal Fund – During the fiscal year ended June 30, 2008 the City ceased reporting regulatory assets and liabilities under FAS71, *Accounting for the Effects of Certain Types of Regulation*. In prior years, the City reported an asset or liability for the impact of look-back adjustments, such that revenue surpluses resulted in a liability (to be returned generally in the rate period two years subsequent), and revenue shortfalls resulted in a receivable (to be received from the customers generally in the rates two years subsequent). Further, certain cash outlays that were funded through bond issuances but that traditionally would be considered expenses of the current period had been reported as an asset because the rate model considered them future recoverable costs.

The City has changed its method of accounting because it feels that interperiod equity (the concept of whether current year revenues are sufficient to pay for current year services) is more appropriately measured when revenue surpluses result in an increase in net assets, and when revenue shortfalls or current period maintenance expense result in a decrease in net assets. The City has retrospectively applied this change in accounting to the earliest period presented. As a result of this change, in July 1, 2007 current receivables have been reduced by \$34.6 million; noncurrent receivables by \$21.8 million; capital assets construction in progress by \$112.9 million; current liabilities by \$3.2 million; long-term liabilities by \$7.0 million; and the net effect \$159.1 million results in restated net assets as of June 30, 2007 of \$877,308,457.

Detroit Public Library – Beginning net assets have been restated to reflect various corrections of accounting errors and the inclusion of the Detroit Public Library Foundation in the reporting entity. Assets were overstated by \$159,286, and liabilities were overstated by \$353,881. Net assets of the Detroit Library Foundation were \$2,618,648. The net adjustment of \$2,813,243 results in restated net assets as of June 30, 2007 of \$55,184,281.

The following is a table that summarizes the aforementioned changes to beginning net assets:

	Sewage Disposal Fund	Detroit Public Library
Net assets as of June 30, 2007, as previously reported	\$ 1,036,421,217	\$ 52,371,038
Plus:		
Current rate adjustments payable	3,198,237	—
Noncurrent rate adjustments payable	7,009,595	—
Correction of overstated liabilities	—	353,881
Component Unit - Sponsoring Foundation	—	2,618,648
Less:		
Current rate adjustments receivable	(34,566,151)	—
Noncurrent rate adjustments receivable	(21,828,526)	—
Regulatory assets reported in capital assets	(112,925,915)	—
Correction of overstated assets	—	(159,286)
Net assets as of June 30, 2007, as restated	\$ 877,308,457	\$ 55,184,281

15. Special Item: A special item (loss) was recorded during the year ended June 30, 2008 to recognize an impairment loss of \$141,962,894 due to the City's decision to suspend the Detroit River Outflow construction project (the "Project"). The Project, which involved deep tunneling, was initiated in 1999 and included construction of an entrance and access shaft, and six diffuser riser shafts in the Detroit River as required by an operating permit issued by the Michigan Department of Environmental Quality (MDEQ). The Project was suspended due to flooding of the initial outflow tunnel. As a result of these Project delays and the City's request, a temporary stay of execution was granted by the MDEQ for a period of up to five (5) years. With the stay the City has officially placed the Project on hold, while it researches and determines the most efficient and cost effective designs for completing the Project, while accomplishing its original objectives.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LIQUIDITY RISK

Liquidity risk is the risk that the City does not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. During times of economic stress such as the current national recession, the City faces significant risk to its ability to generate cash from revenues sufficient to pay operating expenditures. Two of the City's largest revenue streams, distributable state aid and municipal income taxes, are especially susceptible to major downturns in the economy and have declined in recent years due to increasing levels of unemployment. Unemployment increased rapidly from 15% in June 2008 to 28% in June 2009 (compared to 15% state and 10% national rates). Regional economic deterioration will likely present continued revenue pressures for the City in both the near and long-term.

The City's declining revenues over the past several years have led to an accumulated unreserved undesignated fund deficit in the General Fund of \$219 million as of June 30, 2008. As a result, the City is dependent on short-term borrowing for cash flow purposes. The amount of combined borrowings has increased from \$54 million in 2005 to \$129.6 million at June 30, 2008. The City's short-term borrowings have subsequently increased to \$224 million in fiscal year 2009.

Standard & Poor's Rating Services, Fitch Ratings, and Moody's Investors Services each downgraded the City's debt during 2009 to below investment grade (see Note IV). The budgetary challenges, economic uncertainties, accumulated deficit in the General Fund, and ratings downgrades could affect the City's ability to access credit markets and will likely increase the costs of borrowing.

B. COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has not implemented the necessary procedures to ensure compliance with the arbitrage rebate rules of Section 148(f) of the Internal Revenue Code of 1986 applicable to the City's outstanding tax-exempt obligations. The City is engaged in discussions with the Internal Revenue Service with a view to establishing such procedures. The potential impact to the City is indeterminable at this time.

The Treasurer of the State of Michigan requires that audited financial statements of local governments must be submitted to the Treasurer no later than six months after year-end. The Treasurer has the authority when audited financials are not submitted within the six-month period to withhold the local government's State Revenue Sharing distribution. Accordingly, the Treasurer has withheld \$23.0 million revenue sharing associated with the fiscal year ended June 30, 2008. As a result this amount has been reflected as deferred revenue in the City's General Fund balance sheet.

The Secretary of State has the authority to suspend the City's certificate of motor vehicle self-insurance when required financials, with application are not submitted 30 days prior before the desired effective date of the certificate. Failure to adhere to the requirement may result in the cancellation of the certificate of motor vehicle self-insurance. Notwithstanding such noncompliance, the Secretary of State has continued to extend the City's certificate of motor vehicle self-insurance, on a month-to-month basis contingent on the City continuing ability to meet plans to correct these deficiencies.

The City is required by State of Michigan law to fund its minimally required pension contributions for the fiscal year ended June 30, 2008, prior to said date. Notwithstanding this requirement, the City failed to remit its complete contribution prior to June 30, 2008. Contributions to the General Retirement System, and Police and Fire Retirement of \$14.5 million and \$98.5 million, respectively, were remitted in July 2008.

As of June 30, 2008, the City failed to remit approximately \$79.5 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, 2008 were remitted in July and August 2008.

The Sewage Disposal and Water Funds revenue bond ordinances require amounts 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, 2008, the balance in the Bond and Interest Redemption Fund was not in compliance with these ordinances. However, the City transferred the required amounts needed on July 1, 2008, and made the payments on a timely basis. Additionally, the revenue bond ordinances require (1) amounts be deposited in the Senior Lien Bond Account equal to the maximum annual debt service on all senior lien bonds outstanding, and (2) monthly deposits be deposited in an amount equal to one-twelfth of 3% of the budgeted operation and maintenance expense of each Fund for the fiscal year until the aggregate amount on deposit equals at least 15% of that year's budgeted operating and maintenance costs. As of June 30, 2008, the Sewage Disposal Fund's Senior Lien Bond Account and its Extraordinary Repair and Replacement Reserve Fund were underfunded by approximately \$7.4 million and \$2.1 million, respectively.

During the fiscal year ended June 30, 2008, the City identified certain expenditures made by the Sewage Disposal and Water Funds that potentially should not have been funded by bond proceeds. The City is currently unable to determine whether there were any legal violations or implications as to the tax-exempt nature of the bonds as a result of this potential noncompliance. The City does not believe the outcome of this matter will have a material impact on the accompanying financial statements.

C. DEFICIT FUND EQUITY

General Fund had a deficit fund balance of \$141,685,154. Local Development Finance Authority (a Component Unit) (LDFA) had a fund deficit of \$41,625,977. The General Fund has issued a deficit reduction plan, which includes staffing reductions and days off without pay for certain employees (i.e., furlough days), reduction in level of City provided services, reduced subsidies and enhanced procedures for the collection of revenues. 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.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

D. EXCESS OF EXPENDITURES OVER GENERAL FUND APPROPRIATIONS

The legal level of budget control is maintained at the appropriation level, which is more detailed than the budget in the Required Supplemental Information. Listed below are expenditures that exceeded its corresponding appropriation for the year ended June 30, 2008:

Agency #	Agency Description	Appropriation	Appropriation Description	YTD		Variance
				Budget Final	Actual	
14	CIVIC CENTER	00011	Cobo Center	\$ 16,756,958	\$ 17,250,727	\$ (493,769)
		11150	Property Management	948,243	1,162,673	(214,430)
	TOTAL CIVIC CENTER			\$ 17,705,201	\$ 18,413,400	\$ (708,199)
19	PUBLIC WORKS	00035	Refuse Collection	60,419	67,818	(7,399)
		00037	Street Cleaning	54,556	498,274	(443,718)
		00038	Vacant Lot Clean-up	78,588	103,602	(25,014)
		00051	Vehicle Management	16,394	134,527	(118,133)
	TOTAL PUBLIC WORKS			\$ 209,957	\$ 804,221	\$ (594,264)
23	FINANCE	00058	Administration	\$ 1,138,278	\$ 1,148,144	\$ (9,866)
		00061	Purchasing Division	2,065,970	2,147,149	(81,179)
		00832	Departmental Accounting Operations	2,458,181	3,190,996	(732,815)
	TOTAL FINANCE			\$ 5,662,429	\$ 6,486,289	\$ (823,860)
24	FIRE	00718	Fire Fighting Operations	\$ 133,447,369	\$ 133,602,823	\$ (155,454)
25	HEALTH	00074	Primary Family Care	\$ 198,273	\$ 448,258	\$ (249,985)
		00076	Drug Education	234,569	250,000	(15,431)
		00081	Plant Operation and Maintenance-Herman Kiefer	661,525	1,334,414	(672,889)
		00410	Nutrition Services	457,106	476,809	(19,703)
		10893	Animal Control Center	1,581,731	1,589,358	(7,627)
	TOTAL HEALTH			\$ 3,133,204	\$ 4,098,839	\$ (965,635)
28	HUMAN RESOURCES	00106	Personnel Selection	\$ 1,369,354	\$ 1,417,880	\$ (48,526)
		00107	Supportive Services	2,162	480,027	(477,865)
	TOTAL HUMAN RESOURCES			\$ 1,371,516	\$ 1,897,907	\$ (526,391)
29	HUMAN RIGHTS	00879	Contract Compliance	\$ 10,462	\$ 125,148	\$ (114,686)
31	ITS	11827	Publishing Services	\$ 1,975	\$ 45,079	\$ (43,104)
35	NON DEPARTMENTAL	04739	General Revenue	\$ 11,069,792	\$ 38,938,976	\$ (27,869,184)
		00551	Prisoner Care	323,815	396,615	(72,800)
		00870	Centralized Utility Payments	11,000	169,256	(158,256)
		11913	800 MH2 Project	1,184,331	1,638,497	(454,166)
		12226	Interest Short-Term Borrowing/RAN/TAN	3,814,000	7,228,442	(3,414,442)
	TOTAL NON-DEPARTMENTAL			\$ 16,402,938	\$ 48,371,786	\$ (31,968,848)
36	PLDD	00014	Community Development	\$ 390,822	\$ 619,961	\$ (229,139)
37	POLICE	11042	Risk Management Bureau	14,536,471	\$ 14,640,428	\$ (103,957)
		11377	Civil Rights Integrity Bureau	111	10,788	(10,677)
	TOTAL POLICE			\$ 14,536,582	\$ 14,651,216	\$ (114,634)
38	PUBLIC LIGHTING	00128	Street Lighting	\$ 15,494,586	\$ 15,615,841	\$ (121,255)
		00131	Heat and Power Production	40,086,059	46,948,654	(6,862,595)
	TOTAL PUBLIC LIGHTING			\$ 55,580,645	\$ 62,564,495	\$ (6,983,850)
47	RECREATION	11658	Planning, Design & Construction Mgmt	\$ 463,719	\$ 470,643	\$ (6,924)
	TOTAL RECREATION			\$ 463,719	\$ 470,643	\$ (6,924)
39	GSD	11830	Facilities & Grounds Maintenance	\$ 34,080,586	\$ 36,563,274	\$ (2,482,688)
		12153	Fleet Management	18,515,801	22,175,856	(3,660,055)
	TOTAL GENERAL SERVICES			\$ 52,596,387	\$ 58,739,130	\$ (6,142,743)
60	36TH DISTRICT COURT	5715	State Transferred Functions	\$ 29,967,688	\$ 32,496,026	\$ (2,528,338)
	TOTAL ALL AGENCIES			\$ 331,480,894	\$ 383,386,963	\$ (51,906,069)

NOTE III. DETAILED NOTES ON ALL FUNDS

A. ASSETS

1. Deposits and Investments:

a. Primary Government

Deposits and investments of the City at June 30, 2008 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deposits	\$ 274,248,166	\$ 148,779,898	\$ 423,028,064
Investments	<u>322,129,442</u>	<u>1,204,743,899</u>	<u>1,526,873,341</u>
Total	<u>\$ 596,377,608</u>	<u>\$ 1,353,523,797</u>	<u>\$ 1,949,901,405</u>

The Deposits and Investments of the City at June 30, 2008 are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 268,248,166	\$ 148,779,898	\$ 417,028,064
Investments	<u>328,129,442</u>	<u>1,204,743,899</u>	<u>1,532,873,341</u>
Total	<u>\$ 596,377,608</u>	<u>\$ 1,353,523,797</u>	<u>\$ 1,949,901,405</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 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, 2008, the governmental and business-type activities had deposits of \$261,998,046 and \$55,295,673, respectively, that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2008, the City had no investments subject to custodial credit risk.

Interest Rate Risk

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

City is generally not permitted to directly invest in securities maturing more than 10 years from original date of purchase.

As of June 30, 2008, the City had the following investments and maturities:

Governmental Activities	Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1-5 Years	6-10 Years
U.S. Treasury	\$ 2,706,097	\$ —	\$ 2,706,097	\$ —
U.S. Government Agency Securities	47,168,048	20,953,776	26,214,272	—
Repurchase Agreement	1,005,716	1,005,716	—	—
Money Market	271,249,581	271,249,581	—	—
Total Investments	\$ 322,129,442	\$ 293,209,073	\$ 28,920,369	\$ —

Business-type Activities	Fair Value	Investment Maturities in Years		
		Less Than 1 Year	1-5 Years	6-10 Years
U.S. Government Agency Securities	\$ 557,661,554	\$ 330,609,460	\$ 227,052,094	\$ —
Repurchase Agreement	5,003,645	5,003,645	—	—
Commercial Paper	87,280,000	87,280,000	—	—
Money Market	554,798,700	554,798,699	—	—
Total Investments	\$ 1,204,743,899	\$ 977,691,804	\$ 227,052,094	\$ —

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, which purchase commercial paper 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).

As of June 30, 2008, the City's investments have the following ratings:

	U.S.			
	U.S. Treasury	Government Agency	Repurchase Agreement	Money Market
S&P: AAA				
Moody's: Aaa	\$ 2,706,097	\$ 47,168,048	\$ 1,005,716	\$ 240,022,472
Moody's: BB	—	—	—	147,237
Not Rated	—	—	—	31,355,211
Total	\$ 2,706,097	\$ 47,168,048	\$ 1,005,716	\$ 271,524,920

Business-type Activities

	<u>U.S. Government</u> <u>Agency Securities</u>	<u>Repurchase</u> <u>Agreement</u>	<u>Commercial</u> <u>Paper</u>	<u>Money Market</u>
S&P: AAA				
Moody's: Aaa	\$ 329,521,470	\$ —	\$ —	\$ —
S&P: A+				
Moody's: Aa2	—	—	25,344,000	—
S&P: A				
Moody's: A2	—	—	9,816,000	—
Moody's: A1	—	—	52,120,000	—
Moody's: Aaa	—	—	—	526,309,961
Not Rated	228,140,084	5,003,645	—	28,488,738
Total	<u>\$ 557,661,554</u>	<u>\$ 5,003,645</u>	<u>\$ 87,280,000</u>	<u>\$ 554,798,699</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy specifies a number of limitations to minimize concentration of credit risk include prohibiting investing more than 5% of the portfolio in securities (excluding U.S. government, mutual funds, external investment pools, and other pooled investments) of any one issuer. More than 5% of the primary government's investments are in Federal Home Loan Bank. This investment is 10.38%.

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. The Pension Funds are authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 314. The System's deposits and investment policies are in accordance with statutory authority.

Pension Funds

The Pension Funds are authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 314. The Pension Funds deposits and investment policies are in accordance with this statutory authority.

The following is a description of the investments by type and category held by the Pension Funds at June 30, 2008:

<u>Investment</u>	<u>General Retirement</u> <u>System</u>	<u>Police & Fire</u> <u>Retirement System</u>	<u>Total</u>
Deposits	\$ 10,939,147	\$ —	\$ 10,939,147
Investments	<u>3,461,723,484</u>	<u>3,892,331,423</u>	<u>7,354,054,907</u>
Total	<u>\$ 3,472,662,631</u>	<u>\$ 3,892,331,423</u>	<u>\$ 7,364,994,054</u>

Pension Funds

<u>Investments</u>	<u>General Retirement System</u>	<u>Police & Fire Retirement System</u>
Short-Term Investments	\$ 93,461,283	\$ 79,611,369
Stocks	1,206,707,654	1,892,223,470
Commingled Equity Funds	725,001,574	—
Bonds	345,171,018	749,121,559
Mortgage-Backed Securities	71,436,082	124,087,556
Pooled Investments	26,165,360	289,404,783
Equity Interest in Real Estate	458,232,023	462,270,219
Private Placements	369,270,586	71,379,481
Mortgage and Construction Loans	166,277,904	191,379,256
Real Estate Investment Trusts Held by Custodian	—	32,853,730
Total	<u>\$ 3,461,723,484</u>	<u>\$ 3,892,331,423</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that in the event of bank failure, the bank may not return the Pension Funds' deposits. The Pension Funds do not have a deposit policy for custodial credit risk.

At June 30, 2008, the General Retirement System had deposits of \$10,939,147 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At June 30, 2008, the Police and Fire Retirement System had no deposits that were uninsured and uncollateralized. The Pension Funds believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Pension Funds evaluates each financial institution with which it deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk of investments is the risk that, in the event of failure of the counterparty, the Pension Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Funds do not have a policy for custodial credit risk. As of June 30, 2008, the Pension Funds had no investments subject to custodial credit risk of investments.

Interest Rate Risk

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

As of June 30, 2008, the Pension Funds had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities in Years (\$000)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
U.S. Government	\$ 79,974	\$ 7,997	\$ 25,400	\$ 23,201	\$ 23,376
Mortgage Backed	79,090	252	885	1,922	76,031
Corporate	227,477	4,352	83,441	78,460	61,224
Other Fixed Income	34,928	268	11,114	19,778	3,768
Convertible bonds	426	—	—	426	—
Pooled and Mutual Funds **	155,759	10	—	—	—
Government Agencies	6,936	6,824	—	—	112
Commingled Bond Funds **	90	—	—	—	—
Mortgages	111,308	13,612	69,108	28,588	—
Construction loans	68,790	60,693	8,097	—	—
Total	\$ <u>764,778</u>	\$ <u>94,008</u>	\$ <u>198,045</u>	\$ <u>152,375</u>	\$ <u>164,511</u>

<u>Investment Type</u>	<u>Investment Maturities in Years (\$000)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Pooled and Mutual Funds **	\$ 171,177	\$ —	\$ —	\$ —	\$ —
Other governmental fixed income	134,398	8,948	82,276	26,036	17,138
Government Assets and					
Mortgage Backed	124,645	17	587	3,975	120,066
Corporate fixed income	565,528	10,509	256,160	163,770	135,089
Other Fixed Income	70,716	771	27,786	33,017	9,142
Convertible investments	19,657	—	5,164	1,367	13,126
Mortgages	107,386	4,000	94,659	—	8,727
Construction Loans	83,993	67,647	16,346	—	—
Total	\$ <u>1,277,500</u>	\$ <u>91,892</u>	\$ <u>482,978</u>	\$ <u>228,165</u>	\$ <u>303,288</u>

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

Credit Risk

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

As of June 30, 2008, the Pension Funds' investments have the following ratings (other than that guaranteed by the U.S. government) as rated by S & P are as follows:

<u>General Retirement System</u>	<u>Investment Type and Fair Value (000)</u>								
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC & Below</u>	<u>A-1</u>	<u>Not Rated</u>
U.S. Government	\$ 29,844	\$ —	\$ 13,216	\$ 3,359	\$ 801	\$ —	\$ —	\$ —	\$ 4,528
Mortgage Backed	3,554	392	—	—	—	—	—	—	2,311
Corporate	42,053	8,886	15,934	29,604	40,209	70,763	12,916	—	6,857
Other Fixed Income	963	2,340	1,779	44,710	8,150	12,557	3,361	—	593
Convertible bonds	—	—	—	—	426	—	—	—	—
Comingled bond funds	—	—	—	—	—	—	—	—	90
Government agencies	—	—	—	—	—	—	—	6,824	—
State and local obligations	—	—	—	112	—	—	—	6,593	—
Pooled and Mutual Funds	—	—	—	—	—	—	—	—	155,759
Mortgages	—	—	—	—	—	—	—	—	111,308
Construction Loans	—	—	—	—	—	—	—	—	68,790
Total	<u>\$ 76,414</u>	<u>\$ 11,618</u>	<u>\$ 30,929</u>	<u>\$ 77,785</u>	<u>\$ 49,586</u>	<u>\$ 83,320</u>	<u>\$ 16,277</u>	<u>\$ 13,417</u>	<u>\$ 350,236</u>

<u>Police and Fire Retirement System</u>	<u>Investment Type and Fair Value (\$000)</u>							
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC & Below</u>	<u>Not Rated</u>
Pooled and mutual funds	\$ 6,924	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 164,253
Government fixed income	119,799	—	—	—	381	—	—	—
Government assets and mortgage backed	11,769	—	—	—	—	—	—	—
Corporate fixed income	34,717	36,185	124,306	108,884	77,550	122,587	20,108	40,542
Other fixed income	437	3,127	8,078	12,639	14,727	22,060	6,770	2,879
Convertible investments	405	1,164	3,415	5,724	2,083	2,821	301	3,746
Mortgages	—	—	—	—	—	—	—	107,386
Construction Loans	—	—	—	—	—	—	—	83,993
Total	<u>\$ 174,051</u>	<u>\$ 40,476</u>	<u>\$ 135,799</u>	<u>\$ 127,247</u>	<u>\$ 94,741</u>	<u>\$ 147,468</u>	<u>\$ 27,179</u>	<u>\$ 402,799</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. Their foreign currency risk investments are as follows (in \$000):

Foreign Currency Risk	<u>General Retirement System</u>				<u>Police and Fire Retirement System</u>			
	Fixed Income	Equity	Cash Equivalents	Cash	Fixed Income	Equity	Forward Contracts Unrealized Gain (Loss)	Cash
Australian Dollar	\$ 8,174	\$ 16,900	\$ 22,985	\$ 1,014	\$ —	\$ 24,947	\$ 548	\$ 120
Brazilian Real	3,359	617	—	12	—	661	—	—
British Pound Sterling	4,777	60,757	60,921	(378)	—	103,168	(11,213)	14
Bulgarian Lev	—	1,614	—	116	—	—	—	—
Canadian Dollar	2,194	11,273	(7,393)	1,544	—	12,110	6,636	52
Cyprus Pound	—	—	—	—	—	—	—	—
Czech Koruna	—	3,069	(864)	—	—	—	—	—
Danish Krone	—	3,828	—	(203)	—	4,899	—	—
Euro Currency	—	94,466	(141,682)	4,901	—	165,819	(890)	6,428
Hong Kong Dollar	—	5,154	—	797	—	6,634	—	385
Hryvnia	—	1,919	—	3	—	—	—	—
Hungarian Forint	—	4,083	(733)	2	—	—	—	—
Iceland krona	1,550	—	—	—	—	—	—	—
Indonesian Rupiah	1,641	79	—	40	—	—	—	—
Israeli shekel	—	6	—	—	—	—	—	—
Japanese Yen	—	50,082	32,810	1,598	2,681	65,646	(4,547)	1,038
Kroon	—	17	—	—	—	—	—	—
Malaysian Ringgit	5,030	—	—	1	—	—	—	—
Mexican Nuevo Peso	3,549	1,048	(768)	—	—	281	—	—
New Romanian Leu	—	1,824	—	—	—	—	—	—
New Taiwan Dollar	—	332	—	448	—	1,097	—	308
New Zealand Dollar	3,013	223	(25,477)	—	—	590	—	8
Norwegian Krone	954	9,053	49,557	514	—	10,100	(2,197)	13
New Turkish Lira	—	27	1,186	(4)	—	—	—	—
Philippines Peso	—	—	—	1	—	—	—	—
Polish Zloty	4,220	5,192	(1,825)	1	—	—	—	—
Renminbi Yuan	—	390	—	—	—	—	—	—
Russian New Ruble	—	2,993	—	5	—	—	—	—
Singapore Dollar	4,570	3,233	—	221	—	3,837	—	167
South African Rand	2,815	—	—	1	—	—	—	—
South Korean Won	—	344	—	—	—	416	—	—
Swedish Krona	2,820	2,919	41,993	18	—	6,248	3,083	1
Swiss Franc	—	20,190	6,947	(93)	—	27,285	1,741	(121)
Thai Baht	—	—	—	103	—	—	—	—
Total	\$ 48,666	\$ 301,632	\$ 37,657	\$ 10,662	\$ 2,681	\$ 433,738	\$ (6,839)	\$ 8,413

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 market value of the loaned securities.

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

The 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 as of June 30, 2008 was 26 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, the Pension Funds had no credit risk exposure to borrowers.

The collateral held and the fair market value of the underlying securities on loan for the General Retirement System as of June 30, 2008 was \$424,341,849 and \$409,154,657, respectively. The collateral held and the fair market value of the underlying securities on loan for the Police and Fire Retirement System as of June 30, 2008 was \$917,452,249 and \$885,624,533, respectively.

Securities Lent	Underlying Securities	
	General Retirement	Police and Fire Retirement
U.S. government and agencies	\$ 13,406,117	\$ 74,151,224
U.S. corporate fixed income	27,040,548	87,335,451
U.S. equities	352,233,542	698,262,242
Non-U.S. governments	3,429,189	—
Non-U.S. equities	13,045,261	25,875,616
Total	\$ 409,154,657	\$ 885,624,533

At June 30, 2008, the collateral was invested in asset-backed securities, bank notes, certificate of deposits (floating rate), money markets, and U. S. corporate securities (floating rate). At June 30, 2008, the General Retirement Systems and the Police and Fire Retirement System had \$26,000,000 and \$20,000,000, respectively, of collateral in unsecured notes with Lehman Brothers under the securities lending agreement. Subsequent to year end, Lehman Brothers applied for bankruptcy. At this date, the approximate loss on the transaction is unknown as the case is now in bankruptcy court. The securities lending agent has agreed to make up a fraction of the losses after the decision of the bankruptcy court.

Other Employee Benefit and Agency Funds

State laws authorize the City to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement. The City is authorized to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools authorized by State law.

Deposits and investments of the Other Employee Benefit and Agency Funds (other funds) at June 30, 2008 are as follows:

Other Employee Benefits/Agency Funds	Other Employee Benefit Fund	Agency Funds	Total
Deposits	\$ 2,174,106	\$ 2,329,920	\$ 4,504,026
Investments	55,699,062	19,872,621	75,571,683
Total	\$ 57,873,168	\$ 22,202,541	\$ 80,075,709

Cash and cash equivalents in Other Employee Benefit Fund and Agency Funds (Other Funds) at June 30, 2008 are reported in the financial statements as follows:

<u>Investment</u>	<u>Other Employee Benefit Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,174,106	\$ 2,329,920	\$ 4,504,026
Investments	55,699,062	19,872,621	75,571,683
Total	\$ <u>57,873,168</u>	\$ <u>22,202,541</u>	\$ <u>80,075,709</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that in the event of bank failure, the bank may not return the Other Employee Benefit and Agency deposits. The City does not have a deposit policy for custodial credit risk. At June 30, 2008, the Other Funds had deposits of \$4,141,297 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk of bank investments is the risk that, in the event of failure of the counterparty, the Other Employee Benefit and Agency Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of June 30, 2008, the Other Employee Benefit and Agency Funds had no investments subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not specifically restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City'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 original date of purchase.

As of June 30, 2008, the Other Funds had the following investments and maturities:

<u>Other Employee Benefit/Agency Funds</u>	<u>Investment Maturities in Years</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Money Market	\$ 43,880,493	\$ 43,880,493	—
U.S. Government Agencies	56,258	56,258	—
Equities	6,588,901	N/A	N/A
Mutual Funds	25,046,031	25,046,031	—
Total	\$ <u>75,571,683</u>	\$ <u>68,982,782</u>	\$ —

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the inability of the counterparty to fulfill its obligations. The City's investment policy complies with state law 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 nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2008, the Employee Benefits and Agency investments have the credit quality ratings of debt securities (other than that guaranteed by the U.S. government) by S&P or Moody's as follows:

Other Employee Benefits/Agency Funds	Money Market	Equities	Mutual Funds
S&P AAAm	\$ 19,876,775	\$ —	25,046,031
S&P AAA	—	—	—
S&P AA+	—	—	—
S&P AA	18,125,252	—	—
BB+	1,122,650	—	—
Not Rated	4,755,816	6,588,901	—
Total Investments	<u>\$ 43,880,493</u>	<u>\$ 6,588,901</u>	<u>25,046,031</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy specifies a number of limitations to minimize concentration of credit risk include prohibiting investing more than 5% of the portfolio in securities (excluding U.S. government, mutual funds, external investment pools, and other pooled investments) of any one issuer. There were no investments of more than 5% of the total of Other Fiduciary Funds.

c. Component Units

Greater Detroit Resource Recovery Authority (GDRRA)

Investments

Deposits and investments of GDRRA at June 30, 2008 are as follows:

	GDRRA
Deposits	\$ 26,362,836
Investments	94,271,881
Investments - Accrued Interest	27,541
Total	<u>\$ 120,662,258</u>

The Deposits and Investments of GDRRA at June 30, 2008 are reported in the financial statements as follows:

	GDRRA
Cash and Cash Equivalents	\$ 26,362,836
Investments	94,299,422
Total	<u>\$ 120,662,258</u>

State law authorizes GDRRA to make deposits in the account 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.

GDRRA 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 investments quality, repurchase agreements, banker's acceptances, mutual funds of certain investment quality, and investment pools as authorized by State law.

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that in the event of bank failure, the bank may not return GDRRA's deposits. As of June 30, 2008, GDRRA had no bank deposits subject to custodial credit risk.

Custodial Credit Risk of Investments

Custodial credit risk of investments is the risk that in the event of failure of the counterparty, GDRRA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, GDRRA had no investments subject to the custodial credit risk.

Interest Rate Risk

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

<u>GDRRA</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Treasury Obligation Funds	\$ 5,765,809	\$ 5,765,809	\$ —	\$ —	\$ —
U.S. Treasury	34,342,091	34,342,091	—	—	—
Repurchase Agreements	54,163,981	54,163,981	—	—	—
Total	\$ <u>94,271,881</u>	\$ <u>94,271,881</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>

Credit Risk

The GDRRA's investments are restricted by Act 94 of the Revenue Bond Act of 1933. The GRDDA limits its investments in commercial paper funds, and external investment pools that purchase commercial paper to the top two rating classifications issued by two nationally recognized statistical ratings organizations (NRSROs).

City of Detroit, Michigan
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As of June 30, 2008, GDRRA had the following investments, maturities, and credit quality ratings of debt securities:

<u>Investments</u>	<u>Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Treasury Obligation Funds	\$ 1,551,140	AAAm	Standard & Poor's
Treasury Obligation Funds	4,214,669	AAAm	Standard & Poor's
US Treasury	8,771,113	N/A	N/A
US Government Agency	25,570,978	N/A	N/A
Repurchase Agreements	<u>54,163,981</u>	A-1+	N/A
Total	<u>\$ 94,271,881</u>		

The investments shown as U.S. Treasury and U.S. Government Agency Securities are backed by the full faith and credit of the United States Government.

2. **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.
3. **Interfund Receivables and Payables:** During the course of operations, numerous transactions occur between the City funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet and statement of net assets and will be settled within one year.

Interfund receivables and payables at June 30, 2008 are as follows:

<u>Due To:</u>	<u>Due From:</u>										<u>Assets Total</u>
	<u>General Fund</u>	<u>GRSSC Fund</u>	<u>PFRSSC Fund</u>	<u>Non-Major Governmental Funds</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>	<u>Fiduciary Funds</u>	
General Fund	\$ —	\$ 1,391,108	\$ 3,267,344	\$ 27,909,721	\$ 6,239,520	\$ —	\$ 6,802,715	\$ 600,877	\$ 172,604	\$ 5,757,885	\$ 52,141,774
GRSSC Fund	294,498	—	—	—	—	—	—	—	—	—	294,498
PFRSSC Fund	259,181	—	—	—	—	—	—	—	—	—	259,181
Non-Major Governmental Funds	46,255,261	—	—	3,172,359	—	40,967	—	10,886	—	—	49,479,473
Sewage Disposal Fund	24,666,129	273,887	—	—	—	—	8,590,011	—	—	—	33,530,027
Transportation Fund	—	390,564	—	559,001	—	—	—	—	—	2,061,403	3,010,968
Water Disposal Fund	18,333,224	241,682	—	—	16,584,134	—	—	—	—	—	35,159,040
Automobile Parking Fund	1,007,853	—	—	23,070	—	—	—	—	—	155,883	1,186,806
Non-Major Proprietary Funds	332,111	—	—	—	—	—	—	—	—	—	332,111
Fiduciary Funds(1)	120,420,440	—	—	—	7,150,822	2,279,852	1,788,861	81,821	—	—	131,721,796
Liabilities Total	<u>\$ 211,568,697</u>	<u>\$ 2,297,241</u>	<u>\$ 3,267,344</u>	<u>\$ 31,664,151</u>	<u>\$ 29,974,476</u>	<u>\$ 2,320,819</u>	<u>\$ 17,181,587</u>	<u>\$ 693,584</u>	<u>\$ 172,604</u>	<u>\$ 7,975,171</u>	<u>\$ 307,115,674</u>

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

4. **Advances:** Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2008, are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 10,775,006	Capital Projects Fund	\$ 850,000 (2)
		Automobile Parking Fund	9,925,006 (2)
Total	<u>\$ 10,775,006</u>	Total	<u>\$ 10,775,006</u>

(2) These Advances primarily represents amounts used for operating expenditures.

5. **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 assets. The transfers are routine and consistent with the activities of the fund. Transfers between funds at June 30, 2008, are as follows:

		<u>Transfers In</u>							
		General Retirement System Service Corporation	Police & Fire Retirement System Service Corporation	Non-Major Governmental Funds	Sewage Disposal Fund	Transportation Fund	Water Fund	Non-Major Proprietary Fund	Total
<u>Transfers Out</u>									
General Fund	\$ —	\$ 25,144,894	\$ 34,112,975	\$ 103,481,375	\$ 1,511,419	\$ 97,833,558	\$ 1,511,419	\$ 582,137	\$ 264,177,777
Non-major Governmental	13,951,542	—	—	32,075,687	—	—	—	—	46,027,229
Sewage Disposal Fund	—	—	—	—	—	—	8,063,912	—	8,063,912
Total	<u>\$ 13,951,542</u>	<u>\$ 25,144,894</u>	<u>\$ 34,112,975</u>	<u>\$ 135,557,062</u>	<u>\$ 1,511,419</u>	<u>\$ 97,833,558</u>	<u>\$ 9,575,331</u>	<u>\$ 582,137</u>	<u>\$ 318,268,918</u>

The General Fund transferred \$264.2 million to other funds. The largest transfer from the General Fund was made to the Transportation Fund for \$97.8 million to maintain bus operations and \$59.3 million to the Debt Service Fund (Non-Major Governmental Fund) for principal and interest payments. The General Fund also transferred a combined \$59.3 million to the City's Retirement System Service Corporations for interest payments on the Pension Obligation Certificates and \$38.5 million to the Solid Waste Fund (Non-Major Governmental Funds) for refuse collection.

The Non-Major Governmental Funds transferred \$46.0 million to other Funds. Included in this amount is the Local Street Fund transfer of \$13.9 million to the General Fund for street construction costs. The Major Street Fund transferred \$12.0 million to the Local Street Fund. The Community Development Block Grant Fund transferred \$10.6 million to the Construction Code Fund to cover costs of demolition of abandoned housing stock.

The Sewage Disposal Fund transferred \$8.1 million to the Water Fund as a result of a change in estimate in the allocation of pension related costs between the funds. See further discussion of this change in estimate in Note III B. 4. d.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

6. Capital Asset Activity for the Year Ended June 30, 2008:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 418,683,383	\$ 50,981	\$ —	\$ 418,734,364
Works of Arts	29,788,133	—	—	29,788,133
Construction In Progress	51,164,568	24,083,690	(32,573,787)	42,674,471
Total Non-Depreciable Assets	<u>499,636,084</u>	<u>24,134,671</u>	<u>(32,573,787)</u>	<u>491,196,968</u>
Depreciable Assets:				
Buildings and Improvements	1,016,269,682	42,279,516	—	1,058,549,198
Machinery, Equipment, and Fixtures	502,732,752	39,469,951	(11,534,384)	530,668,319
Infrastructure	874,419,136	15,148,198	—	889,567,334
Total Depreciable Assets	<u>2,393,421,570</u>	<u>96,897,665</u>	<u>(11,534,384)</u>	<u>2,478,784,851</u>
Less Accumulated depreciation for:				
Buildings and Improvements	345,093,505	28,304,751	—	373,398,256
Machinery, Equipment, and Fixtures	370,845,255	35,009,056	(11,255,678)	394,598,633
Infrastructure	675,247,590	17,848,243	—	693,095,833
Total Accumulated Depreciation	<u>1,391,186,350</u>	<u>81,162,050</u>	<u>(11,255,678)</u>	<u>1,461,092,722</u>
Governmental Activities				
Capital Assets, net	<u>\$ 1,501,871,304</u>	<u>\$ 39,870,286</u>	<u>\$ (32,852,493)</u>	<u>\$ 1,508,889,097</u>

Depreciation Expense was charged to the Governmental functions as follows:

Public Protection	\$ 20,755,737
Health	630,805
Recreation and Culture	15,147,606
Economic Development	8,380,363
Educational Development	4,027
Housing Supply and Condition	212,326
Physical Environment	19,409,074
Transportation Facilitation	7,721,545
Development and Management	8,900,567
Total:	<u>\$ 81,162,050</u>

City of Detroit, Michigan
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June 30, 2008

Business-type Activities:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Major Funds:				
Sewage Disposal Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 13,835,431	\$ —	\$ —	\$ 13,835,431
Construction in Progress	201,273,407	142,977,604	(47,296,351)	296,954,660
Total Non-Depreciable Assets	215,108,838	142,977,604	(47,296,351)	310,790,091
Depreciable Assets:				
Land Improvements	62,544,149	863,133	(599,770)	62,807,512
Buildings and Structures	2,275,199,603	41,259,504	(111,081,951)	2,205,377,156
Interceptors and regulators	482,400,015	37,000	—	482,437,015
Machinery, Equipment and Fixtures	911,129,798	33,481,405	(53,733,170)	890,878,033
Total Depreciable Assets	3,731,273,565	75,641,042	(165,414,891)	3,641,499,716
Total Capital Assets	3,946,382,403	218,618,646	(212,711,242)	3,952,289,807
Less Accumulated Depreciation:				
Land Improvements	15,986,916	900,730	(26,990)	16,860,656
Buildings and Structures	352,193,202	53,042,504	(5,417,150)	399,818,556
Sewer Lines	94,126,685	5,432,194	—	99,558,879
Machinery, Equipment and Fixtures	384,361,264	34,770,173	(5,890,713)	413,240,724
Total Accumulated Depreciation	846,668,067	94,145,601	(11,334,853)	929,478,815
Net Capital Assets	\$ 3,099,714,336	\$ 124,473,045	\$ (201,376,389)	\$ 3,022,810,992
Transportation Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 7,578,462	\$ —	\$ —	\$ 7,578,462
Construction in Progress	10,529,113	23,539,425	(666,093)	33,402,445
Total Non-Depreciable Assets	18,107,575	23,539,425	(666,093)	40,980,907
Depreciable Assets:				
Buildings and Structures	66,715,005	—	—	66,715,005
Vehicle and Buses	161,443,626	291,693	(4,543,571)	157,191,748
Machinery, Equipment and Fixtures	47,412,790	614,149	(82,123)	47,944,816
Total Depreciable Assets	275,571,421	905,842	(4,625,694)	271,851,569
Total Capital Assets	293,678,996	24,445,267	(5,291,787)	312,832,476
Less Accumulated Depreciation:				
Buildings and Structures	47,189,324	1,414,432	—	48,603,756
Vehicle and Buses	80,746,197	14,199,242	(4,455,672)	90,489,767
Machinery, Equipment and Fixtures	25,889,895	3,513,036	(82,123)	29,320,808
Total Accumulated Depreciation	153,825,416	19,126,710	(4,537,795)	168,414,331
Net Capital Assets	\$ 139,853,580	\$ 5,318,557	\$ (753,992)	\$ 144,418,145

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Business-type Activities (continued):

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Water Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 7,394,093	\$ —	\$ —	\$ 7,394,093
Construction in Progress	152,863,477	141,851,077	(39,283,370)	255,431,184
Total Non-Depreciable Assets	<u>160,257,570</u>	<u>141,851,077</u>	<u>(39,283,370)</u>	<u>262,825,277</u>
Depreciable Assets:				
Land Improvements	15,690,475	—	(604,021)	15,086,454
Buildings and Structures	958,889,529	4,126,862	(13,654,891)	949,361,500
Mains	784,309,484	17,024,672	(2,592,415)	798,741,741
Services	47,809,241	569,266	—	48,378,507
Meters	44,622,270	2,054,439	—	46,676,709
Machinery, Equipment and Fixtures	799,927,305	20,421,689	(23,592,679)	796,756,315
Total Depreciable Assets	<u>2,651,248,304</u>	<u>44,196,928</u>	<u>(40,444,006)</u>	<u>2,655,001,226</u>
Total Capital Assets	<u>2,811,505,874</u>	<u>186,048,005</u>	<u>(79,727,376)</u>	<u>2,917,826,503</u>
Less Accumulated Depreciation:				
Land Improvements	6,438,570	165,442	(27,280)	6,576,732
Buildings and Structures	215,872,023	20,904,399	(923,116)	235,853,306
Mains	275,139,816	10,914,536	(402,091)	285,652,261
Services	24,312,667	594,886	—	24,907,553
Meters	30,825,524	1,261,576	—	32,087,100
Machinery, Equipment and Fixtures	255,932,459	33,664,002	(2,767,267)	286,829,194
Total Accumulated Depreciation	<u>808,521,059</u>	<u>67,504,841</u>	<u>(4,119,754)</u>	<u>871,906,146</u>
Net Capital Assets	<u>\$ 2,002,984,815</u>	<u>\$ 118,543,164</u>	<u>\$ (75,607,622)</u>	<u>\$ 2,045,920,357</u>
Automobile Parking Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 4,967,313	\$ —	\$ —	\$ 4,967,313
Construction in Progress	947,590	3,093,037	(1,856,276)	2,184,351
Total Non-Depreciable Assets	<u>5,914,903</u>	<u>3,093,037</u>	<u>(1,856,276)</u>	<u>7,151,664</u>
Depreciable Assets:				
Land Improvements	214,908	—	—	214,908
Buildings and Structures	193,184,975	1,593,779	—	194,778,754
Vehicles & Buses	998,563	9,205	—	1,007,768
Machinery, Equipment and Fixtures	3,047,840	262,498	—	3,310,338
Total Depreciable Assets	<u>197,446,286</u>	<u>1,865,482</u>	<u>—</u>	<u>199,311,768</u>
Total Capital Assets	<u>203,361,189</u>	<u>4,958,519</u>	<u>(1,856,276)</u>	<u>206,463,432</u>
Less Accumulated Depreciation:				
Land Improvements	179,597	3,143	—	182,740
Buildings and Structures	107,625,533	3,037,024	—	110,662,557
Vehicles & Buses	880,242	25,547	—	905,789
Machinery, Equipment and Fixtures	1,369,476	208,588	—	1,578,064
Total Accumulated Depreciation	<u>110,054,848</u>	<u>3,274,302</u>	<u>—</u>	<u>113,329,150</u>
Net Capital Assets	<u>\$ 93,306,341</u>	<u>\$ 1,684,217</u>	<u>\$ (1,856,276)</u>	<u>\$ 93,134,282</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Business-type Activities (continued):

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Non-Major Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 5,169,374	\$ 10,372,068	\$ —	\$ 15,541,442
Total Non-Depreciable Assets	<u>5,169,374</u>	<u>10,372,068</u>	<u>—</u>	<u>15,541,442</u>
Depreciable Assets:				
Land Improvements	8,020,718	—	—	8,020,718
Buildings and Structures	5,853,773	—	—	5,853,773
Vehicle and Buses	1,576,778	—	(203,084)	1,373,694
Machinery, Equipment and Fixtures	1,770,770	—	—	1,770,770
Total Depreciable Assets	<u>17,222,039</u>	<u>—</u>	<u>(203,084)</u>	<u>17,018,955</u>
Total Capital Assets	<u>22,391,413</u>	<u>10,372,068</u>	<u>(203,084)</u>	<u>32,560,397</u>
Less Accumulated Depreciation:				
Land Improvements	6,927,581	554,456	—	7,482,037
Buildings and Structures	4,248,201	683,904	—	4,932,105
Vehicle and Buses	924,554	216,328	(203,085)	937,797
Machinery, Equipment and Fixtures	1,661,900	73,777	(135,626)	1,600,051
Total Accumulated Depreciation	<u>13,762,236</u>	<u>1,528,465</u>	<u>(338,711)</u>	<u>14,951,990</u>
Net Capital Assets	<u>\$ 8,629,177</u>	<u>\$ 8,843,603</u>	<u>\$ 135,627</u>	<u>\$ 17,608,407</u>

Component Units:

	Component Units			
Non-Depreciable Assets:				
Land and Land Rights	\$ 22,912,137	\$ —	\$ —	\$ 22,912,137
Construction in Progress	149,302	2,042,792	—	2,192,094
Total Non-Depreciable Assets	<u>23,061,439</u>	<u>2,042,792</u>	<u>—</u>	<u>25,104,231</u>
Depreciable assets:				
Land and Leasehold Improvements	188,444	646,717	—	835,161
Buildings and Structures	75,248,831	188,665	—	75,437,496
Facility and Steamline	513,858,682	3,684,149	—	517,542,831
Works of Art	2,059,062	—	—	2,059,062
Vehicles and Buses	719,812	424,170	(124,000)	1,019,982
Machinery, Equipment and Fixtures	336,091,452	7,560,203	(179,148)	343,472,507
Total Depreciable Assets	<u>928,166,283</u>	<u>12,503,904</u>	<u>(303,148)</u>	<u>940,367,039</u>
Total Capital Assets	<u>951,227,722</u>	<u>14,546,696</u>	<u>(303,148)</u>	<u>965,471,270</u>
Less Accumulated Depreciation	<u>521,373,318</u>	<u>26,829,521</u>	<u>(300,454)</u>	<u>547,902,385</u>
Net Capital Assets	<u>\$ 429,854,404</u>	<u>\$ (12,282,825)</u>	<u>\$ (2,694)</u>	<u>\$ 417,568,885</u>

7. **Deferred Revenue:** Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria is met.
8. **Due from/to Component Units:** Due from/to component units consist of sales, charges for services, and property tax revenue to various component units.

B. LIABILITIES

1. Commitments and Contingencies:

- a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims, including claims for Workers Compensation payments. It has been the City's experience that lawsuits and claims are often settled for amounts less than the stated demand. While it is not possible to determine the final outcome of these lawsuits and claims exactly, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates \$174.2 million for the Primary Government.
- b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2008, 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, 2008. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.
- c. **Tax Increment Financing (TIF):** The TIFA, DDA and LDFA are financed through captures of property taxes levied by other units of government including the City of Detroit, the Detroit Public Library, the Detroit Public Schools, Wayne County and the State of Michigan (the State Education Tax). Following the passage of proposal A which amended the State of Michigan's Constitution in 1994, capture of school taxes are now limited. In general terms, tax increment financing entities like TIFA, DDA and LDFA can only capture school taxes following Proposal A if a "pre-existing" or "eligible" obligation is present. The State of Michigan has completed an audit of the tax captures of these entities from the tax year 2001 through tax year 2005. The State claims that TIFA, DDA and LDFA have over captured school property taxes during that time period. The entities are in the process of reviewing the State's claim and reviewing the audits conducted by the State to determine the amount of liability that may exist. The tax increment financing entities are evaluating amounts, which may qualify as pre existing obligations, which were treated that way by the State in their audit reports. If the State audit reports are accurate, the amounts for tax years 2001 through 2005 are approximately \$22.5 million (TIFA), \$5.9 million (DDA), and \$5.7 million (LDFA). At June 30, 2008, no provision for loss has been recorded in the City's General Fund related to this matter as the outcome of this matter is uncertain.
- d. **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.
- e. **Block Grant Funds:** Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government. As of June 30, 2008, future Block Grant Funds of \$41,940,000 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.
- f. **Greater Detroit Resource Recovery Authority (GDRRA):** In 1991, GDRRA sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127.0 million in cash, mortgage notes of \$342.7 million, and future assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with GDRRA, which results in GDRRA assuming most of the lease obligations.

Future minimum lease payments for the last year of the initial lease term (i.e., fiscal year ended June, 2009) equals – \$34,719,333 (expiration year). Commencing July 1, 2009, GDRRA has contracted with the facility’s owners, for a term of one year, to deliver all City of Detroit municipal solid waste to the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to GDRRA.

- g. Other Contingencies:** The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport Fund, Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.
- h. Construction Commitments:** The City has commitments for future construction contracts. Construction to date and remaining commitments at June 30, 2008, are as follows:

	Spent as of June 30, 2008	Remaining
Public Protection	\$ 83,538,045	\$ 106,037,718
Municipal Facilities	85,505,535	56,120,070
Cultural and Recreational	176,253,456	46,385,915
Human Services	3,874,171	3,581,506
Municipal Services	3,310,371	6,564,495
Total	\$ 352,481,578	\$ 218,689,704

- i. 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. The City is self-insured for losses such as workers’ compensation, legal, disability benefits, and vehicular liabilities. Also included are risk of loss associated with providing health, dental and life insurance benefits to employees and retirees.

The City provides health and dental insurance benefits to employees and retirees through self-insured health plans that are administered by third party administrators. The City does not purchase excess or stop-loss insurance for its self-insured health plans.

The City 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 of non-Enterprise Fund 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 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.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
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At June 30, 2008, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at \$146.1 million for Governmental Activities. The City has recognized a liability that approximated \$2.6 million in the General Fund as of June 30, 2008 for public liability and workers' compensation claims that were due as of year-end. All other claims liabilities are considered to be current (\$30.9 million) or long-term (\$112.5 million) liabilities and are recognized in the government-wide financial statements. This liability is the City's best estimate based on available information. In addition, liabilities approximating \$34.1 million have been recorded for Business-Type Activities at June 30, 2008, of which \$5.6 million is considered to be current.

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

Changes in the reported liabilities for the years ended June 30, 2008 and 2007, respectively, are as follows:

	(In Millions)			
	Governmental Activities		Business-type Activities	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Balance at beginning of year	\$ 159.1	\$ 193.1	\$ 37.3	\$ 34.7
Current year claims and changes				
in estimates	52.8	37.8	7.4	16.0
Claims payments	(65.8)	(71.8)	(10.6)	(13.4)
Balance at end of year	\$ 146.1	\$ 159.1	\$ 34.1	\$ 37.3

As a result of the Risk Management Operations' net operating activity for the fiscal year ending June 30, 2008, the General Fund reported \$22.4 million of reserves for the purpose of funding future claim liabilities.

- 2. Other Commitments:** 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:

2009	\$	11,779,895
2010		10,364,023
2011		8,910,972
2012		8,103,226
2013		6,077,418
2014 - 2018		18,030,548
2019-2023		6,347,839
2024-2026		—
Total Minimum Payments	\$	69,613,921

Rental expense for all operating leases approximated \$14.2 million for the year ended June 30, 2008.

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.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

3. Short-Term Revenue and Tax Anticipation Notes: As of the end of June 30, 2008 short-term notes consisted of Tax Anticipation Notes, Series 2008 (TANS) of \$89,685,000 and Revenue Anticipation Notes, Series 2008 (RANS) of \$39,915,000. Both notes matured on March 1, 2009, with a stated interest rate of 3.50% per year. These notes were used to pay necessary operating expenditures of the City during the fiscal year and cost of issuance of the notes. City levied operating taxes for the TANS and State Revenue Sharing payments for the RANS to secure the notes.

	Balance June 30, 2007	Increase	Decrease	Balance June 30, 2008
Revenue Anticipation Notes	\$ 45,910,000	\$ 39,915,000	\$ (45,910,000)	\$ 39,915,000
Tax Anticipation Notes	83,460,000	89,685,000	(83,460,000)	89,685,000
Total	\$ 129,370,000	\$ 129,600,000	\$ (129,370,000)	\$ 129,600,000

4. Long-Term Obligations:

a. Governmental Activities:

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

In prior years, the City defeased certain bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2008 approximated \$126.0 million.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Bonds Payable

The following is the schedule of the Governmental Activities Bonds Payable at June 30, 2008:

	Bond Date	Amount Issued	Outstanding at June 30, 2008		
			Range of Interest Rates %	Maturity Date	Amount
<u>Governmental Activities:</u>					
General Obligation Bonds - Unlimited Tax					
Series 1999-A.....	4-1-99	16,080,000	5.25	4/1/09	2,105,000
Series 1999-A.....	4-1-99	28,020,000	5.00 to 5.25	4/1/10-19	28,020,000 c
Series 1999-B.....	11-15-99	16,785,000	5.0 to 5.125	4/1/09-10	4,020,000
Series 1999-B.....	11-15-99	28,215,000	5.25	4/1/11	2,165,000 c
Series 2000-AMT.....	2-15-00	10,605,000	5.75	4/1/09-10	2,590,000
Series 2001-A (1).....	7-15-01	16,800,000	4.10 to 5.50	4/1/09-11	6,530,000
Series 2001-A (1).....	7-15-01	83,200,000	5.0 to 5.375	4/1/12-21	83,200,000 c
Series 2001-B.....	7-15-01	23,560,000	5.50	4/1/09-11	17,660,000
Series 2001-B.....	7-15-01	23,235,000	5.375	4/1/12-14	23,235,000 c
Series 2002.....	8-2-02	15,795,000	4.00	4/1/10-11	3,835,000
Series 2002.....	8-2-02	29,205,000	4.00 to 5.13	4/1/12-22	8,675,000 c
Series 2003-A.....	10-21-03	9,640,000	3.70 to 5.00	4/1/10-13	9,640,000
Series 2003-A.....	10-21-03	34,380,000	4.00 to 5.25	4/1/14-23	34,380,000 c
Series 2004-A(1).....	9-9-04	39,270,000	4.25 to 5.25	4/1/19-24	39,270,000 c
Series 2004-A(2).....	9-9-04	2,055,000	4.57	4/1/12	2,055,000
Series 2004-B(1).....	9-9-04	23,720,000	3.75 to 5.00	4/1/12-14	23,720,000
Series 2004-B(1).....	9-9-04	29,365,000	4.0 to 5.25	4/1/15-18	29,365,000 c
Series 2004-B(2).....	9-9-04	17,270,000	3.92 to 5.24	4/1/09-18	17,270,000
Series 2005-A.....	1-5-05	81,050,000	5.00	4/1/09-11	23,810,000
Series 2005-B.....	12-1-05	13,840,000	4.00 to 5.00	4/1/10-16	13,840,000
Series 2005-B.....	12-1-05	37,920,000	4.30 to 5.00	4/1/17-25	37,920,000 c
Series 2005-C.....	12-1-05	20,010,000	3.75 to 5.00	4/1/09-16	19,285,000
Series 2005-C.....	12-1-05	10,795,000	4.30 to 5.25	4/1/17-20	10,795,000 c
Series 2008-A.....	6-9-08	15,120,000	5.00	4/1/14-18	15,120,000
Series 2008-A.....	6-9-08	43,510,000	4.00 to 5.00	4/1/19-28	43,510,000 c
Series 2008-B(1).....	6-9-08	66,475,000	5.00	4/1/09-18	66,475,000
Series 2008-B(2).....	6-9-08	5,100,000	5.00	4/1/2009	5,100,000
Distributable State Aid Bonds:					
Series 1993.....	12-1-93	136,675,000	5.25	5/1/2009	12,880,000
Total General Obligation Bonds - Unlimited Tax.....					<u>586,470,000</u>

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

City of Detroit, Michigan
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June 30, 2008

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2008</u>		
			<u>Range of Interest Rates %</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>Governmental Activities:</u>					
General Obligation Bonds - Limited Tax:					
Self-Insurance Bonds:					
Series 2003.....	10-2-03	\$ 98,895,000	3.48 to 4.97	5/1/09-13	\$ 65,815,000
Series 2004.....	9-9-04	62,285,000	3.92 to 4.85	4/1/09-14	62,285,000
General Obligation:					
Series 1997.....	5-1-97	5,555,000	6.25	7/15/10-11	1,600,000
Series 2004A.....	3-12-04	41,760,000	5.00	4/1/2009	15,275,000
Series 2004Fiscal Stabilization	6-24-04	61,070,000	5.00	4/1/2009	38,275,000
Series 2005-A(1).....	6-24-05	21,325,000	4.27 to 4.53	4/1/10-15	21,325,000
Series 2005-A(1).....	6-24-05	52,175,000	4.61 to 5.15	4/1/16-25	52,175,000 c
Series 2005-A(2).....	6-24-05	4,055,000	3.50 to 4.50	4/1/10-15	4,055,000
Series 2005-A(2)	6-24-05	9,475,000	4.00 to 5.00	4/1/16-25	9,475,000 c
Series 2005-B	6-24-05	4,845,000	3.25 to 5.00	4/1/09-15	4,445,000
Series 2005-B	6-24-05	6,940,000	5.00	4/1/16-21	6,940,000 c
Series 2008-A(1)	6-9-08	49,715,000	5.00	4/1/13-16	43,443,278
Series 2008-A(2)	6-9-08	25,000,000	8.00	4/1/2014	25,000,000
Total General Obligation Bonds-Limited Tax.....					350,108,278
Detroit Building Authority General Obligation Bonds:					
District Court Madison Center					
Project, Series 1996-A.....	9-1-96	7,230,000	6.15	2/1/09-11	4,650,000 c
Project, Series 1996-B.....	9-1-96	1,000,000	Variable (b)	2/1/2011	1,000,000 c
Total Detroit Building Authority General Obligation Bonds.....					5,650,000
Total General Obligation Bonds.....					942,228,278
<u>Revenue Bonds:</u>					
Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion:					
Series 2003.....	9-1-03	90,883,138	3.00 to 5.00	9/30/08-15	94,453,187
Total Conventional Facility Limited Tax Revenue Bonds-Cobo Hall Expansion.....					94,453,187
Total Governmental Activities - Bonds Payable.....					\$ 1,036,681,465

b - indicates interest rates are reset periodically at the stated market interest rates.

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

Notes Payable

The following is the schedule of Notes Payable at June 30, 2008:

<u>Governmental Activities Notes Payable</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>Date</u>	<u>Outstanding</u> <u>June 30, 2008</u>
Urban Renewal Fund:				
(All Notes are secured by future Block Grant revenue.)				
Caraco Pharmaceutical Project.....	08/01/02	4.16	% 08/01/08	\$ 1,147,000
Ferry Street Project.....	04/28/99	5.78 to 6.72	% 08/01/08-18	2,425,000
Garfield Project.....	06/05/96	7.14 to 7.66	% 08/01/08-15	1,420,000
Riverbend Project.....	06/05/96	7.24 to 7.66	% 08/01/08-15	505,000
Riverbend Project.....	10/28/97	6.61 to 7.08	% 08/01/08-16	325,000
Stuberstone Project.....	10/28/97	2.62 to 4.48	% 08/01/08-16	240,000
Vernor Lawndale Project.....	08/27/05	5.05 to 5.74	% 08/01/13-25	1,800,000
New Amsterdam Project.....	08/01/02	4.16 to 6.12	% 08/01/08-22	9,700,000
Mexicantown Welcome Center Project.....	01/13/05	5.03 to 5.70	% 08/01/12-24	7,789,000
Book Cadillac Project.....	09/14/06	5.07 to 5.77	% 08/01/16-26	7,300,000
Book Cadillac Project Note II.....	06/12/08	4.00 to 5.38	% 08/01/13-27	10,700,000
Garfield II Note 1.....	09/14/06	3.44 to 5.30	% 08/01/11-25	6,522,000
Garfield II Note 2.....	09/14/06	5.07 to 5.77	% 08/01/16-26	2,058,000
Fort Shelby Project.....	04/18/07	3.82 to 5.40	% 08/01/12-26	18,700,000
Woodward Garden Project.....	06/12/08	4.48 to 5.05	% 08/01/16-21	7,050,000
Total Notes Payable.....				<u>\$ 77,681,000</u>

Loans Payable

The following is the schedule of Loans Payable at June 30, 2008:

<u>Governmental Activities - Loans Payable</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2008</u>
Downtown Development Authority	1991-1997	—	—	\$ 33,600,000
Loan Payable GE Capital Schedule - 009	10/30/03	3.50	7/1/08 - 2/1/09	362,310
Loan Payable GE Capital Schedule - 010	10/30/03	3.80	7/1/08 - 11/1/08	18,220
Loan Payable GE Capital Schedule - 012	4/2/04	3.61	7/1/08 - 4/1/09	88,169
Loan Payable GE Capital Schedule - 013	4/9/04	4.07	7/1/08 - 6/1/14	688,264
Loan Payable GE Capital Schedule - 014	5/14/04	4.14	7/1/08 - 6/1/09	116,617
Loan Payable GE Capital Schedule - 027	7/25/05	4.77	10/1/08 - 4/1/10	15,037,925
Loan Payable GE Capital Schedule - 029	4/30/08	4.24	5/1/10	154,235
Loan Payable GE Capital Schedule - 030	4/30/08	4.57	8/1/12	1,700,000
Loan Payable Minority Alliance Schedule - 001	5/30/08	3.93	5/30/13	4,550,000
Total Loans Payable.....				<u>\$ 56,315,740</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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

Bonds Authorized and Unissued

The following is the schedule of Bonds Authorized and Unissued at June 30, 2008:

	Authorized (Note A)			Unissued
	Authority	Date	Amount	Amount
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	89,125,000
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	14,235,000
Recreation, Zoo, Cultural.....	Electorate	11/7/2000	56,000,000	2,775,000
Recreation, Zoo, Cultural.....	Electorate	11/2/2004	22,000,000	4,840,000
Historical.....	Electorate	11/6/2001	20,000,000	17,200,000
Museum of African American History.....	Electorate	4/29/2003	6,000,000	500,000
Transportation.....	Electorate	11/2/2004	32,000,000	18,810,000
Total Bonds Authorized - Unissued.....				<u>\$ 188,900,000</u>

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

Debt Service Requirements

Summary of future fiscal years Governmental Activities Annual Principal and Interest Requirements for Bonds, Notes, and Loans Payable requirements:

Year Ending	Governmental Activities			
	Principal		Interest	
	Non-Revenue Bonds, Notes and Loans Payable	Revenue Bonds	Non-Revenue Bonds, Notes and Loans Payable	Revenue Bonds
2009	116,341,883	12,610,000	49,251,465	3,308,140
2010	85,877,249	13,210,000	46,428,207	2,758,615
2011	79,083,985	13,315,000	42,496,277	2,226,170
2012	78,224,872	13,880,000	38,834,750	1,599,125
2013	90,432,083	14,565,000	34,945,451	892,875
2014-2018	336,136,946	32,785,000	115,075,421	264,375
2019-2023	214,409,000	–	44,079,523	–
2024-2028	75,719,000	–	13,682,242	–
Total	<u>\$ 1,076,225,018</u>	<u>\$ 100,365,000</u>	<u>\$ 384,793,336</u>	<u>\$ 11,049,300</u>

The future principal payments for revenue bonds exceed the bonds payable balance by \$5,911,813 at June 30, 2008 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.

Variable Rate Demand Bonds

Included in long-term debt are \$1 million of governmental-activities variable rate demand bonds. These bonds mature serially through July 2022. Generally these bonds have a variable interest rates that are adjusted periodically (i.e. Daily, Weekly, or Monthly), generally with interest paid at the beginning of each month. The bonds are subject on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the City's several remarketing agents. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the City has a standby bond purchase agreement with a liquidity facility entity. The City has several such agreements, with fees ranging from 0.80 – 0.85% interest. The City, in the event a liquidity facility is utilized, has reimbursement agreements with different financial entities. Generally the payback period is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate.

	<u>Date</u>	<u>Mode</u>	<u>Payable</u>	<u>Remarketing Agent/Auction Rate Trader</u>	<u>Liquidity Facility</u>	<u>Insurer</u>	<u>Outstanding Amount</u>
Detroit Building Authority General Obligation Bonds:							
Series 1996-B	9-1-96	Flexible	Flexible	N/A	Comerica Bank	N/A	\$ 1,000,000
Total Governmental Activities variable rate demand bonds.....							\$ 1,000,000

- Auction Rate Securities

Issuance of Federal Section 108 Notes

The City issued \$76.7 million of Notes Payable to refinance \$39.3 million in existing loans and finance renovations of the Book Cadillac Hotel, Fort Shelby Hotel, the Garfield II project, and the Woodward Garden project.

Other Advance Refundings

During the year ended June 30, 2008, the City issued \$71,575,000 in general obligation bonds with an average interest rate of 5.0 percent. The proceeds of these bonds were used to advance refund \$72,410,000 of bonds with average interest rate of 4.23116 percent. The net proceeds of \$72,754,688 (after payment of \$2,144,796 in underwriting fees, insurance, other issuance costs, and accrued interest) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's long-term obligations. The refundings were undertaken to restructure the debt service payments associated with various General Obligation Unlimited Tax Bonds (Series 1996-B, Series 1997-A, Series 1997-B, and Series 2001-A(2)). The advance refunding decreased total debt service payments by \$5,645,797 and resulted in an economic gain of \$2,942,250.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Annual Rollforwards

Long-Term Obligations of Governmental Activities for the Year Ended June 30, 2008:

Governmental Activities	Balance June 30, 2007	Increase	Decrease	Balance June 30, 2008	Amount Due Within One Year
General Obligation Bonds	\$ 890,465,000	\$ 198,648,278	\$ (146,885,000)	\$ 942,228,278	\$ 105,535,000
Revenue Bonds - Non Capital Appreciation	86,315,000	—	(11,975,000)	74,340,000	12,610,000
Revenue Bonds - Capital Appreciation	26,025,000	—	—	26,025,000	—
Discount on capital appreciation bonds	(6,739,759)	—	827,946	(5,911,813)	—
Notes Payable	41,940,000	76,649,000	(40,908,000)	77,681,000	1,507,000
Loans Payable	62,687,875	6,486,300	(12,858,435)	56,315,740	9,299,883
Total Bonds, Notes, and Loans Payable	<u>1,100,693,116</u>	<u>281,783,578</u>	<u>(211,798,489)</u>	<u>1,170,678,205</u>	<u>128,951,883</u>
Add: Unamortized Premiums	32,165,319	4,974,370	(9,494,474)	27,645,215	—
Less: Unamortized Discounts	<u>(3,010,186)</u>	<u>—</u>	<u>3,005,011</u>	<u>(5,175)</u>	<u>—</u>
Total Bonds, Notes, and Loans Payable, Net	<u>1,129,848,249</u>	<u>286,757,948</u>	<u>(218,287,952)</u>	<u>1,198,318,245</u>	<u>128,951,883</u>
Pension Obligation Certificates Payable	1,206,770,168	—	—	1,206,770,168	—
Deferred Amounts on Refunding	<u>14,194,608</u>	<u>—</u>	<u>(42,041)</u>	<u>14,152,567</u>	<u>—</u>
Total Pension Obligation Certificates Payable, Net	<u>1,220,964,776</u>	<u>—</u>	<u>(42,041)</u>	<u>1,220,922,735</u>	<u>—</u>
Other Liabilities:					
Accrued Compensated Absences	133,032,327	—	(11,997,151)	121,035,176	58,932,231
Accrued Workers' Compensation	65,769,408	16,237,555	(12,153,963)	69,853,000	13,851,000
Claims and Judgments	93,345,649	36,544,006	(53,646,683)	76,242,972	19,717,396
Accrued Other Postemployment Benefits	<u>—</u>	<u>239,847,238</u>	<u>(125,791,208)</u>	<u>114,056,030</u>	<u>—</u>
Total Other Liabilities	<u>292,147,384</u>	<u>292,628,799</u>	<u>(203,589,005)</u>	<u>381,187,178</u>	<u>92,500,627</u>
Total Governmental Activities	<u>\$ 2,642,960,409</u>	<u>\$ 579,386,747</u>	<u>\$ (421,918,998)</u>	<u>\$ 2,800,428,158</u>	<u>\$ 221,452,510</u>

b. Business-type Activities:

Sewage Disposal Fund

The outstanding indebtedness of the Sewage Disposal Fund for revenue bonds (including state revolving loans) was \$2,997,851,978 and \$91,078,426 for Pension Obligation Certificates (POC) payable at June 30, 2008. The interest rates on the outstanding revenue bonds range from 1.6 % to 6.0 %. Net revenues of the Sewage Disposal Fund are pledged to repayment of bonds.

In prior years, the Sewer Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in its financial statements. Similarly, the interest expensed in relation to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of Revenues, Expenses, and Changes in Fund Net Assets. As of June 30, 2008, approximately \$591,110,000 of bonds outstanding is still considered defeased, which includes revenue bonds defeased during this current year.

Future debt service requirements as of June 30, 2008, are as follows:

Year ending June 30:	<u>Principal</u>	<u>Bond Interest</u>	<u>Swap Interest</u>	<u>Total Requirements</u>
2009	\$ 58,645,000	\$ 91,166,605	\$ 36,377,871	\$ 186,189,476
2010	61,305,000	96,422,683	34,869,410	192,597,093
2011	71,085,000	93,898,958	34,906,196	199,890,154
2012	73,385,000	91,216,388	34,772,596	199,373,984
2013	77,080,000	88,692,419	33,863,442	199,635,861
2014 - 2018	392,702,999	404,571,784	168,800,335	966,075,118
2019 - 2023	439,987,218	330,262,487	166,862,891	937,112,596
2024 - 2028	516,350,324	258,379,825	140,167,291	914,897,440
2029 - 2033	681,815,000	173,516,408	76,833,530	932,164,938
2034 - 2038	660,750,000	66,181,826	3,965,374	730,897,200
Total	\$ <u>3,033,105,541</u>	\$ <u>1,694,309,383</u>	\$ <u>731,418,936</u>	\$ <u>5,458,833,860</u>

The future principal payments exceed the bonds payable balance by \$35,253,563 at June 30, 2008 because the future principal payments on capital appreciation bonds are greater than carrying value of those bonds. The balance of the capital appreciation bonds will increase each year, until maturity, through accretion.

Bonds outstanding at June 30, 2008, include \$2.2 billion of bonds and loans callable at various dates after June 30, 2008. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

Issuance of Revenue Bonds and Advance Refunding Debt

The City received loans from the State of Michigan Revolving Loan Fund totaling \$31,677,593 during the year ended June 30, 2008. The proceeds of the loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the Sewage Disposal System.

On May 7, 2008, the City elected to change the interest rate mode for \$382,710,000 of variable rate demand bonds from "variable rate mode" to a "fixed rate mode" for the following issues: (i) \$122,905,000 of Sewage Disposal System Revenue Refunding Senior Lien Bonds Series 2001-C2; (ii) \$136,150,000 of Sewage Disposal System Revenue Second Lien Revenue Bonds Series 2001-E; and (iii) \$123,655,000 of Sewage Disposal System Revenue Second Lien Bonds Series 2006-A. The original 2001-C2 bonds and the original 2006-A bonds were each issued in the "weekly mode" and currently bear interest at a weekly rate. The original 2001-E bonds were issued in the "flexible rate mode" and currently bear interest at a flexible rate. Pursuant to the original offering documents and bond indentures, the bonds could be outstanding in any one of six interest rate modes, including the daily mode, the weekly

mode, the commercial paper rate mode, the auction rate mode, the term rate mode, and the fixed rate mode. After issuance of the bonds, the City could elect to change the mode of any of the bonds from the weekly mode to any other of the six modes. Upon election of a rate change, the bonds are subject to mandatory tender for purchase by the City and subsequent remarketing by the transfer agent. Additionally, if the mode of any of the bonds is changed to the fixed rate mode, such bonds will remain in the fixed rate mode until maturity and may not be changed subsequently to any other mode.

For financial reporting purposes, the subsequent remarketing/conversion of the Series 2001-C2, 2001-E, and 2006-A revenue bonds was accounted for as an advance refunding (extinguishment of the variable rate demand bonds and issuance of the fixed rate bonds). The Fund completed the advance refunding due to the increase in interest rates resulting from the downgrading of the bond insurer. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$14,582,296. This difference, reported in the financial statements as a deferred amount on refunding, is being amortized as an adjustment to interest expense through the year 2036 using the straight-line method.

Transportation Fund

The outstanding indebtedness of the Transportation Fund for Pension Obligation Certificates (POC) payable at June 30, 2008 was \$106,268,234.

Capital Lease Payable

During the year ended June 30, 2005, the Fund entered into a capital lease agreement with GE Capital Public Finance, Inc. to lease 121 buses. The cost of the 121 buses under capital lease was \$37,294,362. The annual interest rate of the lease is 4.12% for 38 buses and 4.22% for 83 buses. The capital lease has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The present value of future minimum capital lease payments, interest, and the minimum annual lease payment for the 121 buses received as of June 30, 2008 is as follows:

	Present Value of Minimum Lease Payments		
	Principal	Interest	Total
Year ending June 30:			
2009	\$ 3,453,429	\$ 1,110,150	\$ 4,563,579
2010	3,599,395	964,184	4,563,579
2011	3,751,531	812,047	4,563,578
2012	3,910,099	653,480	4,563,579
2013	4,075,369	488,209	4,563,578
2014-2015	8,602,989	453,099	9,056,088
Total	\$ 27,392,812	\$ 4,481,169	\$ 31,873,982

General Obligation Bonds Payable

In May 2008, the City issued \$49.7 million of General Obligation Capital Improvement Bonds (Limited Tax), Series 2008-A(1) for financing certain public capital projects. From such proceeds, the Transportation Fund received \$6,271,722 for funding the acquisition of fareboxes acquired in January 2007.

Future debt service requirements as of June 30, 2008, are as follows:

Year ending June 30:	Principal	Interest	Total
2009	\$ —	\$ 254,353	\$ 254,353
2010	—	313,586	313,586
2011	—	313,586	313,586
2012	—	313,586	313,586
2013	813,690	313,586	1,127,276
2014-2015	5,458,032	412,774	5,870,806
Total	\$ 6,271,722	\$ 1,921,471	\$ 8,193,193

Water Fund

The outstanding indebtedness of the Water Fund for revenue bonds (including state revolving loans) was \$2,315,681,336 and \$80,368,171 for POC payable at June 30, 2008. The interest rates on the outstanding fixed-rate revenue bonds range from 2.125% to 6.50%. Net revenues of the Fund are pledged to repayment of bonds.

In prior years, the Water Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in its financial statements. Similarly, the interest expensed in relation to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of Revenues, Expenses, and Changes in Fund Net Assets. As of June 30, 2008, approximately \$733,565,000 of bonds outstanding is considered defeased.

Future debt service requirements as of June 30, 2008, are as follows:

Year ending June 30:	Principal	Bond Interest	Swap Interest	Total Requirements
2009	\$ 32,890,000	\$ 101,757,102	\$ 14,577,675	\$ 149,224,777
2010	34,915,000	107,820,047	9,655,373	152,390,420
2011	36,500,000	106,205,924	9,695,072	152,400,996
2012	44,825,000	104,322,504	9,665,192	158,812,696
2013	47,035,000	102,180,120	10,301,196	159,516,316
2014 – 2018	272,806,896	473,188,493	51,037,885	797,033,274
2019 – 2023	345,619,440	395,190,751	50,848,220	791,658,411
2024 – 2028	438,780,000	294,715,718	46,043,258	779,538,976
2029 – 2033	558,720,000	169,426,428	38,927,505	767,073,933
2034 – 2038	503,590,000	29,483,226	30,661,568	563,734,794
Total	\$ 2,315,681,336	\$ 1,884,290,313	\$ 271,412,944	\$ 4,471,384,593

Bonds outstanding at June 30, 2008 include \$1.96 billion of bonds and loans callable at various dates after June 30, 2008. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

Issuance of Revenue Bonds and Advance Refunding of Debt

The City received loans from the State of Michigan Drinking Water Revolving Loan Fund totaling \$2,177,608 during the year ended June 30, 2008. The proceeds of the loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the Water Supply System.

On May 14, 2008, the City elected to change the interest rate mode for \$385,305,000 of variable rate demand bonds from a variable rate “weekly mode” to a “fixed rate mode” for the following issues: (i) \$190,405,000 of Water Supply System Revenue Refunding Second Lien Bonds Series 2001-C; and (ii) \$194,900,000 of Water Supply System Revenue Senior Lien Bonds Series 2005-B.

The bonds were initially issued by the City in variable “weekly rate” mode. Pursuant to the original offering documents and bond indentures, the bonds could be outstanding in any one of six interest rate modes, including the daily mode, the weekly mode, the commercial paper rate mode, the auction rate mode, the term rate mode, and the fixed rate mode. After issuance of the bonds, the City could elect to change the mode of any of the bonds from the weekly mode to any other of the six modes. Upon election of a rate change, the bonds are subject to mandatory tender for purchase by the City and subsequent remarketing by the transfer agent. Additionally, if the mode of any of the bonds is changed to the fixed rate mode, such bonds will remain in the fixed rate mode until maturity and may not be changed subsequently to any other mode.

For financial reporting purposes, the subsequent remarketing/conversion of the Series 2001-C, and 2005-B revenue bonds was accounted for as an advance refunding (extinguishment of the variable rate demand bonds and issuance of the fixed rate bonds). The Fund completed the advance refunding due to increase in interest rates resulting from the downgrading of the bond insurer. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$22,091,376. This is a difference, reported in the financial statements as a deferred amount on refunding, is being amortized as an adjustment to interest expense through the year 2035 using the straight-line method.

Automobile Parking Fund

The outstanding indebtedness of the Parking Fund was \$42,175,000 at June 30, 2008. The interest rates on the outstanding fixed-rate revenue refunding bonds range from 4.80% to 5.225%.

In prior years, the Automobile Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to partially provide for future debt service payment on the old bonds. Accordingly, the trust account’s assets and liabilities for the defeased bonds are not included in its financial statements. Similarly, the interest expensed in relation to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of Revenues, Expenses, and Changes in Fund Net Assets. As of June 30, 2008, approximately \$3,535,000 of bonds outstanding is considered defeased.

Future debt service requirements as of June 30, 2008, are as follows:

Year ending June 30:	Bond Principal	Bond Interest	Swap Interest	Total Requirements
2009	\$ 1,460,000	\$ 745,628	\$ 1,997,587	\$ 4,203,215
2010	1,610,000	696,693	1,960,457	4,267,150
2011	1,660,000	647,518	2,110,171	4,417,689
2012	1,710,000	594,883	1,871,345	4,176,228
2013	1,865,000	538,563	2,006,912	4,410,475
2014 - 2018	12,270,000	1,602,081	8,619,316	22,491,397
2019 - 2023	8,200,000	55,863	6,665,553	14,921,416
2024 - 2028	8,800,000	—	3,928,854	12,728,854
2029 - 2030	4,600,000	—	548,336	5,148,336
Total	<u>\$ 42,175,000</u>	<u>\$ 4,881,229</u>	<u>\$ 29,708,531</u>	<u>\$ 76,764,760</u>

Variable Rate Demand Bonds

Included in long-term debt are \$907.9 million of business-type variable rate demand bonds. These bonds mature serially through July 2036. Of that amount, \$761.0 million of the bonds are Sewage Disposal System Revenue Bonds, \$120.0 million are Water Supply Fund Bonds, and \$26.9 million of the bonds are Automobile Parking System Revenue Bonds. Generally these bonds have a variable interest rates that are adjusted periodically (i.e. Daily, Weekly, or Monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the City's several remarketing agents. The City pays the remarketing agent fees in the range of 0.04% to 0.125% interest on the outstanding bond balance for the Sewage Disposal and Water Supply Systems Bonds and flat rate fee for the Automobile Parking System Bonds. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the City has a standby bond purchase agreement with a liquidity facility entity. The City has several such agreements, with the fees ranging from 0.150% to 0.230% interest on the outstanding bonds for the Sewage Disposal and Water Supply Fund Bonds and a flat rate fee for the Automobile Parking System Bonds. The City, in the event a liquidity facility is utilized, has reimbursement agreements with different financial entities. Generally the payback period is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate.

Sewage Disposal, Water Supply and Automobile Parking Systems Bonds subject to these agreements as of June 30, 2008 are as follows:

	Date	Mode	Payable	Remarketing Agent/Auction Rate Trader	Liquidity Facility	Insurer	Outstanding Amount
Sewage Disposal System Revenue Bonds:							
Series 2001-C(1).....	9-23-01	Weekly	1st day of month	UBS	Dexia	FSA	\$ 155,305,000
Series 2001-D.....	9-23-01	Every 35 days	Every 35 days	N/A	N/A	MBIA	92,450,000
Series 2001-E.....	9-23-01	Flexible	Annually	UBS	FGIC Securities	FGIC	1,350,000
Series 2003-B.....	5-22-03	Weekly	1st day of month	UBS	Dexia	FSA	150,000,000
Series 2006-D##.....	12-14-06	Flexible	1st day of quarter	N/A	N/A	FSA	361,865,000
Total Sewage Disposal System Revenue Bonds.....							\$ 760,970,000
Water Supply System Revenue Bonds:							
Series 2006-B.....	8-14-06	Weekly	1st day of month	Lehman	DEPFA Bank	FSA	\$ 120,000,000
Total Water Supply System Revenue Bonds.....							\$ 120,000,000
Detroit Building Authority Revenue Bonds:							
Parking System-Series1999-A#.....	10-22-99	Wednesday	Wednesday	Citi/Bankers Trust	N/A	MBIA	\$ 26,900,000
Total Business-type variable rate demand bonds.....							\$ 907,870,000

- Auction Rate Securities
- Floating Rate LIBOR notes

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Bonds Payable

The following is the schedule of the Business-type Activities Bonds Payable as of June 30, 2008:

Business-type Activities:	Bond Date	Amount Issued	Range of Interest Rates%	Maturity Date	Amount
<u>Sewage Disposal Fund</u>					
Sewage Disposal System Revenue Bonds:					
Series 1995-B.....	11-1-95	63,725,000	6.00	7/1/09-10	\$ 14,375,000
Series 1998-A.....	12-14-06	18,540,000	3.50 to 5.50	7/1/08-17	16,800,000
Series 1998-A.....	12-14-06	49,075,000	5.25	7/1/18-23	49,075,000 c
Series 1998-B.....	12-14-06	18,750,000	3.50 to 5.50	7/1/08-17	17,095,000
Series 1998-B.....	12-14-06	48,770,000	5.25	7/1/18-23	48,770,000 c
Series 1999-A.....	12/1/99	5,254,000	4.90 to 5.00	7/1/08-09	555,000
Series 1999-A.....	12/1/99	264,231,060	5.125	7/1/2010	570,000 c
Series 1999-A (**)..	12/1/99	33,510,118	N/A	7/1/12-21	55,291,437
Series 2001-B.....	9-15-01	110,550,000	5.50	7/1/23-29	110,550,000
Series 2001-C (1).....	9-23-01	159,970,000	Variable (a)	7/1/08-27	155,305,000 c
Series 2001-D.....	9-23-01	92,450,000	Variable (a)	07/01/32	92,450,000 c
Series 2001-E.....	9-23-01	139,080,000	Variable (a)	7/1/24-31	1,350,000 c
Series 2003-A.....	5-22-03	158,000,000	5.00	7/1/08-13	114,055,000
Series 2003-A.....	5-22-03	441,380,000	5.00	7/1/14-32	221,155,000 c
Series 2003-B.....	5-22-03	150,000,000	Variable (a)	7/1/32-33	150,000,000 c
Series 2004-A.....	1-09-04	101,435,000	5.00 to 5.25	7/1/08-24	97,890,000
Series 2005-A.....	3-17-05	3,765,000	2.75 to 3.70	7/1/08-15	3,765,000
Series 2005-A.....	3-17-05	269,590,000	3.75 to 5.125	7/1/16-35	236,770,000 c
Series 2005-B.....	3-17-05	40,215,000	3.40 to 5.50	7/1/12-22	40,215,000
Series 2005-C.....	3-17-05	22,065,000	5.00	7/1/08-25	21,770,000
Series 2005-C.....	3-17-05	41,095,000	5.00	7/1/16-26	41,095,000 c
Series 2006-B.....	8-10-06	11,850,000	4.00 to 5.00	7/1/09-16	11,850,000
Series 2006-B.....	8-10-06	238,150,000	4.25 to 5.00	7/1/17-36	238,150,000 c
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 c
Series 2006-D.....	12-14-06	370,000,000	Variable (a)	7/1/08-32	361,865,000 c
Bonds remarketed in 2008:					
Series 2001-C(2).....	5-8-08	3,275,000	3.50 to 4.00	7/1/08-18	3,275,000
Series 2001-C(2).....	5-8-08	119,630,000	4.50 to 5.25	7/1/19-29	119,630,000 c
Series 2001-E.....	5-8-08	136,150,000	5.75	7/1/24-31	136,150,000
Series 2006-A.....	5-8-08	123,655,000	5.50	7/1/34-36	123,655,000
Total Sewage Disposal System Revenue Bonds					\$ <u><u>2,510,036,437</u></u>
State Revolving Loans:					
Series 1992-A-SRF.....	6-25-92	4,360,000	2.00	4/1/09-13	\$ 1,260,000 c
Series 1992-B-SRF.....	9-10-92	1,915,000	2.00	10/1/08-13	655,000 c
Series 1993-B-SRF.....	9-30-93	6,603,996	2.00	10/1/08-14	2,585,000 c
Series 1997-B-SRF.....	9-30-97	5,430,174	2.25	10/1/08-18	3,250,000 c
Series 1999-SRF-1.....	6-24-99	21,475,000	2.50	4/1/09-20	14,135,000 c
Series 1999-SRF-2.....	9-30-99	46,000,000	2.50	10/1/08-22	36,560,000 c
Series 1999-SRF-3.....	9-30-99	31,030,000	2.50	10/1/08-20	21,885,000 c
Series 1999-SRF-4.....	9-30-99	40,655,000	2.50	10/1/08-20	28,665,000 c
Series 2000-SRF-1.....	9-28-00	51,657,829	2.50	10/1/08-22	42,500,000 c
Series 2000-SRF-2.....	9-28-00	62,316,524	2.50	10/1/08-22	49,004,748 c
Series 2001-SRF-1.....	6-28-01	82,200,000	2.50	10/1/08-24	72,330,000 c
Series 2001-SRF-2.....	6-28-01	59,850,000	2.50	10/1/08-24	52,665,000 c
Series 2002-SRF-1.....	10-27-01	18,985,000	2.50	4/1/09-23	15,080,000 c
Series 2002-SRF-2.....	10-27-01	1,545,369	2.50	4/1/09-23	1,200,369 c
Series 2002-SRF-3.....	12-29-02	26,932,101	2.50	10/1/08-24	21,682,101 c
Series 2003-SRF-1.....	6-28-03	48,520,000	2.50	10/1/08-25	44,685,000 c
Series 2003-SRF-2.....	9-25-03	23,404,577	2.50	4/1/09-25	21,208,259 c
Series 2004-SRF-1.....	6-24-04	2,910,000	2.125	10/1/08-24	2,545,000 c
Series 2004-SRF-2.....	6-24-04	18,223,973	2.125	7/1/08-25	16,204,490 c
Series 2004-SRF-3.....	6-24-04	12,707,575	2.125	7/1/08-25	11,097,575 c
Series 2007-SRF-1.....	9-20-07	28,617,999	1.625	10/1/10-29	28,617,999 c
Total State Revolving Loans Payable					\$ <u><u>487,815,541</u></u>

* * - Capital Appreciation Bonds

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

c - Indicates bonds are callable under terms specified in the indenture: all other bonds are noncallable

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

	Bond Date	Amount Issued	Outstanding as of June 30, 2008		
			Range of Interest Rates%	Maturity Date	Amount
Business-type Activities (continued):					
<u>Water Fund</u>					
Water Supply System Revenue Bonds:					
Series 1993.....	10-15-93	\$ 38,225,000	6.50	7/1/14-15	\$ 24,725,000
Series 1995-A.....	10-15-95	102,100,000	5.20-5.55	7/1/08-12	16,570,000
Series 1995-B.....	10-15-95	60,485,000	5.20-5.55	7/1/08-12	45,480,000
Series 1997-A.....	8-1-97	29,080,000	5.75 to 6.00	7/1/11-15	37,695,000
Series 1997-A.....	8-1-97	186,220,000	4.80 to 5.25	7/1/08-27	74,575,000 c
Series 1999-A.....	11-1-99	18,000,000	5.00 to 5.25	7/1/08-09	4,000,000
Series 1999-A.....	11-1-99	238,340,000	5.125	7-01-10	2,000,000 c
Series 2001-A.....	5-1-01	1,320,000	4.50	7-01-11	1,320,000
Series 2001-A.....	5-1-01	301,165,000	5.00	7/1/29-30	73,790,000 c
Series 2003-A.....	1-28-03	234,805,000	4.50 to 5.00	7/1/19-34	181,835,000 c
Series 2003-B.....	1-28-03	9,330,000	3.00	7-01-08	2,405,000
Series 2003-B.....	1-28-03	14,250,000	Variable (a)	7/1/09-14	14,250,000
Series 2003-B.....	1-28-03	172,945,000	5.00	7/1/2034	41,770,000 c
Series 2003-C.....	1-28-03	16,695,000	2.50 to 5.00	7/1/09-11	355,000
Series 2003-C.....	1-28-03	4,335,000	Variable (a)	7/1/13-14	4,335,000
Series 2003-C.....	1-28-03	25,325,000	4.25 to 5.25	7/1/15-22	25,325,000 c
Series 2003-D.....	8-14-06	3,180,000	4.00 to 4.20	7/1/08-16	2,725,000
Series 2003-D.....	8-14-06	139,575,000	4.25 to 5.00	7/1/17-33	139,575,000 c
Series 2004-A.....	8-14-06	17,600,000	3.75 to 5.25	7/1/12-16	17,580,000
Series 2004-A.....	8-14-06	55,165,000	4.50-5.25	7/1/17-25	55,165,000 c
Series 2004-B.....	8-14-06	52,840,000	4.00 to 5.00	7/1/08-16	48,855,000
Series 2004-B.....	8-14-06	100,900,000	4.25 to 5.00	7/01/17-23	100,990,000 c
Series 2005-A.....	3-11-05	20,965,000	3.00 to 5.00	7/1/08-15	20,965,000
Series 2005-A.....	3-11-05	84,035,000	3.90 to 5.00	7/01/16-35	84,035,000 c
Series 2005-C.....	3-11-05	36,405,000	3.00 to 5.00	7/1/08-15	34,985,000
Series 2005-C.....	3-11-05	90,200,000	5.00	7/1/16-22	90,200,000 c
Series 2006-A.....	8-14-06	42,795,000	5.00	7/1/11-16	42,795,000
Series 2006-A.....	8-14-06	237,205,000	5.00	7/1/11-34	237,205,000 c
Series 2006-B.....	8-14-06	120,000,000	Variable (a)	7/1/11-36	120,000,000 c
Series 2006-C.....	8-14-06	12,585,000	4.00 to 5.00	7/1/08-19	11,160,000
Series 2006-C.....	8-14-06	208,060,000	5.00	7/1/19-33	208,060,000 c
Series 2006-D.....	8-14-06	4,430,000	4.00 to 5.00	7/1/08-16	3,545,000
Series 2006-D.....	8-14-06	142,160,000	4.25 to 5.00	7/1/17-32	142,160,000 c
Bonds remarketed in 2008:					
Series 2001-C.....	5-08-08	4,055,000	3.00 to 4.25	7/1/09-18	4,055,000
Series 2001-C.....	5-08-08	186,350,000	4.50 to 5.75	7/1/09-29	186,350,000 c
Series 2005-B.....	5-08-08	19,070,000	4.00 to 5.50	7/1/10-18	19,070,000
Series 2005-B.....	5-08-08	175,830,000	4.75 to 5.50	7/1/19-35	175,830,000 c
Total Water Supply System Revenue Bonds					\$ <u>2,295,735,000</u>
State Revolving Loans:					
Series 2005 SRF-1	9-22-05	\$ 10,579,841	2.125	10/1/08-26	\$ 9,959,841 c
Series 2005 SRF-2	9-22-05	7,759,599	2.125	10/1/08-26	7,324,599 c
Series 2006 SRF-1.....	9-21-06	2,906,896	2.125	10/1/08-26	2,661,896 c
Total State Revolving Loans Payable					\$ <u>19,946,336</u>

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

c - Indicates bonds are callable under terms specified in the indenture: all other bonds are noncallable

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

	Bond Date	Amount Issued	Outstanding June 30, 2008		
			Range of Interest Rates%	Maturity Date	Amount
Business-type Activities (continued):					
<u>Automobile Parking Fund</u>					
Detroit Building Authority Bonds - Revenue Refunding Bonds:					
Parking System-Series 1998A.....	7-1-98	9,825,000	5.25	7/1/07-08	\$ 960,000
Parking System-Series 1998A.....	7-1-98	17,445,000	4.70 to 5.125	7/1/08-19	14,315,000 c
Parking System-Series 1999A.....	10-22-99	29,900,000	Variable (a)	7/27/07-29	26,900,000 c
Total Detroit Building Authority Revenue Refunding Bonds.....					\$ <u>42,175,000</u>
Total Business-type Bonds.....					\$ <u>5,355,708,314</u>

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

c - Indicates bonds are callable under terms specified in the indenture: all other bonds are noncallable

Annual Roll-forwards

Long-Term Obligations of Business-type Activities for the Year Ended June 30, 2008:

Business-Type Activities:	<u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2008</u>	<u>One Year</u>
<i>Sewage Disposal Fund</i>					
Revenue Bonds Payable	\$ 2,497,669,128	\$ 382,710,000	\$ (425,634,128)	\$ 2,454,745,000	\$ 32,750,000
Capital Appreciation Bonds	90,545,000	—	—	90,545,000	—
Discount on Capital Appreciation Bonds	(38,406,471)	3,152,908	—	(35,253,563)	—
State Revolving Loans	481,392,948	31,677,593	(25,255,000)	487,815,541	25,895,000
Total Revenue					
Bonds Payable	3,031,200,605	417,540,501	(450,889,128)	2,997,851,978	58,645,000
Add Unamortized Premiums	79,795,055	26,699,671	(5,307,486)	101,187,240	—
Less:					
Unamortized Discounts	(342,494)	—	341,805	(689)	—
Deferred Amounts on Refunding	(91,677,293)	(14,582,267)	13,996,774	(92,262,786)	—
Total Revenue					
Bonds Payable, Net	3,018,975,873	429,657,905	(441,858,035)	3,006,775,743	58,645,000
Pension Obligation Certificates Payable	91,078,426	—	—	91,078,426	—
Deferred Amounts on Refunding	1,090,610	—	(3,230)	1,087,380	—
Total Pension Obligation					
Certificates Payable, Net	92,169,036	—	(3,230)	92,165,806	—
Other Liabilities:					
Capital Lease Payable	—	2,581,393	(213,980)	2,367,413	863,422
Accrued Compensated Absences	12,156,056	492,507	(1,756,428)	10,892,135	4,590,574
Accrued Workers' Compensation	4,300,639	550,404	(869,043)	3,982,000	797,000
Claims and Judgments	3,518,000	682,880	(713,880)	3,487,000	80,000
Accrued Other Postemployment Benefits	—	18,559,411	(9,691,217)	8,868,194	—
Total Other Liabilities	19,974,695	22,866,595	(13,244,548)	29,596,742	6,330,996
Total Sewage Disposal Fund	\$ 3,131,119,604	\$ 452,524,500	\$ (455,105,813)	\$ 3,128,538,291	\$ 64,975,996
<i>Transportation Fund</i>					
Pension Obligation Certificates Payable	\$ 106,268,234	\$ —	\$ —	\$ 106,268,234	\$ —
Less Deferred Amounts on Refunding	1,271,018	—	(3,600)	1,267,418	—
Total Pension Obligation					
Certificates Payable, Net	107,539,252	—	(3,600)	107,535,652	—
Other Liabilities:					
General Obligation Bonds	—	6,271,722	—	6,271,722	—
Capital Lease Payable	30,706,195	—	(3,313,383)	27,392,812	3,453,429
Accrued Compensated Absences	5,247,442	2,551,871	(2,309,860)	5,489,453	4,391,562
Long - Term Disability	4,793,071	2,946,263	(1,303,103)	6,436,231	1,287,246
Accrued Other Postemployment Benefits	—	22,735,945	(7,167,925)	15,568,020	—
Total Other Liabilities	40,746,708	34,505,801	(14,094,271)	61,158,238	9,132,237
Total Transportation Fund	\$ 148,285,960	\$ 34,505,801	\$ (14,097,871)	\$ 168,693,890	\$ 9,132,237

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Business-Type Activities (continued):	Balance			Balance	Amount
	June 30, 2007	Increase	Decrease	June 30, 2008	Due Within
					One Year
<i>Water Fund</i>					
Revenue Bonds Payable	\$ 2,326,720,000	\$ 385,305,000	(416,290,000)	\$ 2,295,735,000	\$ 31,565,000
State Revolving Loans	19,068,728	2,177,608	(1,300,000)	19,946,336	1,325,000
Total Revenue					
Bonds Payable	2,345,788,728	387,482,608	(417,590,000)	2,315,681,336	32,890,000
Add: Unamortized Premiums	43,947,671	23,702,765	(3,180,037)	64,470,399	—
Less:					
Unamortized Discounts	(2,956,068)	(1,733,787)	231,934	(4,457,921)	—
Deferred Amounts on Refunding	(42,525,006)	(22,091,381)	17,048,595	(47,567,792)	—
Total Revenue					
Bonds Payable, Net	2,344,255,325	387,360,205	(403,489,508)	2,328,126,022	32,890,000
Pension Obligation Certificates Payable	80,368,171	—	—	80,368,171	—
Deferred Amounts on Refunding	967,821	—	(2,867)	964,954	—
Total Pension Obligation Certificates Payable, Net	81,335,992	—	(2,867)	81,333,125	—
Other Liabilities:					
Capital Lease Payable	—	2,581,394	(213,981)	2,367,413	863,422
Accrued Compensated Absences	16,766,136	1,052,269	(1,909,361)	15,909,044	7,288,290
Accrued Workers' Compensation	17,629,460	230,000	(6,731,460)	11,128,000	2,056,000
Claims and Judgments	5,718,619	2,290,812	(470,731)	7,538,700	528,700
Accrued Other Postemployment Benefits	—	15,935,062	(8,320,892)	7,614,170	—
Total Other Liabilities	40,114,215	22,089,537	(17,646,425)	44,557,327	10,736,412
Total Water Fund	\$ 2,465,705,532	\$ 409,449,742	\$ (421,138,800)	\$ 2,454,016,474	\$ 43,626,412
<i>Automobile Parking Fund</i>					
Revenue Bonds Payable	\$ 43,590,000	\$ —	\$ (1,415,000)	\$ 42,175,000	\$ 1,460,000
Less:					
Unamortized Discounts	(1,346,688)	—	74,484	(1,272,204)	—
Deferred Amounts on Refunding	3,425,073	—	(163,099)	3,261,974	—
Total Revenue					
Bonds Payable, Net	45,668,385	—	(1,503,615)	44,164,770	1,460,000
Other Liabilities:					
Accrued Compensated Absences	566,307	—	(86,438)	479,869	200,367
Accrued Workers' Compensation	1,057,755	46,000	(396,755)	707,000	110,000
Claims and Judgments	109,281	—	(83,881)	25,400	25,400
Accrued Other Postemployment Benefits	—	660,808	(369,651)	291,157	—
Total Other Liabilities	1,733,343	706,808	(936,725)	1,503,426	335,767
Total Automobile Parking Fund	\$ 47,401,728	\$ 706,808	\$ (2,440,340)	\$ 45,668,196	\$ 1,795,767
<i>Non-Major Proprietary Fund</i>					
Accrued Compensated Absences	\$ 183,242	\$ —	\$ (30,205)	\$ 153,037	\$ 65,070
Accrued Workers' Compensation	186,269	—	(69,269)	117,000	22,000
Claims and Judgments	11,800	663,000	—	674,800	663,000
Accrued Other Postemployment Benefits	—	178,275	(86,730)	91,545	—
Total Non-Major Fund	\$ 381,311	\$ 841,275	\$ (186,204)	\$ 1,036,382	\$ 750,070

c. Component Units

Future debt service requirements as of June 30, 2008, are as follows:

Component Units		
Year Ending	Principal	Interest
2009	\$ 91,352,629	\$ 24,132,009
2010	207,356,132	20,484,209
2011	20,535,000	8,932,700
2012	9,786,694	9,616,863
2013	9,920,564	9,274,692
2014-2018	58,935,265	35,919,353
2019-2023	47,951,300	24,003,637
2024-2028	22,319,375	20,885,065
2029-2031	6,035,000	45,760
Total	\$ <u>474,191,959</u>	\$ <u>153,294,288</u>

Annual Roll forwards

Long-term Obligations of Component Units for the Year Ended June 30, 2008:

	Balance			Balance June 30, 2008	Amount Due Within One Year
	June 30, 2007	Increase	Decrease		
Component Units:					
Bonds, Notes and Leases Payable	\$ 548,026,163	\$ 508,377	\$ (74,342,581)	\$ 474,191,959	\$ 91,352,629
Unamortized Premiums and Defeasances	(1,352,125)	(54,615)	15,688	(1,391,052)	(166,527)
Swap Termination Fees	780,489	—	(27,875)	752,614	27,875
Accrued Compensated Absences	4,804,899	19,465	—	4,824,364	1,765,071
Accrued Workers' Compensation Claims and Judgments	141,028	64,972	—	206,000	85,000
Accrued Other Postemployment Benefits	—	5,009,163	(1,789,777)	3,219,386	—
Total Component Units					
Long-Term Obligations	\$ <u>552,400,454</u>	\$ <u>5,547,362</u>	\$ <u>(76,144,545)</u>	\$ <u>481,803,271</u>	\$ <u>93,064,048</u>

d. Pension Obligation Certificates (POC)

The Detroit Retirement Systems Funding Trust issued POCs issued 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 POCs were allocated to the governmental activities and the Transportation, Sewage Disposal, and Water Funds based on those funds portion of the overall UAAL liquidated by the use of the POCs net proceeds. Since the Detroit Public Library is a discretely presented component unit, its prorated portion of the POCs liability assumed was included in the balance of the POCs obligation recorded at the general government level.

City of Detroit, Michigan
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The redemption dates and a summary of the aggregate principal and interest amounts for the Pension Obligation Certificates as of June 30, 2008 are as follows:

Primary Government						
Principal						
Maturity (June 15)	Governmental Activities	Business-type Activities			Totals	
		Sewage Disposal Fund	Transportation Fund	Water Fund		
2009	\$ —	\$ —	\$ —	\$ —	\$ —	
2010	3,861,370	291,105	340,053	256,873	4,749,401	
2011	8,905,339	672,115	784,268	593,078	10,954,800	
2012	13,718,025	1,035,321	1,208,081	913,573	16,875,000	
2013	18,782,517	1,417,545	1,654,087	1,250,851	23,105,000	
2014-2018	151,288,476	11,417,976	13,323,257	10,075,292	186,105,001	
2019-2023	206,141,067	15,557,785	18,153,864	13,728,284	253,581,000	
2024-2028	267,214,120	20,167,062	23,532,278	17,795,539	328,708,999	
2029-2033	359,597,601	27,139,387	31,668,052	23,947,961	442,353,001	
2034-2035	177,261,654	13,380,130	15,604,294	11,806,720	218,052,798	
Total	<u>\$ 1,206,770,169</u>	<u>\$ 91,078,426</u>	<u>\$ 106,268,234</u>	<u>\$ 80,368,171</u>	<u>\$ 1,484,485,000</u>	

Primary Government						
Interest						
Maturity (June 15)	Governmental Activities	Business-type Activities			Totals	
		Sewage Disposal Fund	Transportation Fund	Water Fund		
2009	\$ 68,769,354	\$ 5,190,130	\$ 6,056,190	\$ 4,579,802	\$ 84,595,476	
2010	68,769,354	5,190,130	6,056,190	4,579,802	84,595,476	
2011	68,602,775	5,177,558	6,041,520	4,568,708	84,390,561	
2012	68,210,575	5,147,958	6,006,981	4,542,589	83,908,103	
2013	67,599,711	5,101,855	5,953,185	4,501,907	83,156,658	
2014-2018	321,133,494	24,236,441	28,280,701	21,386,384	395,037,020	
2019-2023	277,401,019	20,935,884	24,429,389	18,473,952	341,240,244	
2024-2028	216,332,766	16,326,969	19,051,399	14,407,016	266,118,150	
2029-2033	124,014,178	9,359,543	10,921,339	8,258,917	152,553,977	
2034-2035	16,231,966	1,225,042	1,429,472	1,081,001	19,967,481	
Total	<u>\$ 1,297,065,192</u>	<u>\$ 97,891,510</u>	<u>\$ 114,226,366</u>	<u>\$ 86,380,078</u>	<u>\$ 1,595,563,146</u>	

Change in accounting estimate

During the year ended June 30, 2008, the City changed its estimate of the allocation of pension related costs between the Water and Sewage Disposal enterprise funds. Such a change in accounting estimate impacts the allocation of the net pension asset, pension obligation certificate payable, annual pension expense, and interest expense on the pension obligation certificates. In prior years, the allocation of these amounts was based on the actuarial valuation's allocation of pension assets, actuarial accrued liabilities, and annual required contribution. Upon further evaluation, the City believes it would be more appropriate to allocate all related assets, liabilities and expenses based on the current allocation of employee payroll costs between the two funds.

The net impact of this change in estimate (allocation) to each fund as of July 1, 2007 was \$8.1 million and was reported as an interfund transfer (transfer from the Sewage Disposal Fund to the Water Fund). The impact of this change in estimate to the pension obligation certificates issuance costs, net pension asset, and pension obligation certificates payable was reported as a reclassification as of July 1, 2007 as follows:

<u>Statement of net assets caption</u>	<u>Amounts previously reported at June 30, 2007</u>	<u>Reclassification</u>	<u>Amounts reported at July 1, 2007</u>
Sewage Disposal Fund:			
Pension obligation certificates issuance costs..... \$	476,644	\$ 4,326,052	\$ 4,802,696
Net pension asset.....	11,424,380	70,639,426	82,063,806
Pension obligation certificates payable, net	9,139,646	83,029,390	92,169,036
Water Fund:			
Pension obligation certificates issuance costs.....	8,574,202	(4,326,052)	4,248,150
Net pension asset.....	146,055,290	(70,639,426)	75,415,864
Pension obligation certificates payable, net	164,365,382	(83,029,390)	81,335,992

5. Derivatives Not Reported at Fair Value

Interest Rate Swaps

The City is party to derivative instruments consisting of interest rate swaps that are intended to effectively convert variable-rate financings to fixed-rate financings. These are not reported at fair value on the statement of net assets at June 30, 2008.

Objective of the swaps: In order to better manage its interest rate exposure and to reduce the overall costs of its financings, the City has entered into thirty-two separate pay-fixed, receive-variable interest rate swaps. During the year ended June 30, 2008, the City also entered into five separate “pay-variable, receive-fixed” interest rate swaps, to avoid termination on existing related swaps.

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

Terms, fair values, and credit risk: Certain key terms, fair values, and counterparty credit ratings relating to the outstanding swaps as of June 30, 2008 are presented on the following page. The notional amounts of the swaps, except those with effective dates of March 1, 2010 and July 1, 2011 match the principal amounts of the outstanding financings. The swaps with effective dates of March 1, 2010 and July 1, 2011 were entered into to hedge future interest rate risk and will be associated with financings expected to be issued prior to the effective dates. Except as discussed under rollover risk, the City's swap agreements contain scheduled reductions to outstanding notional amounts that match scheduled or anticipated amortization of associated financings.

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Associated Financing Issue	Notional Amounts (1)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Final Maturity of Bonds	Counterparty Credit Rating
Building Authority Series 1999-A	\$ 26,900,000	4/23/2004	7.480%	65%LIBOR	\$ (10,581,860)	7/1/2029	7/1/2029	Aa3/AA-/AA-
Water 2001-C	113,360,000	6/7/2001	4.900%	SIFMA (2) + 0.0%	(18,052,159)	7/1/2026	N/A	Aa3/AA-/AA-
Water 2001-C Offsetting Swap (4)	113,360,000	5/14/2008	SIFMA(2) + 0.0%	3.498%	(2,075,720)	7/1/2026	N/A	Aa3/AA-/AA-
Sewage 2001 C-1	155,305,000	10/23/2001	4.428%	SIFMA (2)+ 0.0%	(17,711,686)	7/1/2027	7/1/2027	Aa2/AA-/AA
Sewage 2001 C-2	123,625,000	10/23/2001	4.468%	SIFMA (2)+ 0.0%	(15,421,922)	7/1/2029	N/A	Aa2/AA-/AA
Sewage 2001 C-2 Offsetting Swap (4)	123,625,000	5/8/2008	SIFMA(2) + 0.0%	3.578%	(3,089,327)	7/1/2029	N/A	Aa2/AA-/AA
Sewage 2001 D-1	20,000,000	7/1/2008	4.656%	SIFMA (2) + 0.0%	(2,155,728)	7/1/2032	7/1/2032	Aa1/AA/AA
Sewage 2001 D-2	72,450,000	7/1/2012	4.831%	SIFMA (2) + 0.0%	(5,126,366)	7/1/2032	7/1/2032	Aa1/AA/AA
Water 2003-B	1,980,000	1/30/2003	3.020%	CPI + 1.01%	68,809	7/1/2009	7/1/2009	Aa3/AA-/AA-
Water 2003-B	2,290,000	1/30/2003	3.310%	CPI+ 1.12%	90,297	7/1/2010	7/1/2010	Aa3/AA-/AA-
Water 2003-B	2,500,000	1/30/2003	3.550%	CPI +1.25%	117,001	7/1/2011	7/1/2011	Aa3/AA-/AA-
Water 2003-B	2,175,000	1/30/2003	3.740%	CPI + 1.33%	107,715	7/1/2012	7/1/2012	Aa3/AA-/AA-
Water 2003-B	2,800,000	1/30/2003	3.870%	CPI + 1.34%	140,209	7/1/2013	7/1/2013	Aa3/AA-/AA-
Water 2003-B	2,505,000	1/30/2003	4.000%	CPI + 1.36%	113,800	7/1/2014	7/1/2014	Aa3/AA-/AA-
Water 2003-C	2,005,000	1/30/2003	3.870%	CPI + 1.34%	100,441	7/1/2013	7/1/2013	Aa3/AA-/AA-
Water 2003-C	2,330,000	1/30/2003	4.000%	CPI + 1.36%	105,849	7/1/2014	7/1/2014	Aa3/AA-/AA-
Sewage 2003-B	150,000,000	5/22/2003	3.842%	SIFMA (2) + 0.0%	(9,148,117)	7/1/2033	7/1/2033	Aa2/AA-/AA
Water 2005-B	195,000,000	4/1/2005	4.710%	SIFMA (2) + 0.0%	(23,055,489)	7/1/2035	N/A	Aa3/AA-/AA-
Water 2005-B Offsetting Swap (4)	195,000,000	5/6/2008	SIFMA(2) + 0.0%	3.652%	(4,560,188)	7/1/2035	N/A	Aa3/AA-/AA-
Water 2006-B	120,000,000	3/1/2007	5.000%	SIFMA (2) + 0.0%	(20,449,231)	7/1/2036	7/1/2036	Aa3/AA-/AA-
Sewage 2006-A	125,000,000	8/10/2006	4.551%	SIFMA (2) + 0.0%	(3,904,341)	7/1/2036	N/A	Aa1/AA/AA
Sewage 2006-A Offsetting Swap (4)	125,000,000	5/7/2008	SIFMA(2) + 0.0%	3.6908%	2,155,728	7/1/2036	N/A	Aa1/AA/AA
Sewage 2006-D	361,315,000	12/14/2006	4.105%	67%ofLIBOR+ .60%	(11,565,998)	7/1/2032	7/1/2032	A2/AA-/AA
Sewage Head Swap (3)	56,250,000	3/1/2010	4.927%	SIFMA (2) + 0.0%	(6,880,862)	7/1/2039	N/A	A1/A+/A+
Sewage Head Swap (3)	168,750,000	3/1/2010	4.927%	SIFMA (2) + 0.0%	(20,067,871)	7/1/2039	N/A	Aa3/AA-/AA
Water Hedge Swap (3)	150,000,000	3/1/2010	4.932%	SIFMA (2) + 0.0%	(17,938,495)	7/1/2039	N/A	A1/A+/A+
Water Hedge Swap (3)	50,000,000	3/1/2010	4.932%	SIFMA (2) + 0.0%	(6,149,598)	7/1/2039	N/A	A1/A+/A+
Water Hedge Swap (3)	76,510,000	7/1/2011	4.869%	SIFMA (2) + 0.0%	(5,282,605)	7/1/2029	N/A	A1/A+/A+
Water Offsetting Swap (4)	76,510,000	7/1/2011	SIFMA(2) + 0.0%	3.998%	(952,075)	7/1/2029	N/A	A1/A+/A+
Pension Obligation Certificates-GRS	96,621,000	6/12/2006	6.256%	3 MTH LIBOR + .34%	(13,884,219)	6/15/2034	6/16/2034	A1/A+/A+
Pension Obligation Certificates-PFRS	153,801,500	6/12/2006	6.252%	3 MTH LIBOR + .34%	(21,445,113)	6/15/2034	6/15/2034	A1/A+/A+
Pension Obligation Certificates-PFRS	104,325,500	6/12/2006	6.223%	3 MTH LIBOR + .30%	(12,957,535)	6/15/2029	6/15/2029	A1/A+/A+
Pension Obligation Certificates-GRS	45,252,000	6/12/2006	6.223%	3 MTH LIBOR + .30%	(5,923,757)	6/15/2029	6/15/2029	A1/A+/A+
Pension Obligation Certificates-PFRS	153,801,500	6/12/2006	6.252%	3 MTH LIBOR + .34%	(22,041,578)	6/15/2034	6/15/2034	Aaa/A+/A+
Pension Obligation Certificates-PFRS	104,325,500	6/12/2006	6.223%	3 MTH LIBOR + .30%	(13,033,970)	6/15/2029	6/15/2029	Aaa/A+/A+
Pension Obligation Certificates-GRS	96,621,000	6/12/2006	6.256%	3 MTH LIBOR + .34%	(13,497,975)	6/15/2034	6/15/2034	Aaa/A+/A+
Pension Obligation Certificates-GRS	45,252,000	6/12/2006	6.223%	3 MTH LIBOR + .30%	(6,033,095)	6/15/2029	6/15/2029	Aaa/A+/A+

1. Notional amount balance as of June 30, 2008.
2. The Securities Industry and Financial Markets Association Index Rate.
3. Denotes that the swap termination date does not match the final maturity of the financings. Swaps are issued in anticipation of a future planned variable rate bond issue.
4. Denotes bonds with pay-variable, receive-fixed terms. All others are pay-fixed, receive-variable terms.

Fair Value: Because interest rates have generally declined since the time the swaps were negotiated, many of the City's swaps have a negative fair value as of June 30, 2008. The negative fair values may be countered by lower total interest payments required under the variable-rate financing, creating lower synthetic interest rates. The fair value was 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 swap.

Credit Risk: When the fair value of any swap has a positive value, then the City is exposed to the risk that the counterparty will not fulfill its obligations. As of June 30, 2008, the City was exposed to \$2,999,849 of credit risk (without regard to collateral or other security arrangements). The table above shows the credit quality ratings of the counterparties to each swap. The City uses six different counterparties, as one way of diversifying its credit risks. 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, Standard & Poor's, and /or Moody's Investors Service. Collateral on all swaps is to be in the form of U.S. government securities held by a third - party custodian.

Basis Risk: The City is 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, 2008 the associated debt used the same index for all Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) and Consumer Price Index (CPI) referenced swaps, as well as the Pension obligation certificates (based on LIBOR) in the table above. As a result, there is no significant exposure to basis risk as of June 30, 2008.

Termination Risk: The City or counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In such cases, the City may owe or be due a termination payment depending on the value of the swap at that time. If any of the swaps were terminated, the associated variable-rate financings would no longer carry synthetic interest rates.

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

For the swaps associated with the Sewage 2001 C-1, 2001 C-2, 2001 C-2 Offsetting (mirror), and 2003-B issuances, the Fund pays a lower fixed rate in exchange for granting the counterparty a special termination option. Under this option, the counterparty can terminate the swap without payment if SIFMA averages 7 percent or higher for a consecutive 180-day period. The termination provision for the swap associated with Sewage 2003-B, is effective after July 1, 2013, while the others are effective after January 1, 2010.

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 Fund is exposed to rollover risk on GRS and PRS swaps should they be terminated prior to the maturity of the associated financings (POCs). See note IV for further discussion on terminating events of the GRS and PRS Swaps.

Swaptions

Objectives of the Swaptions:

In addition to the interest rate swaps described above, the City entered into five (5) swaptions in conjunction with the termination of previous interest rate swaps. Specifically, the City entered into one interest rate swap in February 2003 and two interest rate swaps in April 2004 related to the issuance of variable rate water bonds. Those interest rate swap agreements included provisions that allowed for the counterparty to put the City into a swaptions arrangement upon termination. Upon the restructuring of the water variable rate bonds in August 2006 to fixed-rate bonds, the interest rate swaps were terminated and the counterparty executed the swaptions. Likewise, when the two sewer variable rate bonds were restructured in December 2006 to fixed-rate bonds, the interest rate swaps were terminated, and the counterparty executed the swaptions provision. The swaptions give the counterparty the option to make the City enter into a pay-variable, receive-fixed interest rate swap. If the option is exercised, the Fund may consider the potential to issue variable rate refunding bonds and terminate the swaption, but is not committed to doing so.

Terms, Fair Value, and Credit Risk: The counterparty has the option to exercise the sewer agreements on any date in which the SIFMA index has averaged 7.00% or higher for a consecutive 90 day period. The counterparty has the option to exercise the water agreements any date in which the SIFMA index has averaged 7.00% or higher for a consecutive 180 day period. Certain other key terms, fair values, and counterparty credit ratings related to the outstanding swaptions as of June 30, 2008 are presented below. If the options are exercised by the counterparty, the underlying swap agreements contain scheduled reductions to the outstanding notional amounts that match scheduled or anticipated amortization of associated financings.

City of Detroit, Michigan
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<u>Associated Financing Uses</u>	<u>Notional Amounts (1)</u>	<u>Option Effective Date</u>	<u>Variable Rate Paid</u>	<u>Fixed Rate Received</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Counterparty Credit Rating</u>
Water 2003-D	149,655,000	7/2/2011	SIFMA(2)+0.0%	4.06%	(8,010,829)	7/1/2033	Aaa/AA/AA-
Water 2004-A	77,010,000	7/1/2005	SIFMA(2)+0.0%	3.94%	(1,848,674)	7/1/2025	Aaa/AA/AA-
Water 2004-B	158,490,000	7/1/2005	SIFMA(2)+0.0%	3.845%	(2,809,665)	7/1/2023	Aaa/AA/AA-
Sewage 1998-A	67,500,000	7/1/2008	SIFMA(2)+0.0%	4.512%	(1,385,532)	7/1/2023	Aa3/AA-/AA-
Sewage 1998-B	67,500,000	7/1/2008	SIFMA(2)+0.0%	4.512%	(1,374,597)	7/1/2023	Aa3/AA-/AA-

1. Notional amount balances as of June 30, 2008.
2. The Securities Industries and Financial Markets Municipal Swap Index.

Fair Value: The fair value was 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 the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Market-access risk: If the options to enter into interest rate swap agreements are exercised by the counterparty and variable rate refunding bonds are not issued by the City, the Fund would make net swap payments as required by the terms of the contract – that is, making a variable payment of the SIFMA index rate (unadjusted) to the counterparty for the term of the respective swap and receiving a fixed payment.

6. Other Information

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

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

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

- b. Sewage Disposal and Water Funds Construction Programs** - The Sewage Disposal Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$2.11 billion through fiscal year 2013. The Program is being financed primarily from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2008 was approximately \$421 million.

The Water Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (the Program). The total cost of this program is anticipated to be approximately \$2.15 billion through fiscal year 2013. The 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, 2008 was approximately \$155 million.

- c. Pension Plans** - The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS). Each system is a single-employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The Systems issued publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, 2 Woodward Avenue, Coleman A. Young Municipal Center, Room 908, Detroit, Michigan 48226.

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

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

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value. Approximately 29 percent of the General Retirement System's assets and 25 percent of the Police and Fire Retirement System's assets are not publicly traded and, therefore, do not always have a readily determined market value.

The City's policy is to fund normal costs and amortization of prior service costs, based on an actuarially determined rate. The contribution rates for the fiscal year ended June 30, 2008 was 10.21% of active annual payroll for the General Retirement System and 25.09% of active annual payroll for the Police and Fire Retirement System. Contributions from City funds and the Detroit Public Library fund, including accounts receivable for the year ended June 30, 2008, amounted to \$43,168,448 and \$41,113,934 for the General Retirement System and the Police and Fire Retirement System, respectively.

Employee contributions elections for annuity savings are as follows:

- **General Retirement System** — Employees may elect to contribute 3%, 5%, or 7% of the first \$97,500 representing the annual Social Security wage base \$97,500 of annual FY 2008 compensation and 5% or 7% of any excess over \$94,200 and \$97,500 respectively. Contributions are voluntary for all union and non-union employees. Contributions received from General Retirement System employees during the year ended June 30, 2008 amounted to \$20,358,640.
- **Police and Fire Retirement System** — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached. Contributions received from Police and Fire Retirement System employees during the year ended June 30, 2008 amounted to \$10,299,360.

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

Members may retire with full benefits after attaining 30 years of service; age 55 with 30 years of service if hired after January 1, 1996; age 60 with 10 years of service; or age 65 with 8 years of service. Employees may retire after 25 years of service and collect an actuarially reduced retirement benefit. Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service.

Members of the General Retirement System who separated prior to July 1, 1981, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1981 are not required to leave their accumulated annuity contributions in the System. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after 25 years of service with full benefits and a yearly cost-of-living adjustment of 2.25%. For those members of the Police and Fire Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

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. The following details the schedule of employer contributions (in millions):

<u>General Retirement System</u>				<u>Police and Fire Retirement System</u>			
<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Asset</u>	<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Asset</u>
<u>June 30</u>				<u>June 30</u>			
2006	\$ 58.2	120 %	\$ 678.9	2006	\$ 49.8	116 %	\$ 603.1
2007	41.4	145	691.3	2007	41.7	138	618.8
2008	24.7	169	708.2	2008	41.6	142	636.2

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

The annual pension costs and net pension assets as of June 30, 2008 are as follows:

	GRS					Total Primary Government
	PFRS Governmental Activities	Other Governmental Activities	Business-type Activities			
			Sewage Disposal Fund	Transportation Fund	Water Fund	
Annual required contributions (ARC)	\$ 56,661,222	\$ 21,274,541	\$ 6,340,878	\$ 6,783,557	\$ 6,055,976	\$ 97,116,174
Interest on net pension asset	(48,268,389)	(34,192,499)	(6,483,041)	(7,979,914)	(5,957,853)	(102,881,696)
Adjustment to ARC	33,209,661	24,299,022	4,607,196	5,670,954	4,233,970	72,020,803
Annual pension cost	41,602,494	11,381,064	4,465,033	4,474,597	4,332,093	66,255,281
Contributions made (employer)	58,934,636	21,366,082	6,867,084	6,833,306	6,558,539	100,559,647
Changes in net pension asset	17,332,142	9,985,018	2,402,051	2,358,709	2,226,446	34,304,366
Net pension asset, beginning of year	618,825,500	432,816,439	82,063,806	101,011,565	75,415,864	1,310,133,174
Net pension asset, end of year	<u>\$ 636,157,642</u>	<u>\$ 442,801,457</u>	<u>\$ 84,465,857</u>	<u>\$ 103,370,274</u>	<u>\$ 77,642,310</u>	<u>\$ 1,344,437,540</u>

The annual pension costs and net pension assets of the Component Units of the City as of June 30, 2008 are as follows:

	Detroit Public Library (GRS)
Annual required contributions	\$ 1,542,506
Interest on net pension asset	(1,839,007)
Adjustment to annual required contribution	<u>1,306,897</u>
Annual pension cost	1,010,396
Contributions made (employer)	<u>1,542,974</u>
Changes in net pension asset	532,578
Net pension asset, beginning of year	<u>23,278,573</u>
Net pension asset, end of year	<u>\$ 23,811,151</u>

	Defined Benefit		Defined Annuity Contributions	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving benefits	11,420	8,510	1,381	1,045
Terminated plan members entitled to but not yet receiving benefits	2,023	24	1,244	232
Active plan members	9,361	4,179	8,212	3,878

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Significant actuarial assumptions used to determine the annual required contribution for the year ended June 30, 2008 are as follows:

	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
Valuation Date (latest date available)	June 30, 2006	June 30, 2006
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	30 years	28 years closed
Asset Valuation Method	3-year Smoothed Market	3-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	7.8%
Projected Salary Increases	4.0% - 9.5%	5.8% -10.8%
Includes Inflation at	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

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

Funding Status and Funding Progress

	<u>GRS</u>	<u>PFRS</u>
	June 30, 2007	June 30, 2007
Actuarial value of assets	\$ 3,586,550,485	\$ 4,307,183,758
Actuarial accrued liability	\$ 3,629,217,059	\$ 3,896,814,229
Unfunded (overfunded) AAL	\$ 42,666,574	\$ (410,369,529)
Funded ratio	98.8%	110.5%
Covered payroll	\$ 361,701,481	\$ 230,173,964
Ratio of UAAL/covered payroll	11.8%	—

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.

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

	<u>GRS</u>	<u>PFRS</u>
Investment Loss, Net:		
Interest and Dividend Income	\$ 126,921,518	\$ 152,745,999
Net Appreciation	(332,122,071)	(440,972,512)
Investment Expense	(15,306,262)	(17,430,166)
Other Income	3,451,701	5,607,582
Total	<u>\$ (217,055,114)</u>	<u>\$ (300,049,097)</u>

d. Other Post-Employment Benefits -

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. The Benefit Plan provides hospitalization, dental care, eye care, and life insurance to all officers and employees of the City, including employees of the proprietary funds, who were employed by the City on the effective date of the Benefit Plan and thereafter. The Benefit Plan also covers the officer’s and employee’s families. There were 19,602 retirees eligible for benefits, as of July 1, 2007, the date of the most recent actuarial valuation.

The Employee Supplemental Death Benefit Plan (Supplemental Plan) is pre-funded single-employer defined benefit plan administered by the Board of Trustees. 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. The amount of the supplemental death benefits paid is based upon the retiree’s years of City service range from \$1,860 to \$3,720 (for thirty (30) years of service).

These benefits are provided in accordance with the City Charter and union contracts. These plans do not issue separate financial statements.

Funding Policy

Health and Life Insurance Benefit Plan – The cost of benefits for the Benefit Plan, which are financed on a pay-as-you-go basis for the year ended June 30, 2008, are as follows:

Benefit	City Cost	Retiree Cost	Total Cost
	<u> </u>	<u> </u>	<u> </u>
Hospitalization	\$ 141,730,720	\$ 17,327,032	\$ 159,057,752
Dental	7,929,797	1,453,794	9,383,591
Eye Care	1,340,458	—	1,340,458
Life Insurance	260,874	39,592	300,466
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>151,261,849</u>	\$ <u>18,820,418</u>	\$ <u>170,082,267</u>

Supplemental Death Benefit Plan – The cost of benefits for the Supplemental Plan, which are a pre-funded plan and the funds are held in the City of Detroit Employee Benefit Trust, for the year ended June 30, 2008 are as follows:

Benefit	City Cost	Retiree Cost	Total cost
	<u> </u>	<u> </u>	<u> </u>
Supplemental Death Benefit	\$ 165,775	\$ 14,157	\$ 179,932
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>165,775</u>	\$ <u>14,157</u>	\$ <u>179,932</u>

The City of Detroit Employee Benefit Trust paid death benefits in the amount of \$1,472,710 for General City retirees and \$599,943 for Police and Fire retirees for the year ended June 30, 2008.

Annual OPEB Costs and Net OPEB Obligation

In fiscal year 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement was implemented prospectively. 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. 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed to the Benefit Plan, and changes in the City's net OPEB obligation for the Benefit Plan:

<u>Fiscal Year Ended</u>	<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>	
June 30, 2008							
Annual required contributions (ARC)	\$ 239,755,703	\$ 18,542,098	\$ 22,714,736	\$ 15,920,197	\$ 660,192	\$ 178,109	\$ 297,771,035
Interest on Net OPEB Obligation	—	—	—	—	—	—	—
Adjustment to ARC	—	—	—	—	—	—	—
Annual OPEB Cost (Expense)	239,755,703	18,542,098	22,714,736	15,920,197	660,192	178,109	297,771,035
Contributions Made	(125,670,569)	(9,676,537)	(7,150,744)	(8,308,288)	(369,044)	(86,667)	(151,261,849)
Changes in Net OPEB Obligation	114,085,134	8,865,561	15,563,992	7,611,909	291,148	91,442	146,509,186
Net OPEB Obligation, beginning of year	—	—	—	—	—	—	—
Net OPEB Obligation, end of year	\$ 114,085,134	\$ 8,865,561	\$ 15,563,992	\$ 7,611,909	\$ 291,148	\$ 91,442	\$ 146,509,186

The City's OPEB cost, the percentage of annual OPEB cost contributed to the Benefit Plan, and the net OPEB obligation for General City for 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 297,771,035	49.2%	\$ 146,509,186

The City's annual OPEB cost for the year for the Supplemental Benefit Plan was \$145,704, and the amount actually contributed to the plan was \$165,774 (Percentage Contributed – 113.8%).

City of Detroit, Michigan
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As of the fiscal year ended June 30, 2008 the combined City's annual OPEB costs for both Plans are as follows:

<u>Fiscal Year Ended</u>	<u>Total</u>	<u>Business-type Activities</u>					<u>Total</u>	
		<u>Governmental</u>	<u>Sewage</u>	<u>Transportation</u>	<u>Water</u>	<u>Automobile</u>		<u>Non-Major</u>
	<u>Activities</u>	<u>Disposal</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Parking</u>	<u>Proprietary</u>	<u>Government</u>
		<u>Fund</u>			<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
June 30, 2008								
Annual required contributions (ARC)	\$ 239,847,238	\$ 18,559,411	\$ 22,735,945	\$ 15,935,062	\$ 660,808	\$ 178,275	\$ 297,916,739	
Interest on Net OPEB Obligation	—	—	—	—	—	—	—	
Adjustment to ARC	—	—	—	—	—	—	—	
Annual OPEB Cost (Expense)	239,847,238	18,559,411	22,735,945	15,935,062	660,808	178,275	297,916,739	
Contributions Made	(125,791,208)	(9,691,217)	(7,167,925)	(8,320,892)	(369,651)	(86,730)	(151,427,623)	
Changes in Net OPEB Obligation	114,056,030	8,868,194	15,568,020	7,614,170	291,157	91,545	146,489,116	
Net OPEB Obligation, beginning of year	—	—	—	—	—	—	—	
Net OPEB Obligation, end of year	\$ 114,056,030	\$ 8,868,194	\$ 15,568,020	\$ 7,614,170	\$ 291,157	\$ 91,545	\$ 146,489,116	

Funding Status and Funding Progress

Health and Life Insurance Benefit Plan – As of July 1, 2007, the most recent actuarial valuation date for the Benefit Plan, the actuarial accrued liability for benefits related to all City employees was \$4,823,562,208, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,823,562,208. The covered payroll (annual payroll of all active City employees covered by the plan) was \$622,615,817 and the ratio of the UAAL to the covered payroll was 775%.

Supplemental Death Benefit Plan – As of July 1, 2007, the most recent actuarial valuation date for the Supplemental Plan, the actuarial accrued liability for benefits related to all City employees was \$29,395,670, and the actuarial value of assets was \$27,367,300, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,038,370. The covered payroll (annual payroll of all active City employees covered by the plan) was \$622,615,814 and the ratio of the UAAL to the covered payroll was less than .3%.

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 schedule of funding progress, is presented following these notes to the financial statements, as required supplemental information only for the fiscal year ended June 30, 2008. 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.

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, 2008 were as follows:

	Health and Life Insurance Benefit Plan	Supplemental Death Benefit Plan
Valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent	Level percent
Remaining amortization period for unfunded accrued liabilities	30 years	30 years
Asset valuation method	N/A	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	4.0%	7.0%
Projected salary increases*	4.0%	N/A
Healthcare cost trend rate	9.0% for 2008, grading grading down to 4.0% in 2016 and beyond	N/A

* Includes inflation rate of 4%.

In the July 1, 2007 actuarial valuation for the Supplemental Benefit Plan, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return, which is the rate expected long-term investment returns on the plan. The City's plan used the 1983 Group Annuity Mortality Table in evaluating death benefits to be paid. The City's plan used an annual rate of retirement for Males and Females of 25 and 30 percent, initially, reduced to an ultimate rate of 25 for Males and 20 percent for Females after age 67 for General City. The City plan used an annual rate of retirement of 25 percent, initially, reduced to an ultimate rate of 30 percent after age 76 for Police and Fire. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market of investments over a five-year period. The UAAL for the plan is being amortized using straight-line method (level percent of pay amortized annually) over thirty (30) years.

e. Component Units -

GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs. Supplemental tipping fees are provided from certain taxes collected by the State of Michigan, which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation whether or not the facility is operating. For the year ended June 30, 2008, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	\$ 64,332,417
Supplemental Tipping Fees	<u>18,192,047</u>
Total	<u>\$ 82,524,464</u>

NOTE IV. SUBSEQUENT EVENTS

A. SUBSEQUENT ECONOMIC EVENTS

Subsequent to the fiscal year ended June 30, 2008, significant uncertain economic conditions continue to cast doubt on the City's future operations. Though limited signs of economic improvement can be seen on a national level, locally and throughout the State of Michigan the economic conditions remain recessionary. The City faces continued rising unemployment (27.8% in June 2009), potentially leading to more significant reductions in personal income tax income. Higher resident home foreclosures and delinquent property tax levels represent another sign of significant future financial concern. Distributable state aid (i.e., revenue sharing) for the year ended June 30, 2008, which represents another major source of City revenue, remained in line with the prior year's level but its future growth is in doubt.

Conditions in the municipal debt markets have improved since the general liquidity shortages experienced late in 2008. Notwithstanding this general improvement, imbalances in supply and demand and illiquidity problems remain in certain segments areas of the market in 2009. These issues are particularly applicable to lower rated debt issues.

As a result of these uncertainties and other factors, including the reported accumulated deficit in the accompanying General Fund financials, City's access to necessary debt markets has become increasingly challenging. Assuming short-term and long-term debt can be obtained, the cost of such funding is likely to increase, further exacerbating future uncertainties.

Debt Ratings

Consistent with the aforementioned uncertainties, on January 6, 2009, Standard & Poor's Rating Services (S&P) downgraded the City's \$530 million of outstanding unlimited tax general obligation bond rating from "BBB" to "BB" and its \$355 million of outstanding limited tax general obligation bond rating from "BBB-" to "BB." On that date, S&P also downgraded to BB, the rating on the \$536 million of outstanding Detroit Retirement Systems Funding Trust 2005 Taxable Certificates of Participation Series 2005 and the \$948 million of Detroit Retirement Systems Funding Trust 2006 Taxable Certificates of Participation Series 2006 (collectively, the Pension Obligation Certificates or POCs).

On January 13, 2009, Moody's Investors Service (Moody's) downgraded the ratings on the City's unlimited-tax general obligation debt and on the POCs from "Baa3" to "Ba2" and its limited-tax general obligation debt rating from "Ba1" to "Ba3." At the same time, Moody's downgraded from "Aa3" to "Baa3" the Global Scale Rating assigned to the outstanding POCs.

On January 22, 2009, Fitch Ratings (Fitch) downgraded the ratings of the City's unlimited tax general obligation bonds and POCs from "BBB" to "BB," and its limited tax general obligation debt from "BBB" to "BB-."

In August 2009, Moody's downgraded Detroit's Unlimited Tax General Obligation Bonds rating from "Ba2" to "Ba3", Limited Tax General Obligation Bonds rating from "Ba3" to "B1" and Detroit Retirement Systems Funding Trust Series 2005-A, 2006-A, B from "Ba2" to "Ba3." Concurrently, Moody's downgraded the Global Scale Rating assigned to the outstanding POCs from "Baa3" to "Ba1."

The City's General Obligation, Water Supply System Revenue, and Sewage Disposal System Revenue Bonds are also insured with bond insurance coverage purchased to obtain a lower cost of borrowing through rated bond insurers. As the ratings of many of the bond insurers were downgraded in 2008, primarily as a result of their exposure to sub prime mortgage products, certain City's bonds have been affected. Such effects may include the triggering technical defaults of those agreements.

Swap Agreement Termination Events

A high uncertainty risk of a Swap Agreement Termination continues in light of the preceding debt rating declines of the City, in concert with falling ratings of the City's Swap Agreement Insurers. As of June 30, 2008, the City had eight interest rate exchange agreements (the "Swap Agreements") in effect. These Swap Agreements were issued in conjunction with the issuance of the General, Police and Fire Retirement Systems Trusts' Pension Obligation Certificates (POCs).

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, will constitute an Additional Termination Event. In June 2009, the City secured an amendment to the Swap Agreements, and thereby mitigating risk of receiving 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, and agreed to other new termination events. The termination events under the amended Swap Agreement includes a provision for the Counterparties to terminate the amended Swap Agreement if certain coverage levels of the Wagering Taxes over the required quarterly payment are not met or if POCs ratings are withdrawn, suspended or downgraded below "Ba3" (or equivalent). Should such Termination Events occur in connection with these Swap Agreements, and not be cured, there presently exists significant risk in connection with the City's ability to meet the cash demands under the terms of the amended Swap Agreements.

B. TRANSFER CONTROL OF ASSETS

Effective September 15, 2009, the City transferred control via a long-term lease of the Cobo Hall Convention Facility ("Cobo Center") to the Detroit Regional Convention Facility Authority (the "Authority"). In addition, Cobo Arena and three (3) parking garages associated with Cobo Center will be transferred to the Authority after February 1, 2010, but only upon payment of approximately \$20.0 million. Notwithstanding this series of transactions, the City will retain ownership of the capital assets.

C. NEW DEBT ISSUES

In September 2008, \$20,000,000 Sewage Disposal System Second Lien Revenue Bonds (ARC), Series 2001 (D-1) were redeemed in their entirety and the associated swap agreement was terminated. Also in September, the Sewage Disposal System issued \$161,000,000 SRF Junior Lien Revenue Bonds which began to mature October 1, 2013 and will fully mature in the year 2032, and the Water Supply System issued \$6,500,000 SRF Junior Lien Revenue Bonds which begin to mature October 1, 2009 and will be fully matured in the year 2028.

In April 2009, all of the outstanding Water Supply System Bonds, Series 2006-B was remarketed from variable rate to fixed rate bonds, at which time the City entered into mirror swaps to neutralize the cash flows of the floating-to-fixed rate payment. The Series 2006-B bonds will begin to mature July 1, 2011 and will fully mature in the year 2036. Additionally, in April, the City issued \$127,375,000 of Revenue Anticipation Notes (RANs), Series 2009, in anticipation of certain shared revenue payments the City expects to receive from the State of Michigan. The notes were issued to provide funds to pay necessary operating expenditures of the City for the current fiscal year ending June 30, 2009, and costs of the issuance of the notes. The RANs are secured by the City Charter, statutory and constitutional tax levies on all applicable property and mature March 1, 2010. Furthermore, the Sewage Disposal System issued \$27,975,000 SRF Junior Lien Revenue Bonds in April of 2009. The bonds begin to mature April 1, 2011 and will be fully matured in the year 2030.

In June 2009, the Sewage Disposal System issued \$304,870,000 in bonds (\$116,870,000 Senior Lien Revenue Refunding Bonds, Series 2001 (C-1), \$38,000,000 Senior Lien Revenue Refunding Bonds, Series 2001 (C-1), and \$150,000,000 Senior Lien Revenue Bonds, Series 2003 (B). The bonds begin to mature in July 2009, and will be fully matured in the fiscal year ended June 30, 2034.

On June 30, 2009, the City issued two series of Tax Anticipation Notes (TANs). The \$46,450,000 of TANs, Series 2009A mature October 1, 2009 and \$49,770,000 TANs, Series 2009B mature April 1, 2010. Both series are secured by the City's property tax receipts and were issued to provide funds for operating expenditures.

D. LEGAL SETTLEMENTS

In September 2005, several customers of both the Sewage Disposal Fund and the Water Fund challenged the method of allocating costs associated with the 800MHz project. In early 2007, the court issued a preliminary ruling acknowledging that the Funds were overcharged. On December 18, 2008, the Detroit Water and Sewer Department and the City announced a tentative agreement in which the City would repay each of the funds \$13.5 million inclusive of estimated interest. \$13.5 million would be deposited into each fund's construction bond fund to offset the cost of future capital improvements. In May 2009, an agreement was reached whereby the City's General Fund agreed to pay a total of \$27 million to the Sewage Disposal Fund and the Water Fund, as tentatively agreed to in December 2008. Additionally, the settlement terms provided that the Detroit Water and Sewer Department would reduce the interest rate charged to Macomb County, resulting in a credit to Macomb County of \$17 million, that Wayne, Oakland, and Macomb Counties would sign a new thirty-year sewer service contract with the Department, and that the Department would transfer ownership of the Oakland-Macomb Interceptor, to either Macomb County or an authority created by Oakland and Macomb Counties, subject to a six-month due diligence. In August 2009, the City Council and the Detroit Water and Sewer Department's Board of Water Commissioners approved the transfer of the Sewage Fund's Oakland-Macomb Interceptor to Macomb and Oakland counties for approximately \$100 million. As a result, Macomb and Oakland Counties will assume responsibility for maintenance and upkeep of the interceptor upon transfer of ownership.

In August 2009, the City's General Retirement System filed a legal claim against the City as a result of a failure to remit certain pension contributions during fiscal 2009, plus accrued interest. On September 2, 2009, the City and the General Retirement System reached an agreement that the delayed pension contribution for fiscal 2009, which approximates \$13.0 million, would be paid in monthly installments with the final payment occurring on or before July 15, 2010. This obligation of the City is accruing interest at the rate 7.9% annually.

In August 2009, the City's Police and Fire Retirement System filed a legal claim against the City as a result of a failure to remit certain pension contributions during fiscal 2009, plus accrued interest. On August 20, 2009, the City and the Police and Fire Retirement System reached an agreement that the delayed pension contribution for fiscal 2009, which approximates \$36.1 million, would be paid in monthly installments with the final payment occurring on or before July 1, 2010. This obligation of the City is accruing interest at the rate 7.5% annually.

REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

GENERAL FUND

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL

(UNAUDITED)

NOTES TO BUDGET TO ACTUAL COMPARISON

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

Budgetary Compliance: On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council no later than May 24. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

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

City of Detroit, Michigan
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

	<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>		
REVENUES:				
Taxes, Assessments, Interest and Penalties:				
Property Taxes.....	\$ 180,325,729	\$ 180,325,729	\$ 155,155,928	\$ (25,169,801)
Municipal Income Tax.....	277,562,000	277,562,000	276,485,035	(1,076,965)
Utility Users' Tax.....	60,000,000	60,000,000	51,590,599	(8,409,401)
Wagering Taxes.....	193,248,000	193,248,000	180,365,237	(12,882,763)
Other Taxes and Assessments.....	11,382,816	11,382,816	10,547,778	(835,038)
Interest and Penalties on Taxes.....	7,500,000	7,500,000	10,857,112	3,357,112
Total Taxes, Assessments, Interest and Penalties.....	<u>730,018,545</u>	<u>730,018,545</u>	<u>685,001,689</u>	<u>(45,016,856)</u>
Licenses, Permits and Inspection Charges:				
Business Licenses.....	1,580,000	1,580,000	738,488	(841,512)
Permits.....	946,000	946,000	1,174,750	228,750
Inspection Charges.....	9,089,589	9,089,589	6,931,609	(2,157,980)
Other Licenses.....	80,064	80,064	114,509	34,445
Total Licenses, Permits and Inspection Charges.....	<u>11,695,653</u>	<u>11,695,653</u>	<u>8,959,356</u>	<u>(2,736,297)</u>
Shared Taxes:				
Liquor and Beer Licenses.....	550,000	550,000	573,613	23,613
State Shared Tax.....	274,402,278	274,402,278	248,225,389	(26,176,889)
Other Shared Tax.....	826,578	826,578	801,910	(24,668)
Total Shared Taxes.....	<u>275,778,856</u>	<u>275,778,856</u>	<u>249,600,912</u>	<u>(26,177,944)</u>
Intergovernmental:				
Federal.....	16,822,234	71,474,522	50,152,843	(21,321,679)
State.....	44,750,460	29,390,703	12,719,575	(16,671,128)
Other Grants.....	6,004,179	44,095,468	589,446	(43,506,022)
Total Grants.....	<u>67,576,873</u>	<u>144,960,693</u>	<u>63,461,864</u>	<u>(81,498,829)</u>
Sales and Charges for Services:				
Maintenance and Construction.....	523,343	848,343	—	(848,343)
Other Labor and Materials.....	562,951	562,951	—	(562,951)
Electrical.....	52,301,252	52,301,252	50,215,082	(2,086,170)
Steam.....	738,569	738,569	1,381,776	643,207
Sanitation Charges.....	—	—	—	—
Recreation Fees.....	10,000	10,000	51,825	41,825
Collection Fees.....	8,584,922	8,614,922	12,518,778	3,903,856
Other Fees.....	49,944,594	50,012,576	53,759,872	3,747,296
Personal Services.....	65,876,012	65,554,556	41,636,663	(23,917,893)
Other Departmental Sales.....	41,181,283	47,042,175	33,687,968	(13,354,207)
Total Sales and Charges for Services.....	<u>219,722,926</u>	<u>225,685,344</u>	<u>193,251,964</u>	<u>(32,433,380)</u>
Ordinance Fines and Forfeitures.....	<u>28,512,018</u>	<u>28,512,018</u>	<u>17,640,789</u>	<u>(10,871,229)</u>
Revenue from Use of Assets:				
Investment Earnings.....	7,737,000	7,444,524	12,108,402	4,663,878
Real Estate Rentals.....	4,883,232	4,883,232	4,916,414	33,182
Concessions.....	3,602,000	3,602,000	3,022,607	(579,393)
Sale of Real Property.....	13,000,000	13,000,000	2,761,596	(10,238,404)
Total Revenue from Use of Assets.....	<u>29,222,232</u>	<u>28,929,756</u>	<u>22,809,019</u>	<u>(6,120,737)</u>
Other Revenue.....	<u>148,842,186</u>	<u>265,499,029</u>	<u>62,704,105</u>	<u>(202,794,924)</u>
Total Revenues.....	<u>1,511,369,289</u>	<u>1,711,079,894</u>	<u>1,303,429,698</u>	<u>(407,650,196)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Public Protection:				
Consumer Affairs.....	—	—	—	—
Fire.....	184,801,899	186,379,062	176,041,116	10,337,946
Human Rights.....	1,678,927	1,706,025	1,359,865	346,160
Ombudsperson.....	1,391,707	1,428,242	1,338,488	89,754
Parking Enforcement.....	9,594,828	10,144,690	8,756,553	1,388,137
Police.....	433,991,502	421,403,117	384,819,244	36,583,873
Detroit Office of Homeland Security.....	592,038	7,072,502	1,389,977	5,682,525
36th District Court.....	44,746,533	44,805,998	45,810,864	(1,004,866)
Total Public Protection.....	<u>676,797,434</u>	<u>672,939,636</u>	<u>619,516,107</u>	<u>53,423,529</u>
Department of Health.....	89,292,162	92,720,584	81,988,374	10,732,210
Recreation and Culture:				
Culture, Arts and Tourism.....	—	979,911	—	979,911
Historical.....	—	27,401	—	27,401
Recreation.....	29,745,202	34,440,566	21,021,233	13,419,333
Senior Citizens.....	—	805,154	244,646	560,508
Zoological Institute.....	—	—	—	—
Total Recreation and Culture.....	<u>29,745,202</u>	<u>36,253,032</u>	<u>21,265,879</u>	<u>14,987,153</u>
Economic Development — Civic Center.....	18,528,020	15,879,928	15,746,837	133,091
Housing Supply and Conditions:				
Planning and Development.....	6,922,322	15,785,634	9,607,906	6,177,728
Total Housing Supply and Conditions.....	<u>6,922,322</u>	<u>15,785,634</u>	<u>9,607,906</u>	<u>6,177,728</u>
Physical Environment:				
Environmental Affairs.....	4,332,928	5,314,549	4,666,179	648,370
Public Lighting.....	62,639,832	65,604,361	71,998,689	(6,394,328)
Public Works.....	14,786,381	17,550,441	18,057,655	(507,214)
Total Physical Environment.....	<u>81,759,141</u>	<u>88,469,351</u>	<u>94,722,523</u>	<u>(6,253,172)</u>
Development and Management:				
Auditor General.....	3,147,670	5,543,424	4,530,921	1,012,503
Budget.....	2,834,834	2,845,908	2,546,733	299,175
City Clerk.....	3,689,652	4,008,553	3,563,071	445,482
City Council.....	14,810,596	14,417,603	13,579,319	838,284
Communications and Creative Services.....	—	—	—	—
Elections.....	11,233,717	11,441,474	10,903,697	537,777
Finance.....	37,035,910	40,421,501	33,089,029	7,332,472
General Services.....	67,215,677	69,291,823	77,603,928	(8,312,105)
Law.....	22,664,898	23,139,717	21,423,877	1,715,840
Mayor's Office.....	12,700,809	13,425,608	11,273,698	2,151,910
Human Resources.....	22,569,697	22,531,215	18,277,870	4,253,345
Information Technology Services.....	23,366,537	24,608,146	22,400,649	2,207,497
Board of Zoning Appeals.....	854,555	974,573	827,516	147,057
Detroit Workforce Development Department.....	2,000	1,198,219	265,058	933,161
Administrative Hearings.....	2,199,607	2,220,269	1,858,024	362,245
Non Departmental.....	452,861,159	351,405,506	76,088,032	275,317,474
Total Development and Management.....	<u>677,187,318</u>	<u>587,473,539</u>	<u>298,231,422</u>	<u>289,242,117</u>
Capital Outlay.....	—	74,580,506	36,089,801	38,490,705

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Debt Service:				
Principal	—	86,234,302	—	86,234,302
Interest on Bonded Debt.....	—	26,140,069	3,431,243	22,708,826
Bond Issuance Costs.....	—	—	758,193	(758,193)
Total Debt Service.....	—	112,374,371	4,189,436	108,184,935
Total Expenditures.....	1,580,231,599	1,696,476,581	1,181,358,285	515,118,296
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(68,862,310)	14,603,313	122,071,413	107,468,100
OTHER FINANCING SOURCES USES:				
Sources:				
Transfers In.....	80,419,593	103,812,504	13,951,542	(89,860,962)
Proceeds from Capital Related Debt Issuance.....	—	—	74,929,578	74,929,578
Premium on General Obligation Bond Issuance.....	—	—	280,429	280,429
Total Other Financing Sources.....	80,419,593	103,812,504	89,161,549	(14,650,955)
Uses:				
Transfers Out.....	(11,557,283)	(118,415,817)	(264,177,777)	(145,761,960)
Interest on Bonded Debt.....	—	—	—	—
Total Other Financing Uses.....	(11,557,283)	(118,415,817)	(264,177,777)	(145,761,960)
Total Other Financing Sources (Uses).....	68,862,310	(14,603,313)	(175,016,228)	(160,412,915)
Net Change in Fund Balances.....	—	—	(52,944,815)	(52,944,815)
Fund Balance at Beginning of Year.....	—	—	(91,406,096)	(91,406,096)
Increase (Decrease) in Inventories	—	—	2,665,757	2,665,757
Fund Balances at End of Year.....	\$ —	\$ —	\$ (141,685,154)	\$ (141,685,154)

See accompanying independent auditors report
and notes to required supplementary information

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

PENSION DATA AND
OTHER POSTEMPLOYMENT BENEFITS

(UNAUDITED)

REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC PENSION DATA - UNAUDITED

Schedule of Employer Contributions (In millions):

<u>General Retirement System</u>				<u>Police and Fire Retirement System</u>			
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset
2003	\$ 72.9	100 %	N/A	2003	\$ 66.8	100 %	N/A
2004	95.9	100	N/A	2004	69.5	100	N/A
2005	106.4	754	\$ 695.6	2005	98.8	702	\$ 595.1
2006	75.5	120	679.0	2006	94.8	100	603.1
2007	81.3	100	691.3	2007	90.4	100	618.8

Schedule of Funding Progress (In millions):

General Retirement System:

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
2003	\$ 2,537.7	\$ 3,270.6	77.6 %	\$ 733.0	\$ 448.6	163.4 %
2004	2,470.2	3,383.9	73.0	913.7	444.6	205.5
2005	3,222.4	3,347.4	96.3	125.0	390.6	32.0
2006	3,373.7	3,434.3	98.2	60.6	361.1	16.8
2007	3,586.6	3,629.2	98.8	42.7	361.7	11.8

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 Payroll
2003	\$ 3,205.5	\$ 3,721.6	86.1 %	\$ 516.1	\$ 248.7	207.5 %
2004	3,074.5	3,857.5	79.7	783.0	258.7	302.7
2005	3,757.9	3,780.4	99.4	22.6	250.5	9.0
2006	3,987.5	3,809.0	104.7	(178.5)	228.9	-
2007	4,307.2	3,896.8	110.5	(410.4)	230.2	-

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC OTHER POSTEMPLOYMENT BENEFITS DATA - UNAUDITED

Schedule of Employer Contributions:

<u>Health and Life Insurance Benefit Plan</u>				<u>Supplemental Death Benefit Plan</u>			
Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed	Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	\$ 297,771,035	\$ 151,261,849	50.8 %	2008	\$ 145,704	\$ 165,774	113.8 %

Schedule of Funding Progress (000 omitted):

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 Payroll
2007	\$ -	\$ 4,823,562.2	- %	\$ 4,823,562.2	\$ 622,615.8	774.7 %

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 Payroll
2007	\$ 27,367.3	\$ 29,395.7	93.1 %	\$ 2,028.4	\$ 622,615.8	0.3 %

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COMBINING
NON-MAJOR
GOVERNMENTAL
FUNDS
FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

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

Community Development Block Grant Funds	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974.
Construction Code Fund	In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act.
Detroit Building Authority Fund	To account for financing activities associated with acquiring, improving, operating and maintaining buildings and other structures for public purposes.
Detroit Workforce Development Department	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.
Empowerment Zone Fund	To account for activities financed by Federal Government Grants under provision of Section 2007 of Title XX of the Social Security Act as amended.
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.
Supportive Housing Programs and Homeless Initiatives Funds	To account for financing activities of Supportive Housing Programs for the Homeless received from the Federal Government.
Targeted Business Development Fund	To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City.
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.

CAPITAL PROJECTS FUNDS

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

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

DEBT SERVICE FUND

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

PERMANENT FUNDS

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

**PERPETUAL CARE — BEQUEST FUND
TO ACCOUNT FOR INCOME AND DISBURSEMENTS OF BEQUESTS
ACCEPTED BY THE CITY.**

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds and Bequest Funds</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents.....	\$ 41,911,039	\$ 33,215,700	\$ 26,252,185	\$ 252,030	\$ 101,630,954
Investments.....	52,424,565	11,634,744	109,731,176	1,242,172	175,032,657
Accounts and Contracts Receivable:					
Property Tax Receivable.....	—	27,017,454	—	—	27,017,454
Special Assessments.....	—	—	217,816	—	217,816
Interest and Penalties.....	—	2,647,710	—	—	2,647,710
Loans Receivable.....	18,468,175	—	—	—	18,468,175
Trade Receivables.....	470,146	—	567,233	—	1,037,379
Total Accounts and Contracts Receivable.....	18,938,321	29,665,164	785,049	—	49,388,534
Allowance for Uncollectible Accounts.....	(18,757,092)	(29,665,164)	(567,233)	—	(48,989,489)
Total Accounts and Contracts Receivable - Net.....	181,229	—	217,816	—	399,045
Due from Other Funds.....	37,930,451	5,781,181	5,767,841	—	49,479,473
Due from Other Governmental Agencies.....	27,609,542	—	8,606	—	27,618,148
Inventory.....	139,009	—	—	—	139,009
Prepaid Expenditures.....	127,636	—	—	—	127,636
Total Assets.....	<u>\$ 160,323,471</u>	<u>\$ 50,631,625</u>	<u>\$ 141,977,624</u>	<u>\$ 1,494,202</u>	<u>\$ 354,426,922</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable.....	\$ 11,493,451	\$ —	\$ 6,933,479	\$ —	\$ 18,426,930
Accrued Liabilities.....	13,424,924	—	3,973,123	—	17,398,047
Accrued Salaries and Wages Payable.....	1,092,975	—	19,380	—	1,112,355
Due to Other Funds.....	28,358,215	104,361	3,201,575	—	31,664,151
Advances from Other Funds.....	—	—	850,000	—	850,000
Due to Other Governmental Agencies.....	15,855,431	7,701,832	—	—	23,557,263
Deposits from Vendors and Customers.....	921,865	—	79,055	—	1,000,920
Deferred Revenue.....	2,420,583	—	217,816	—	2,638,399
Other Liabilities.....	3,732,611	—	428,223	—	4,160,834
Total Liabilities.....	77,300,055	7,806,193	15,702,651	—	100,808,899
Fund Balances:					
Reserved for Inventory.....	139,009	—	—	—	139,009
Reserved for Highway and Street Improvements.....	49,024,342	—	—	—	49,024,342
Reserved for Encumbrances.....	16,995,041	—	—	—	16,995,041
Reserved for Endowments and Trusts.....	—	—	—	1,494,202	1,494,202
Reserved for Debt Service.....	—	42,825,432	—	—	42,825,432
Reserved for Capital Acquisitions.....	—	—	126,274,973	—	126,274,973
Undesignated.....	16,865,024	—	—	—	16,865,024
Total Fund Balances.....	83,023,416	42,825,432	126,274,973	1,494,202	253,618,023
Total Liabilities and Fund Balances.....	<u>\$ 160,323,471</u>	<u>\$ 50,631,625</u>	<u>\$ 141,977,624</u>	<u>\$ 1,494,202</u>	<u>\$ 354,426,922</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Bequest Funds	Totals
REVENUES:					
Taxes:					
Property Taxes.....	—	\$ 70,734,385	\$ —	\$ —	\$ 70,734,385
Gas and Weight Tax.....	61,070,748	—	—	—	61,070,748
Other Taxes and Assessments.....	—	2,735,970	—	—	2,735,970
State Hotel and Liquor Tax.....	—	16,220,140	—	—	16,220,140
Licenses, Permits and Inspection Charges.....	25,605,971	—	—	—	25,605,971
Intergovernmental:					
Federal.....	166,018,398	—	6,503,790	—	172,522,188
State.....	28,343,111	—	—	—	28,343,111
Other.....	3,437,145	—	—	—	3,437,145
Sales and Charges for Services.....	65,347,594	—	—	—	65,347,594
Ordinance Fines and Forfeitures.....	3,209,840	—	—	—	3,209,840
Revenue from Use of Assets.....	—	2,860,000	—	—	2,860,000
Investment Earnings.....	1,714,636	2,418,675	2,899,166	48,740	7,081,217
Other Revenue.....	5,556,887	679,734	3,341,204	—	9,577,825
Total Revenues.....	<u>360,304,330</u>	<u>95,648,904</u>	<u>12,744,160</u>	<u>48,740</u>	<u>468,746,134</u>
EXPENDITURES:					
Current:					
Public Protection.....	40,714,457	—	—	—	40,714,457
Health.....	75,425,998	—	—	—	75,425,998
Economic Development.....	39,503,598	5,809,387	38,283,075	—	83,596,060
Educational Development.....	57,388,638	—	—	—	57,388,638
Physical Environment.....	108,264,428	—	—	—	108,264,428
Transportation Facilitation.....	58,595,880	—	—	—	58,595,880
Debt Service:					
Principal.....	—	100,939,435	39,277,000	—	140,216,435
Interest.....	—	46,410,937	64,197	—	46,475,134
Bond Issuance Costs.....	—	—	2,423,860	—	2,423,860
Capital Outlay.....	19,383,503	—	32,985,245	—	52,368,748
Total Expenditures.....	<u>399,276,502</u>	<u>153,159,759</u>	<u>113,033,377</u>	<u>—</u>	<u>665,469,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>(38,972,172)</u>	<u>(57,510,855)</u>	<u>(100,289,217)</u>	<u>48,740</u>	<u>(196,723,504)</u>
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In.....	71,336,019	62,387,747	1,833,296	—	135,557,062
Proceeds from Bond and Note Issuances.....	—	—	206,854,000	—	206,854,000
Premium on General Obligation Bonds Issued.....	—	—	4,693,941	—	4,693,941
Uses:					
Transfers Out.....	(42,593,662)	(1,833,296)	(1,600,271)	—	(46,027,229)
Principal Paid to Bond Agents for Refunded Bonds.....	—	—	(72,410,000)	—	(72,410,000)
Interest Paid to Bond Agents for Refunded Bonds.....	—	—	(1,314,181)	—	(1,314,181)
Total Other Financing Sources (Uses), Net.....	<u>28,742,357</u>	<u>60,554,451</u>	<u>138,056,785</u>	<u>—</u>	<u>227,353,593</u>
Net Change in Fund Balances.....	<u>(10,229,815)</u>	<u>3,043,596</u>	<u>37,767,568</u>	<u>48,740</u>	<u>30,630,089</u>
Fund Balances at Beginning of Year.....	94,245,169	39,781,836	88,507,405	1,445,462	223,979,872
Decrease in Inventories.....	(991,938)	—	—	—	(991,938)
Fund Balances at End of Year.....	<u>\$ 83,023,416</u>	<u>\$ 42,825,432</u>	<u>\$ 126,274,973</u>	<u>\$ 1,494,202</u>	<u>\$ 253,618,023</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
ASSETS					
Cash.....	\$ 2,369,557	\$ 2,988,492	\$ 2,870,854	\$ 2,245,051	\$ 5,737,169
Investments.....	—	—	—	—	11,424,565
Accounts and Contracts Receivable:					
Loans Receivable.....	18,468,175	—	—	—	—
Trade Receivables.....	41,782	282,224	—	—	—
Total Accounts and Contracts Receivable.....	18,509,957	282,224	—	—	—
Less: Allowance for Uncollectible Accounts.....	(18,509,957)	(247,135)	—	—	—
Total Accounts and Contracts Receivable-Net.....	—	35,089	—	—	—
Due from Other Funds.....	1,751,723	428,224	1,088,906	2,031,324	1,227
Due from Other Governmental Agencies.....	3,344,181	128,917	—	12,065,711	—
Inventory.....	—	—	—	—	—
Prepaid Expenditures.....	—	—	—	127,636	—
Total Assets.....	\$ 7,465,461	\$ 3,580,722	\$ 3,959,760	\$ 16,469,722	\$ 17,162,961
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable.....	\$ 1,518,807	\$ 1,022,022	\$ 28,269	\$ 1,937,006	\$ 107,033
Accrued Liabilities.....	2,237,178	37,716	—	6,070,603	47,771
Accrued Salaries and Wages Payable.....	189,293	286,274	—	171,840	19,875
Due to Other Funds.....	2,626,583	1,531,842	504,745	4,119,860	76,188
Due to Other Governmental Agencies.....	—	—	—	2,017,892	—
Deposits from Vendors and Customers.....	856,358	65,082	—	425	—
Deferred Revenue.....	—	—	411,390	2,009,193	—
Other Liabilities.....	37,242	276,863	266,961	142,903	—
Accrued Compensated Absences.....	—	—	—	—	—
Total Liabilities.....	7,465,461	3,219,799	1,211,365	16,469,722	250,867
Fund Balances:					
Reserved for Inventory.....	—	—	—	—	—
Reserved for Highway & Street Improvements.....	—	—	—	—	—
Reserved for Encumbrances.....	—	82,947	—	—	16,912,094
Undesignated.....	—	277,976	2,748,395	—	—
Total Fund Balances.....	—	360,923	2,748,395	—	16,912,094
Total Liabilities and Fund Balances.....	\$ 7,465,461	\$ 3,580,722	\$ 3,959,760	\$ 16,469,722	\$ 17,162,961

See accompanying independent auditors' report.

Empowerment Zone Fund	Human Services Fund	Solid Waste Management Fund	Street Fund	Supportive Housing Programs and Homeless Initiatives Fund	Targeted Business Development Fund	Telecommunications Fund	Totals
\$ 662,767	\$ 4,300,224	\$ 416,433	6,305,401	\$ 64,811	\$ 11,129,458	\$ 2,820,822	\$ 41,911,039
—	—	—	41,000,000	—	—	—	52,424,565
—	—	—	—	—	—	—	18,468,175
—	—	38,111	108,029	—	—	—	470,146
—	—	38,111	108,029	—	—	—	18,938,321
—	—	—	—	—	—	—	(18,757,092)
—	—	38,111	108,029	—	—	—	181,229
47,173	4,550,044	26,772,363	1,259,467	—	—	—	37,930,451
—	1,516,728	—	10,554,005	—	—	—	27,609,542
—	—	—	139,009	—	—	—	139,009
—	—	—	—	—	—	—	127,636
<u>\$ 709,940</u>	<u>\$ 10,366,996</u>	<u>\$ 27,226,907</u>	<u>59,365,911</u>	<u>\$ 64,811</u>	<u>\$ 11,129,458</u>	<u>\$ 2,820,822</u>	<u>\$ 160,323,471</u>
\$ —	\$ 2,264,261	\$ 15,378	4,600,675	\$ —	\$ —	\$ —	\$ 11,493,451
21,891	1,644,413	3,904	3,332,328	—	—	29,120	13,424,924
5,728	99,441	—	320,524	—	—	—	1,092,975
682,321	3,350,239	14,517,827	801,292	64,811	—	82,507	28,358,215
—	—	12,689,798	1,147,741	—	—	—	15,855,431
—	—	—	—	—	—	—	921,865
—	—	—	—	—	—	—	2,420,583
—	3,008,642	—	—	—	—	—	3,732,611
—	—	—	—	—	—	—	—
<u>709,940</u>	<u>10,366,996</u>	<u>27,226,907</u>	<u>10,202,560</u>	<u>64,811</u>	<u>—</u>	<u>111,627</u>	<u>77,300,055</u>
—	—	—	139,009	—	—	—	139,009
—	—	—	49,024,342	—	—	—	49,024,342
—	—	—	—	—	—	—	16,995,041
—	—	—	—	—	11,129,458	2,709,195	16,865,024
—	—	—	49,163,351	—	11,129,458	2,709,195	83,023,416
<u>\$ 709,940</u>	<u>\$ 10,366,996</u>	<u>\$ 27,226,907</u>	<u>59,365,911</u>	<u>\$ 64,811</u>	<u>\$ 11,129,458</u>	<u>\$ 2,820,822</u>	<u>\$ 160,323,471</u>

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
REVENUES:					
Taxes:					
Gas and Weight Tax.....	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, Permits and Inspection Charges.....	—	25,605,971	—	—	—
Intergovernmental:					
Federal.....	40,932,973	—	—	57,388,638	—
State.....	—	—	—	—	—
Other.....	—	—	—	—	—
Sales and Charges for Services.....	—	—	—	—	—
Ordinance Fines and Forfeitures.....	—	719,381	—	—	2,490,459
Investment Earnings.....	23,613	—	—	—	677,964
Other Revenue.....	2,102,441	13,361	1,050,243	—	180,937
Total Revenues.....	43,059,027	26,338,713	1,050,243	57,388,638	3,349,360
EXPENDITURES:					
Current:					
Public Protection.....	—	37,248,860	—	—	3,465,597
Health.....	—	—	—	—	—
Economic Development.....	30,762,660	—	1,370,396	—	—
Educational Development.....	—	—	—	57,388,638	—
Physical Environment.....	—	—	—	—	—
Transportation Facilitation.....	—	—	—	—	—
Capital Outlay.....	15,162	36,363	—	—	149,214
Total Expenditures.....	30,777,822	37,285,223	1,370,396	57,388,638	3,614,811
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	12,281,205	(10,946,510)	(320,153)	—	(265,451)
Other Financing Sources (Uses):					
Transfers In.....	1,600,271	10,562,740	—	—	—
Transfers Out.....	(13,881,476)	—	—	—	—
Total Other Financing Sources (Uses), Net.....	(12,281,205)	10,562,740	—	—	—
Net Change in Fund Balances.....	—	(383,770)	(320,153)	—	(265,451)
Fund Balances at Beginning of Year.....	—	744,693	3,068,548	—	17,177,545
Increase (Decrease) in Inventory.....	—	—	—	—	—
Fund Balances at End of Year.....	\$ —	\$ 360,923	\$ 2,748,395	\$ —	\$ 16,912,094

See accompanying independent auditors' report.

<u>Empowerment Zone Fund</u>	<u>Human Services Fund</u>	<u>Solid Waste Management Fund</u>	<u>Street Fund</u>	<u>Supportive Housing Programs and Homeless Initiatives Fund</u>	<u>Targeted Business Development Fund</u>	<u>Telecommunications Fund</u>	<u>Totals</u>
\$ —	\$ —	\$ —	\$ 61,070,748	\$ —	\$ —	\$ —	\$ 61,070,748
—	—	—	—	—	—	—	25,605,971
—	67,696,787	—	—	—	—	—	166,018,398
—	5,415,056	—	20,039,876	—	—	2,888,179	28,343,111
—	—	—	3,437,145	—	—	—	3,437,145
—	—	65,347,594	—	—	—	—	65,347,594
—	—	—	—	—	—	—	3,209,840
—	19,629	—	993,430	—	—	—	1,714,636
—	—	1,307,866	902,039	—	—	—	5,556,887
—	73,131,472	66,655,460	86,443,238	—	—	2,888,179	360,304,330
—	—	—	—	—	—	—	40,714,457
—	75,425,998	—	—	—	—	—	75,425,998
—	—	—	—	—	7,370,542	—	39,503,598
—	—	—	—	—	—	—	57,388,638
—	—	108,264,428	—	—	—	—	108,264,428
—	—	—	58,151,085	—	—	444,795	58,595,880
—	—	321,100	16,179,061	—	—	2,682,603	19,383,503
—	75,425,998	108,585,528	74,330,146	—	7,370,542	3,127,398	399,276,502
—	(2,294,526)	(41,930,068)	12,113,092	—	(7,370,542)	(239,219)	(38,972,172)
—	2,294,526	41,930,068	12,000,000	—	—	2,948,414	71,336,019
—	—	—	(28,712,186)	—	—	—	(42,593,662)
—	2,294,526	41,930,068	(16,712,186)	—	—	2,948,414	28,742,357
—	—	—	(4,599,094)	—	(7,370,542)	2,709,195	(10,229,815)
—	—	—	54,754,383	—	18,500,000	—	94,245,169
—	—	—	(991,938)	—	—	—	(991,938)
\$ —	\$ —	\$ —	\$ 49,163,351	\$ —	\$ 11,129,458	\$ 2,709,195	\$ 83,023,416

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL CAPITAL PROJECTS FUNDS
June 30, 2008

	Capital Projects	Urban Renewal	Totals
ASSETS			
Assets:			
Cash.....	\$ 14,909,741	\$ 11,342,444	\$ 26,252,185
Investments.....	106,618,832	3,112,344	109,731,176
Accounts and Contracts Receivable:			
Special Assessments.....	217,816	—	217,816
Trade Receivables.....	567,233	—	567,233
Total Accounts and Contracts Receivable.....	785,049	—	785,049
Allowance for Uncollectible Accounts.....	(567,233)	—	(567,233)
Total Accounts and Contracts Receivable - Net.....	217,816	—	217,816
Due from Other Funds.....	5,763,950	3,891	5,767,841
Due from Other Governmental Agencies.....	8,606	—	8,606
Total Assets.....	\$ 127,518,945	\$ 14,458,679	\$ 141,977,624
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable.....	\$ 6,910,953	\$ 22,526	\$ 6,933,479
Accrued Liabilities.....	3,945,574	27,549	3,973,123
Accrued Salaries and Wages Payable.....	4,560	14,820	19,380
Due to Other Funds.....	2,108,097	1,093,478	3,201,575
Advance from General Fund.....	850,000	—	850,000
Deposits from Vendors and Customers.....	—	79,055	79,055
Deferred Revenue.....	217,816	—	217,816
Other Liabilities.....	91,742	336,481	428,223
Total Liabilities.....	14,128,742	1,573,909	15,702,651
Fund Balances:			
Reserved for Capital Acquisitions.....	113,390,203	12,884,770	126,274,973
Total Fund Balances.....	113,390,203	12,884,770	126,274,973
Total Liabilities and Fund Balances.....	\$ 127,518,945	\$ 14,458,679	\$ 141,977,624

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2008

	<u>Capital Projects</u>	<u>Urban Renewal</u>	<u>Totals</u>
Revenues:			
Intergovernmental - Federal.....	\$ —	\$ 6,503,790	\$ 6,503,790
Investment Earnings.....	2,753,722	145,444	2,899,166
Other Revenues.....	2,276,523	1,064,681	3,341,204
Total Revenues.....	<u>5,030,245</u>	<u>7,713,915</u>	<u>12,744,160</u>
Expenditures:			
Economic Development.....	—	38,283,075	38,283,075
Capital Outlay.....	32,985,245	—	32,985,245
Debt Service:			
Principal.....	—	39,277,000	39,277,000
Interest.....	—	64,197	64,197
Bond Issuance Costs.....	2,329,014	94,846	2,423,860
Total Expenditures.....	<u>35,314,259</u>	<u>77,719,118</u>	<u>113,033,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>(30,284,014)</u>	<u>(70,005,203)</u>	<u>(100,289,217)</u>
Other Financing Sources (Uses):			
Sources:			
Transfers In.....	1,833,296	—	1,833,296
Proceeds from Bond and Note Issuances.....	130,205,000	76,649,000	206,854,000
Premium on General Obligation Bonds Issued.....	4,693,941	—	4,693,941
Uses:			
Transfers Out.....	—	(1,600,271)	(1,600,271)
Principal Paid to Bond Agents for Refunded Bonds.....	(72,410,000)	—	(72,410,000)
Interest Paid to Bond Agents for Refunded Bonds.....	(1,314,181)	—	(1,314,181)
Total Other Financing Sources (Uses), Net.....	<u>63,008,056</u>	<u>75,048,729</u>	<u>138,056,785</u>
Net Change in Fund Balances.....	32,724,042	5,043,526	37,767,568
Fund Balances at Beginning of Year.....	<u>80,666,161</u>	<u>7,841,244</u>	<u>88,507,405</u>
Fund Balances at End of Year.....	<u>\$ 113,390,203</u>	<u>\$ 12,884,770</u>	<u>\$ 126,274,973</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL STREET FUND
June 30, 2008

	Major Streets	Local Streets	Totals
ASSETS			
Assets:			
Cash.....	\$ 3,879,525	\$ 2,425,876	\$ 6,305,401
Investments.....	33,000,000	8,000,000	41,000,000
Accounts and Contract Receivable - Trade.....	108,029	—	108,029
Due from Other Funds.....	1,259,466	—	1,259,466
Due from Other Governmental Agencies.....	8,336,816	2,217,190	10,554,006
Other Inventory.....	139,009	—	139,009
Total Assets.....	\$ 46,722,845	\$ 12,643,066	\$ 59,365,911
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable.....	\$ 2,490,993	\$ 2,109,682	\$ 4,600,675
Due to Other Funds.....	801,292	—	801,292
Due to Other Governmental Agencies.....	1,123,761	23,980	1,147,741
Accrued Salaries and Wages Payable.....	320,524	—	320,524
Accrued Liabilities.....	2,457,373	874,955	3,332,328
Total Liabilities.....	7,193,943	3,008,617	10,202,560
Fund Balances:			
Reserved for Inventory.....	139,009	—	139,009
Reserved for Act 51 Major and Local Street Funding.....	39,389,893	9,634,449	49,024,342
Total Fund Balances.....	39,528,902	9,634,449	49,163,351
Total Liabilities and Fund Balances.....	\$ 46,722,845	\$ 12,643,066	\$ 59,365,911

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL STREET FUND
For the Year Ended June 30, 2008

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals</u>
Revenues:			
Gas and Weight Tax.....	\$ 47,539,958	\$ 13,530,790	\$ 61,070,748
Intergovernmental:			
State.....	20,039,876	—	20,039,876
Other.....	3,437,145	—	3,437,145
Investment Earnings.....	799,590	193,840	993,430
Other Revenues.....	902,039	—	902,039
Total Revenues.....	<u>72,718,608</u>	<u>13,724,630</u>	<u>86,443,238</u>
Expenditures:			
Transportation Facilitation.....	48,878,864	9,272,221	58,151,085
Capital Outlay.....	11,789,566	4,389,495	16,179,061
Total Expenditures.....	<u>60,668,430</u>	<u>13,661,716</u>	<u>74,330,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>12,050,178</u>	<u>62,914</u>	<u>12,113,092</u>
Other Financing Sources (Uses):			
Transfers In.....	—	12,000,000	12,000,000
Transfers Out.....	<u>(14,948,414)</u>	<u>(13,763,772)</u>	<u>(28,712,186)</u>
Total Other Financing Sources (Uses), Net.....	<u>(14,948,414)</u>	<u>(1,763,772)</u>	<u>(16,712,186)</u>
Net Change in Fund Balances.....	(2,898,236)	(1,700,858)	(4,599,094)
Fund Balances at Beginning of Year.....	43,419,076	11,335,307	54,754,383
Increase(Decrease) in Inventory.....	<u>(991,938)</u>	<u>—</u>	<u>(991,938)</u>
Fund Balances at End of Year.....	<u>\$ 39,528,902</u>	<u>\$ 9,634,449</u>	<u>\$ 49,163,351</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL PERMANENT FUNDS
June 30, 2008

	Permanent Funds		
	Bequest Funds		
	Other Trust	Cemetery Trust	Totals
ASSETS			
Cash.....	\$ —	\$ 252,030	\$ 252,030
Investments.....	48,606	1,193,566	1,242,172
Total Assets.....	\$ 48,606	\$ 1,445,596	\$ 1,494,202
LIABILITIES AND FUND BALANCES			
Fund Balances - Reserved for Endowments and Trusts.....	\$ 48,606	\$ 1,445,596	\$ 1,494,202
Total Liabilities and Fund Balances.....	\$ 48,606	\$ 1,445,596	\$ 1,494,202

See accompanying independent auditors' report.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL PERMANENT FUNDS
BEQUEST FUNDS
For the Year Ended June 30, 2008

	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Bequest Funds</u>		
	<u>Other</u>	<u>Cemetery</u>	
	<u>Trust</u>	<u>Trust</u>	
Revenues - Investment Earnings.....	\$ 1,907	\$ 46,833	\$ 48,740
Expenditures - Economic Development.....	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	1,907	46,833	48,740
Fund Balances at Beginning of Year.....	46,699	1,398,763	1,445,462
Fund Balances at End of Year.....	<u>\$ 48,606</u>	<u>\$ 1,445,596</u>	<u>\$ 1,494,202</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Year Ended June 30, 2008

	<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.....	\$ 40,524,513	\$ 55,388,971	\$ 40,932,973	\$ (14,455,998)
Investment Earnings.....	—	—	23,613	23,613
Other Revenues.....	5,500,855	5,500,855	2,102,441	(3,398,414)
Total Revenues.....	46,025,368	60,889,826	43,059,027	(17,830,799)
Expenditures:				
Economic Development.....	41,277,278	48,188,508	30,762,660	17,425,848
Debt Service.....	4,745,590	—	—	—
Capital Outlay.....	2,500	1,168,894	15,162	1,153,732
Total Expenditures.....	46,025,368	49,357,402	30,777,822	18,579,580
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	11,532,424	12,281,205	748,781
Other Financing Sources (Uses):				
Transfers in.....	—	3,228,880	1,600,271	(1,628,609)
Transfers out.....	—	(14,761,304)	(13,881,476)	879,828
Total Other Financing Sources (Uses), Net.....	—	(11,532,424)	(12,281,205)	(748,781)
Net Change in Fund Balance.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
CONSTRUCTION CODE FUND
For the Year Ended June 30, 2008

	<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.....	\$ 28,308,248	\$ 28,357,176	\$ 25,605,971	\$ (2,751,205)
Sales and Charges for Services.....	10,000	10,000	—	(10,000)
Ordinance Fines and Forfeitures.....	1,300,000	1,300,000	719,381	(580,619)
Other Revenues.....	—	—	13,361	13,361
Total Revenues.....	<u>29,618,248</u>	<u>29,667,176</u>	<u>26,338,713</u>	<u>(3,328,463)</u>
Expenditures:				
Public Protection.....	\$ 34,746,217	\$ 41,453,860	\$ 37,248,860	\$ 4,205,000
Capital Outlay.....	—	45,523	36,363	9,160
Total Expenditures.....	<u>34,746,217</u>	<u>41,499,383</u>	<u>37,285,223</u>	<u>4,214,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>(5,127,969)</u>	<u>(11,832,207)</u>	<u>(10,946,510)</u>	<u>885,697</u>
Other Financing Sources (Uses) - Transfers In.....	<u>5,127,969</u>	<u>11,087,514</u>	<u>10,562,740</u>	<u>(524,774)</u>
Total Other Financing Sources (Uses), Net.....	<u>5,127,969</u>	<u>11,087,514</u>	<u>10,562,740</u>	<u>(524,774)</u>
Net Change in Fund Balances.....	—	(744,693)	(383,770)	360,923
Fund Balance at Beginning of Year.....	—	744,693	744,693	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 360,923</u>	<u>\$ 360,923</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
DETROIT BUILDING AUTHORITY FUND
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues - Other.....	\$ 1,056,988	\$ 1,056,988	\$ 1,050,243	\$ (6,745)
Expenditures - Economic Development.....	<u>1,056,988</u>	<u>4,125,536</u>	<u>1,370,396</u>	<u>2,755,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	(3,068,548)	(320,153)	2,748,395
Fund Balance at Beginning of Year.....	<u>—</u>	<u>3,068,548</u>	<u>3,068,548</u>	<u>—</u>
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,748,395</u>	<u>\$ 2,748,395</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
DETROIT WORKFORCE DEVELOPMENT FUND
For the Year Ended June 30, 2008

	<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.....	\$ 52,146,681	\$ 77,060,562	\$ 57,388,638	\$ (19,671,924)
Other Revenues.....	1,000,000	7,917,569	—	(7,917,569)
Total Revenues.....	<u>53,146,681</u>	<u>84,978,131</u>	<u>57,388,638</u>	<u>(27,589,493)</u>
Expenditures:				
Educational Development.....	53,101,681	84,682,256	57,388,638	27,293,618
Capital Outlay.....	45,000	295,875	—	295,875
Total Expenditures.....	<u>53,146,681</u>	<u>84,978,131</u>	<u>57,388,638</u>	<u>27,589,493</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
DRUG LAW ENFORCEMENT FUND
For the Year Ended June 30, 2008

	<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.....	\$ 6,552,371	\$ 7,041,253	\$ 2,490,459	\$ (4,550,794)
Investment Earnings.....	—	—	677,964	677,964
Other Revenues.....	—	—	180,937	180,937
Total Revenues.....	<u>6,552,371</u>	<u>7,041,253</u>	<u>3,349,360</u>	<u>(3,691,893)</u>
Expenditures:				
Public Protection.....	6,552,371	7,548,669	3,465,597	4,083,072
Capital Outlay.....	—	1,773,250	149,214	1,624,036
Total Expenditures.....	<u>6,552,371</u>	<u>9,321,919</u>	<u>3,614,811</u>	<u>5,707,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	(2,280,666)	(265,451)	2,015,215
Fund Balance at Beginning of Year.....	—	2,280,666	17,177,545	14,896,879
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,912,094</u>	<u>\$ 16,912,094</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
EMPOWERMENT ZONE FUND
For the Year Ended June 30, 2008

	<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.....	\$ —	\$ 15,797,010	\$ —	\$ (15,797,010)
Expenditures - Economic Development.....	—	15,797,010	—	15,797,010
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
HUMAN SERVICES FUND
For the Year Ended June 30, 2008

	<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.....	\$ 60,797,651	\$ 68,599,178	\$ 67,696,787	\$ (902,391)
State.....	286,854	7,382,666	5,415,056	(1,967,610)
Investment Earnings.....	—	—	19,629	19,629
Total Revenues.....	<u>61,084,505</u>	<u>75,981,844</u>	<u>73,131,472</u>	<u>(2,850,372)</u>
Expenditures - Health.....	<u>63,229,799</u>	<u>81,931,894</u>	<u>75,425,998</u>	<u>6,505,896</u>
Total Expenditures.....	<u>63,229,799</u>	<u>81,931,894</u>	<u>75,425,998</u>	<u>6,505,896</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(2,145,294)	(5,950,050)	(2,294,526)	3,655,524
Other Financing Sources - Transfers In.....	<u>2,145,294</u>	<u>5,950,050</u>	<u>2,294,526</u>	<u>(3,655,524)</u>
Net Change in Fund Balances.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
SOLID WASTE MANAGEMENT FUND
For the Year Ended June 30, 2008

	<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.....	\$ —	\$ 7,267,018	\$ —	\$ (7,267,018)
Sales and Charges for Services.....	87,524,770	79,506,650	65,347,594	(14,159,056)
Ordinance Fines and Forfeitures.....	—	—	—	—
Other Revenues.....	66,288	817,390	1,307,866	490,476
Total Revenues.....	<u>87,591,058</u>	<u>87,591,058</u>	<u>66,655,460</u>	<u>(20,935,598)</u>
Expenditures:				
Physical Environment.....	110,171,475	110,171,475	108,264,428	1,907,047
Capital Outlay.....	399,924	399,924	321,100	78,824
Total Expenditures	<u>110,571,399</u>	<u>110,571,399</u>	<u>108,585,528</u>	<u>1,985,871</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>(22,980,341)</u>	<u>(22,980,341)</u>	<u>(41,930,068)</u>	<u>(18,949,727)</u>
Other Financing Sources (Uses):				
Transfers In.....	22,980,341	22,980,341	41,930,068	18,949,727
Transfers Out.....	—	—	—	—
Total Other Financing Sources (Uses), Net.....	<u>22,980,341</u>	<u>22,980,341</u>	<u>41,930,068</u>	<u>18,949,727</u>
Net Change in Fund Balances.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
STREET FUND
For the Year Ended June 30, 2008

Major Street Fund	Budgeted Amounts		Actual Amounts	Variance With Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Gas and Weight Tax.....	\$ 64,000,000	\$ 55,528,134	\$ 47,539,958	\$ (7,988,176)
Intergovernmental:				
State.....	—	38,076,541	20,039,876	(18,036,665)
Other.....	2,000,000	—	3,437,145	3,437,145
Investment Earnings.....	1,596,400	1,436,760	799,590	(637,170)
Other Revenues.....	40,000	46,826	902,039	855,213
Total Revenues.....	<u>67,636,400</u>	<u>95,088,261</u>	<u>72,718,608</u>	<u>(22,369,653)</u>
Expenditures:				
Transportation Facilitation.....	67,516,364	118,881,476	48,878,864	70,002,612
Capital Outlay.....	120,036	120,036	11,789,566	(11,669,530)
Total Expenditures.....	<u>67,636,400</u>	<u>119,001,512</u>	<u>60,668,430</u>	<u>(58,333,082)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>—</u>	<u>(23,913,251)</u>	<u>12,050,178</u>	<u>35,963,429</u>
Other Financing Sources (Uses):				
Transfers In.....	—	4,405,637	—	(4,405,637)
Transfers Out.....	—	(19,832,101)	(14,948,414)	4,883,687
Total Other Financing Sources (Uses), Net.....	<u>—</u>	<u>(15,426,464)</u>	<u>(14,948,414)</u>	<u>478,050</u>
Net Change in Fund Balances.....	<u>—</u>	<u>(39,339,715)</u>	<u>(2,898,236)</u>	<u>36,441,479</u>
Fund Balance at Beginning of Year.....	—	39,339,715	43,419,076	4,079,361
Increase(Decrease) in Inventory.....	—	—	(991,938)	(991,938)
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,528,902</u>	<u>\$ 39,528,902</u>

Local Street Fund	Budgeted Amounts		Actual Amounts	Variance With Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Gas and Weight Tax.....	\$ —	\$ 8,471,866	\$ 13,530,790	\$ 5,058,924
Intergovernmental:				
State.....	—	—	—	—
Other.....	—	—	—	—
Investment Earnings.....	—	159,640	193,840	34,200
Other Revenues.....	—	—	—	—
Total Revenues.....	<u>—</u>	<u>8,631,506</u>	<u>13,724,630</u>	<u>5,093,124</u>
Expenditures:				
Transportation Facilitation.....	—	18,466,813	9,272,221	9,194,592
Capital Outlay.....	—	1,500,000	4,389,495	(2,889,495)
Total Expenditures.....	<u>—</u>	<u>19,966,813</u>	<u>13,661,716</u>	<u>(6,305,097)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>—</u>	<u>(11,335,307)</u>	<u>62,914</u>	<u>11,398,221</u>
Other Financing Sources (Uses):				
Transfers In.....	—	—	12,000,000	12,000,000
Transfers Out.....	—	—	(13,763,772)	(13,763,772)
Total Other Financing Sources (Uses), Net.....	<u>—</u>	<u>—</u>	<u>(1,763,772)</u>	<u>(1,763,772)</u>
Net Change in Fund Balances.....	<u>—</u>	<u>(11,335,307)</u>	<u>(1,700,858)</u>	<u>9,634,449</u>
Fund Balance at Beginning of Year.....	—	11,335,307	11,335,307	—
Increase(Decrease) in Inventory.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,634,449</u>	<u>\$ 9,634,449</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
SUPPORTIVE HOUSING PROGRAMS AND HOMELESS INITIATIVES FUND
For the Year Ended June 30, 2008

	<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.....	\$ —	\$ 1,021,329	\$ —	\$ (1,021,329)
Expenditures - Housing and Conditions.....	—	1,021,329	—	1,021,329
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	—	—	—
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
TARGETED BUSINESS DEVELOPMENT FUND
For the Year Ended June 30, 2008

	<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.....	—	18,500,000	7,370,542	11,129,458
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	(18,500,000)	(7,370,542)	11,129,458
Fund Balance at Beginning of Year.....	—	18,500,000	18,500,000	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,129,458</u>	<u>\$ 11,129,458</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
TELECOMMUNICATIONS FUND
For the Year Ended June 30, 2008

	<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.....	\$ 2,800,000	\$ 2,800,000	\$ 2,888,179	\$ 88,179
Expenditures:				
Transportation Facilitation.....	2,800,000	5,748,414	444,795	5,303,619
Capital Outlay.....	—	—	2,682,603	(2,682,603)
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	—	(2,948,414)	(239,219)	2,709,195
Other Financing Sources(Uses):				
Transfers In.....	2,800,000	2,948,414	2,948,414	—
Total Other Financing Sources(Uses), Net.....	2,800,000	2,948,414	2,948,414	—
Net Change in Fund Balances.....	—	—	2,709,195	2,709,195
Fund Balance at Beginning of Year.....	—	—	—	—
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,709,195</u>	<u>\$ 2,709,195</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUND
For the Year Ended June 30, 2008

	<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.....	\$ 72,148,414	\$ 72,148,414	\$ 70,734,385	\$ (1,414,029)
Other Taxes and Assessments.....	4,903,737	4,903,737	2,735,970	(2,167,767)
State Hotel and Liquor Tax.....	—	16,220,140	16,220,140	—
Revenue from Use of Assets.....	—	—	2,860,000	2,860,000
Investment Earnings.....	—	621,076	2,418,675	1,797,599
Other Revenue.....	—	—	679,734	679,734
Total Revenues.....	<u>77,052,151</u>	<u>93,893,367</u>	<u>95,648,904</u>	<u>1,755,537</u>
Expenditures:				
Economic Development.....	4,772,904	4,772,904	5,809,387	(1,036,483)
Debt Service:				
Principal.....	38,230,000	149,049,302	100,939,435	48,109,867
Interest.....	31,949,247	59,833,120	46,410,937	13,422,183
Total Expenditures.....	<u>74,952,151</u>	<u>213,655,326</u>	<u>153,159,759</u>	<u>60,495,567</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>2,100,000</u>	<u>(119,761,959)</u>	<u>(57,510,855)</u>	<u>62,251,104</u>
Other Financing Sources(Uses):				
Transfers In.....	—	81,813,419	62,387,747	(19,425,672)
Transfers Out.....	—	(1,833,296)	(1,833,296)	—
Total Other Financing Sources(Uses), Net.....	<u>—</u>	<u>79,980,123</u>	<u>60,554,451</u>	<u>(19,425,672)</u>
Net Change in Fund Balances.....	2,100,000	(39,781,836)	3,043,596	42,825,432
Fund Balance at Beginning of Year.....	<u>(2,100,000)</u>	<u>39,781,836</u>	<u>39,781,836</u>	<u>—</u>
Fund Balance at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,825,432</u>	<u>\$ 42,825,432</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Capital Projects				
Revenues:				
Intergovernmental - Federal.....	\$ —	\$ —	\$ —	\$ —
Investment Earnings.....	6,286,000	6,286,000	2,753,722	(3,532,278)
Other Revenues.....	—	—	2,276,523	2,276,523
Total Revenues.....	<u>6,286,000</u>	<u>6,286,000</u>	<u>5,030,245</u>	<u>(1,255,755)</u>
Expenditures:				
Capital Outlay.....	57,237,000	107,382,449	32,985,245	74,397,204
Debt Issuance Costs.....	—	—	2,329,014	2,329,014
Total Expenditures.....	<u>57,237,000</u>	<u>107,382,449</u>	<u>35,314,259</u>	<u>76,726,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>(50,951,000)</u>	<u>(101,096,449)</u>	<u>(30,284,014)</u>	<u>(70,812,435)</u>
Other Financing Sources (Uses):				
Sources:				
Transfers In.....	1,500,000	3,778,081	1,833,296	(1,944,785)
Bond Proceeds.....	50,250,000	19,285,000	130,205,000	110,920,000
Premium on General Obligation Bonds Issued.....	—	—	4,693,941	4,693,941
Uses:				
Transfers Out.....	(799,000)	(2,632,793)	—	(2,632,793)
Principal Paid to Bond Agent for Refunded Bonds.....	—	—	(72,410,000)	(72,410,000)
Interest Paid to Bond Agent for Refunded Bonds.....	—	—	(1,314,181)	(1,314,181)
Total Other Financing Sources (Uses), Net.....	<u>50,951,000</u>	<u>20,430,288</u>	<u>63,008,056</u>	<u>42,577,768</u>
Net Change in Fund Balances.....	<u>—</u>	<u>(80,666,161)</u>	<u>32,724,042</u>	<u>113,390,203</u>
Fund Balances at Beginning of Year.....	—	80,666,161	80,666,161	—
Fund Balances at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 113,390,203</u>	<u>\$ 113,390,203</u>
Urban Renewal				
Revenues:				
Intergovernmental - Federal.....	\$ 10,996,554	\$ 10,277,214	\$ 6,503,790	\$ (3,773,424)
Investment Earnings.....	—	(160,627)	145,444	306,071
Other Revenues.....	—	1,142,226	1,064,681	(77,545)
Total Revenues.....	<u>10,996,554</u>	<u>11,258,813</u>	<u>7,713,915</u>	<u>(3,544,898)</u>
Expenditures:				
Economic Development.....	10,996,554	42,850,910	38,283,075	4,567,835
Debt Service:				
Principal.....	—	—	39,277,000	(39,277,000)
Interest.....	—	—	64,197	(64,197)
Total Expenditures.....	<u>10,996,554</u>	<u>42,850,910</u>	<u>77,624,272</u>	<u>(34,773,362)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>—</u>	<u>(31,592,097)</u>	<u>(69,910,357)</u>	<u>(38,318,260)</u>
Other Financing Sources(Uses):				
Sources:				
Proceeds of Section 108 Federal Note.....	—	26,404,264	76,649,000	50,244,736
Uses:				
Transfers Out.....	—	(2,653,411)	(1,600,271)	1,053,140
Debt Issuance Costs.....	—	—	(94,846)	(94,846)
Total Other Financing Sources (Uses), Net.....	<u>—</u>	<u>23,750,853</u>	<u>74,953,883</u>	<u>51,203,030</u>
Net Change in Fund Balances.....	<u>—</u>	<u>(7,841,244)</u>	<u>5,043,526</u>	<u>12,884,770</u>
Fund Balances at Beginning of Year.....	—	7,841,244	7,841,244	—
Fund Balances at End of Year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,884,770</u>	<u>\$ 12,884,770</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUND
June 30, 2008

	General Retirement System	Police and Fire Retirement System
ASSETS		
Cash and Cash Equivalents.....	\$ 10,939,147	\$ —
Investments:		
Short-Term Investments.....	93,461,283	79,611,369
Commercial Paper.....	—	—
U. S. Government Obligations.....	—	—
Bonds and Stocks.....	2,276,880,246	2,641,345,029
Mortgage-Backed Securities.....	71,436,082	124,087,556
Mortgage and Construction Loans.....	166,277,904	191,379,256
Equity Interest in Real Estate.....	458,232,023	462,270,219
Real Estate Investment Trusts Held by Custodian.....	—	32,853,730
Pooled Investments.....	26,165,360	289,404,783
Private Placements.....	369,270,586	71,379,481
	3,461,723,484	3,892,331,423
Accrued Investment Income.....	13,561,485	19,973,611
Due from Primary Government.....	14,507,751	98,537,300
Due from Component Units.....	—	—
Receivables from Investment Sales.....	48,650,292	61,582,557
Other Receivables.....	541,847	632,428
Cash and Investments Held as Collateral for Securities Lending	424,341,849	917,452,249
Capital Assets	433,197	2,194,751
	3,974,699,052	4,992,704,319
LIABILITIES		
Accounts and Contracts Payable.....	—	—
Payables for Investment Purchases.....	94,700,599	72,428,311
Benefits and Claims Payable.....	2,857,635	7,482,067
Due to Primary Government.....	2,393,223	1,598,923
Due to Component Units.....	—	—
Amount Due to Broker for Securities Lending.....	424,341,849	917,452,249
Other Liabilities.....	33,638,020	19,094,035
	557,931,326	1,018,055,585
NET ASSETS		
Net Assets Held in Trust for Pension and Employee Benefits.....	3,416,767,726	3,974,648,734
Death Benefit and Disability Income Protection Reserves.....	—	—
	3,416,767,726	3,974,648,734
	\$ 3,416,767,726	\$ 3,974,648,734

See accompanying independent auditors' report.

Employee Benefit Fund	Employee Disability Income Protection Fund	Total Pension and Other Employee Benefit Funds	Agency Funds	Total
\$ 2,174,106	\$ —	\$ 13,113,253	\$ 2,329,920	\$ 15,443,173
—	—	173,072,652	—	173,072,652
19,595,030	—	19,595,030	—	19,595,030
56,258	—	56,258	—	56,258
6,588,901	—	4,924,814,176	—	4,924,814,176
17,599,193	—	213,122,831	—	213,122,831
—	—	357,657,160	—	357,657,160
—	—	920,502,242	—	920,502,242
—	—	32,853,730	—	32,853,730
11,859,680	—	327,429,823	19,872,621	347,302,444
—	—	440,650,067	—	440,650,067
<u>55,699,062</u>	<u>—</u>	<u>7,409,753,969</u>	<u>19,872,621</u>	<u>7,429,626,590</u>
—	—	33,535,096	—	33,535,096
16,847,519	1,829,226	131,721,796	—	131,721,796
—	7,303	7,303	—	7,303
—	—	110,232,849	—	110,232,849
—	—	1,174,275	—	1,174,275
—	—	1,341,794,098	—	1,341,794,098
—	—	2,627,948	—	2,627,948
<u>74,720,687</u>	<u>1,836,529</u>	<u>9,043,960,587</u>	<u>22,202,541</u>	<u>9,066,163,128</u>
—	836,529	836,529	2,131,758	2,968,287
—	—	167,128,910	—	167,128,910
—	—	10,339,702	—	10,339,702
2,551,836	—	6,543,982	1,431,189	7,975,171
249,272	—	249,272	—	249,272
—	—	1,341,794,098	—	1,341,794,098
32,999,936	—	85,731,991	18,639,594	104,371,585
<u>35,801,044</u>	<u>836,529</u>	<u>1,612,624,484</u>	<u>22,202,541</u>	<u>1,634,827,025</u>
8,716,020	—	7,400,132,480	—	7,400,132,480
30,203,623	1,000,000	31,203,623	—	31,203,623
<u>\$ 38,919,643</u>	<u>\$ 1,000,000</u>	<u>\$ 7,431,336,103</u>	<u>\$ —</u>	<u>\$ 7,431,336,103</u>

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Retirement Systems</u>		<u>Employee Benefits</u>		<u>Total</u>
	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Employee Benefit Fund</u>	<u>Employee Disability Income Protection Plan</u>	
ADDITIONS:					
Employer Contributions.....	\$ 43,168,448	\$ 41,113,934	\$ 247,236,917	\$ 1,709,195	\$ 333,228,494
Plan Member Contributions.....	20,358,640	10,299,360	31,953,146	—	62,611,146
Other Income.....	—	—	2,947,582	—	2,947,582
Total Contributions.....	<u>63,527,088</u>	<u>51,413,294</u>	<u>282,137,645</u>	<u>1,709,195</u>	<u>398,787,222</u>
Investment Earnings (Loss).....	(217,055,114)	(300,049,097)	5,622,472	—	(511,481,739)
Total Additions.....	<u>(153,528,026)</u>	<u>(248,635,803)</u>	<u>287,760,117</u>	<u>1,709,195</u>	<u>(112,694,517)</u>
DEDUCTIONS:					
Pension and Annuity Benefits.....	196,775,146	231,623,462	—	—	428,398,608
Premiums to Insurers and Damage Claims.....	—	—	284,298,353	1,708,484	286,006,837
Refunds.....	74,217,378	22,304,141	—	—	96,521,519
General and Administrative Expenses.....	4,723,783	4,137,761	71,925	711	8,934,180
Total Deductions.....	<u>275,716,307</u>	<u>258,065,364</u>	<u>284,370,278</u>	<u>1,709,195</u>	<u>819,861,144</u>
Net Increase (Decrease).....	(429,244,333)	(506,701,167)	3,389,839	—	(932,555,661)
Net Assets, Beginning of Year.....	<u>3,846,012,059</u>	<u>4,481,349,901</u>	<u>35,529,804</u>	<u>1,000,000</u>	<u>8,363,891,764</u>
Net Assets, End of Year.....	<u>\$ 3,416,767,726</u>	<u>\$ 3,974,648,734</u>	<u>\$ 38,919,643</u>	<u>\$ 1,000,000</u>	<u>\$ 7,431,336,103</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	Condemnation Awards Fund	Fire Insurance Escrow Fund	Other Agency Funds	Total
ASSETS				
Cash.....	\$ 1,630,995	\$ 258,223	\$ 440,702	\$ 2,329,920
Investments.....	—	19,872,621	—	19,872,621
Total Assets.....	<u>\$ 1,630,995</u>	<u>\$ 20,130,844</u>	<u>\$ 440,702</u>	<u>\$ 22,202,541</u>
LIABILITIES				
Accounts Payable.....	\$ —	\$ 60,061	\$ —	\$ 60,061
Awards Payable.....	1,630,995	—	—	1,630,995
Advances from Outside Sources.....	—	18,639,594	—	18,639,594
Escrow Payable.....	—	—	440,702	440,702
Due to Other Funds.....	—	1,431,189	—	1,431,189
Total Liabilities.....	<u>\$ 1,630,995</u>	<u>\$ 20,130,844</u>	<u>\$ 440,702</u>	<u>\$ 22,202,541</u>

See accompanying independent auditors' report.

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Condemnation Awards Fund				
ASSETS				
Cash.....	\$ 1,630,995	\$ —	\$ —	\$ 1,630,995
Total Assets.....	\$ 1,630,995	\$ —	\$ —	\$ 1,630,995
LIABILITIES				
Awards Payable.....	\$ 1,630,995	\$ —	\$ —	\$ 1,630,995
Total Liabilities.....	\$ 1,630,995	\$ —	\$ —	\$ 1,630,995
Fire Insurance Escrow Fund				
ASSETS				
Cash.....	\$ 892,858	\$ —	\$ 634,635	\$ 258,223
Investments.....	14,402,319	5,470,302	—	19,872,621
Total Assets.....	\$ 15,295,177	\$ 5,470,302	\$ 634,635	\$ 20,130,844
LIABILITIES				
Accounts and Contracts Payable.....	\$ 226,903	\$ —	\$ 166,842	\$ 60,061
Due to Other Funds.....	777,597	653,592	—	1,431,189
Advances from Outside Sources.....	14,290,677	4,348,917	—	18,639,594
Total Liabilities.....	\$ 15,295,177	\$ 5,002,509	\$ 166,842	\$ 20,130,844
Other Agency Funds				
ASSETS				
Cash.....	\$ 451,048	\$ —	\$ 10,346	\$ 440,702
Total Assets.....	\$ 451,048	\$ —	\$ 10,346	\$ 440,702
LIABILITIES				
Escrow Payable.....	\$ 451,048	\$ —	\$ 10,346	\$ 440,702
Total Liabilities.....	\$ 451,048	\$ —	\$ 10,346	\$ 440,702
Total Agency Funds				
ASSETS				
Cash.....	\$ 2,974,901	\$ —	\$ 644,981	\$ 2,329,920
Investments.....	14,402,319	5,470,302	—	19,872,621
Total Assets.....	\$ 17,377,220	\$ 5,470,302	\$ 644,981	\$ 22,202,541
LIABILITIES				
Accounts and Contracts Payable.....	\$ 1,857,898	\$ —	\$ 166,842	\$ 2,131,758
Due to Other Funds.....	777,597	653,592	—	1,431,189
Other Liabilities.....	14,741,725	4,348,917	10,346	18,639,594
Total Liabilities.....	\$ 17,377,220	\$ 5,002,509	\$ 177,188	\$ 22,202,541

See accompanying independent auditors' report.

STATISTICAL SECTION

(UNAUDITED)

The Statistical Section contains:

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

Schedule 1
City of Detroit, Michigan
Net Assets by Component, Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2008	2007	2006
Governmental Activities			
Invested in capital assets, net of related debt.....	\$ 558,340,662	\$ 592,161,746	\$ 603,086,043
Restricted.....	158,523,041	157,360,360	29,492,455
Unrestricted(Deficit).....	(687,464,129)	(602,506,410)	(608,735,544)
Total governmental activities net assets.....	<u>29,399,574</u>	<u>147,015,696</u>	<u>23,842,954</u>
Business-type Activities			
Invested in capital assets, net of related debt.....	743,865,611	1,150,524,897	914,032,397
Restricted.....	304,273,113	266,995,240	385,379,957
Unrestricted.....	186,210,525	175,648,800	377,799,324
Total business-type activities net assets.....	<u>1,234,349,249</u>	<u>1,593,168,937</u>	<u>1,677,211,678</u>
Primary Government			
Invested in capital assets, net of related debt.....	1,302,206,273	1,742,686,643	1,517,118,440
Restricted.....	462,796,154	424,355,600	414,872,412
Unrestricted(Deficit).....	(501,253,604)	(426,857,610)	(230,936,220)
Total primary government net assets.....	<u>\$ 1,263,748,823</u>	<u>\$ 1,740,184,633</u>	<u>\$ 1,701,054,632</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years ending June 30, 2002 through 2008

See accompanying independent auditors' report.

Fiscal Year			
2005	2004	2003	2002
\$ 562,311,648	\$ 423,118,665	\$ 419,593,713	\$ 366,474,042
30,488,595	85,249,948	113,243,428	69,705,069
(586,294,194)	(315,218,872)	(102,285,491)	(1,458,623)
6,506,049	193,149,741	430,551,650	434,720,488
1,050,443,297	1,063,418,365	1,152,383,916	1,185,981,116
287,778,927	199,037,340	120,671,314	101,576,911
280,769,875	283,585,593	317,705,644	261,175,712
1,618,992,099	1,546,041,298	1,590,760,874	1,548,733,739
1,612,754,945	1,486,537,030	1,571,977,629	1,552,455,158
318,267,522	284,287,288	233,914,742	171,281,980
(305,524,319)	(31,633,279)	215,420,153	259,717,089
\$ 1,625,498,148	\$ 1,739,191,039	\$ 2,021,312,524	\$ 1,983,454,227

Schedule 2
City of Detroit, Michigan
Changes in Net Assets, Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2008	2007	2006
Expenses			
Governmental Activities:			
Public Protection.....	\$ 761,894,177	\$ 633,174,260	\$ 681,052,276
Health.....	158,826,732	153,368,566	177,363,962
Recreation and Culture.....	36,295,041	36,050,284	69,192,054
Economic Development.....	87,717,239	93,705,705	95,641,855
Educational Development.....	57,474,770	57,658,134	64,670,870
Housing Supply and Conditions.....	10,591,479	7,904,903	14,737,981
Physical Environment.....	226,460,478	213,287,711	243,949,975
Transportation Facilitation.....	70,563,909	71,947,094	79,343,398
Development and Management.....	304,815,026	297,443,586	240,246,357
Interest on Long-Term Debt.....	107,754,007	140,861,674	126,659,186
Total Government Activities Expenses.....	1,822,392,858	1,705,401,917	1,792,857,914
Business-type Activities:			
Sewage Disposal.....	429,112,536	427,788,717	311,303,765
Transportation.....	212,652,767	200,555,312	190,358,944
Water.....	360,778,077	335,000,188	282,149,274
Automobile Parking.....	14,361,352	16,306,759	19,474,446
Airport.....	3,502,904	2,960,042	3,044,030
Housing.....	-	-	-
Total Business-type Activities Expenses.....	1,020,407,636	982,611,018	806,330,459
Total Primary Government Expenses.....	2,842,800,494	2,688,012,935	2,599,188,373
Program Revenues			
Governmental Activities:			
Charges for Services:			
Public Protection.....	90,415,439	99,021,130	51,757,423
Health.....	15,108,413	14,987,496	14,224,550
Recreation and Culture.....	24,489,607	17,233,370	27,367,110
Economic Development.....	694,676	9,010,210	13,946,969
Educational Development.....	-	2,781,677	-
Housing Supply and Conditions.....	5,989,939	127,757	1,636,711
Physical Environment.....	127,140,951	133,048,222	74,915,029
Transportation Facilitation.....	902,039	79,156	1,355
Development and Management.....	123,151,397	154,386,499	156,799,556
Operating Grants and Contributions.....	306,575,011	271,970,335	245,061,788
Capital Grants and Contributions.....	26,365,200	65,941,108	91,806,940
Total Governmental Activities Program Revenues.....	720,832,672	768,586,960	677,517,431
Business-type Activities:			
Charges for services:			
Sewage Disposal.....	346,908,831	346,906,614	354,455,204
Transportation.....	28,918,328	26,047,091	25,173,805
Water.....	292,983,220	268,286,093	276,230,766
Automobile Parking.....	18,556,018	18,114,461	21,125,510
Airport.....	1,123,934	1,087,844	989,722
Housing.....	-	-	-
Operating grants and contributions.....	79,008,781	81,959,301	73,801,668
Capital grants and contributions.....	39,540,356	14,097,605	9,502,218
Total Business-type Activities Program Revenues.....	807,039,468	756,499,009	761,278,893
Total Primary Government Program Revenues.....	1,527,872,140	1,525,085,969	1,438,796,324

See accompanying independent auditors' report.

		Fiscal Year			
2005		2004	2003	2002	
\$	876,156,606	\$ 755,816,119	\$ 593,346,429	\$	583,268,178
	170,039,930	172,601,779	194,876,044		178,170,414
	75,145,276	82,148,669	81,400,879		82,648,072
	114,865,586	102,680,484	102,939,042		87,326,910
	73,770,757	95,655,097	85,957,839		86,031,311
	17,980,767	21,190,178	18,566,688		16,780,370
	277,305,834	267,232,775	273,247,867		301,889,519
	46,272,594	49,857,971	44,217,658		21,087,215
	214,746,647	350,969,773	371,360,739		299,360,664
	65,252,896	58,080,402	44,661,255		42,441,532
	1,931,536,893	1,956,233,247	1,810,574,440		1,699,004,185
	192,421,480	186,979,859	261,671,404		261,213,329
	204,913,780	206,319,905	196,162,781		187,415,767
	195,085,657	198,120,130	249,329,295		232,528,496
	26,295,677	21,990,714	21,534,236		17,833,061
	3,140,746	4,030,607	3,845,438		5,543,048
	-	-	75,784,985		67,818,451
	621,857,340	617,441,215	808,328,139		772,352,152
	2,553,394,233	2,573,674,462	2,618,902,579		2,471,356,337
	90,825,019	88,817,490	68,146,542		72,722,670
	13,026,677	11,875,150	17,535,790		11,524,837
	11,474,294	10,363,646	8,859,373		13,301,976
	5,427,118	20,512,694	20,089,274		28,095,737
	-	-	-		-
	6,700,117	16,617,400	33,624,540		20,224,369
	81,944,899	85,667,448	102,937,079		88,338,713
	-	-	-		-
	198,570,684	84,682,688	19,590,685		73,668,036
	246,248,865	315,321,964	365,857,900		398,262,378
	135,504,749	115,528,611	35,557,492		26,809,665
	789,722,422	749,387,091	672,198,675		732,948,381
	254,350,136	195,947,900	288,111,143		267,993,505
	22,959,490	24,712,839	25,182,188		24,084,896
	193,954,987	223,092,260	244,781,888		209,227,939
	13,627,650	19,618,019	19,253,924		20,682,973
	1,180,584	972,659	1,193,786		2,235,228
	-	-	12,490,749		9,877,521
	88,110,603	89,345,418	115,981,521		111,302,571
	15,080,720	33,758,751	41,632,443		56,035,404
	589,264,170	587,447,846	748,627,642		701,440,037
	1,378,986,592	1,336,834,937	1,420,826,317		1,434,388,418

(continued)

Schedule 2
City of Detroit, Michigan
Changes in Net Assets, Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2008	2007	2006
Net (Expense) Revenue			
Governmental Activities.....	(1,101,560,186)	(936,814,957)	(1,115,340,483)
Business-type Activities.....	(213,368,168)	(226,112,009)	(45,051,566)
Total Primary Government Net Expense.....	(1,314,928,354)	(1,162,926,966)	(1,160,392,049)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property taxes.....	225,602,203	241,428,477	243,621,932
Municipal income tax.....	276,485,035	278,309,191	284,111,220
Utility Users' tax.....	51,590,794	53,768,977	122,824,621
Wagering tax.....	186,277,275	179,763,570	156,588,917
Hotel and Liquor tax.....	16,220,140	17,579,292	16,287,676
Other taxes and assessments.....	13,283,748	16,201,899	13,602,597
State shared taxes.....	272,569,363	272,635,060	280,818,221
Interest and Penalty on taxes.....	10,857,112	10,342,478	9,181,155
Investment earnings.....	19,189,619	24,075,811	18,396,691
Miscellaneous revenue.....	13,586,014	37,634,868	22,780,845
Gain (Loss) on disposal of capital assets.....	(278,706)	(31,728)	(308,855)
Special Item-Casino Dev Revenue.....	-	-	-
Transfers.....	(101,438,533)	(71,720,196)	(35,227,632)
Total Governmental Activities.....	983,944,064	1,059,987,699	1,132,677,388
Business-type Activities:			
Investment earnings.....	58,176,113	-	39,193,811
Miscellaneous revenue(expense).....	(3,990,512)	69,331,846	2,879,273
Gain (Loss) on disposal of capital assets.....	-	1,017,226	25,970,429
Special Item.....	(141,962,894)	-	-
Transfers.....	101,438,533	71,720,196	35,227,632
Total Business-type Activities.....	13,661,240	142,069,268	103,271,145
Total Primary Government.....	997,605,304	1,202,056,967	1,235,948,533
Changes in Net Assets			
Governmental Activities.....	(117,616,122)	123,172,742	17,336,905
Business-type Activities.....	(199,706,928)	(84,042,741)	58,219,579
Total Primary Government.....	\$ (317,323,050)	\$ 39,130,001	\$ 75,556,484

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years ending June 30, 2002 through 2008

See accompanying independent auditors' report.

Fiscal Year			
2005	2004	2003	2002
(1,141,814,471)	(1,206,846,156)	(1,138,375,765)	(966,055,804)
(32,593,170)	(29,993,369)	(59,700,497)	(70,912,115)
<u>(1,174,407,641)</u>	<u>(1,236,839,525)</u>	<u>(1,198,076,262)</u>	<u>(1,036,967,919)</u>
239,507,939	253,880,972	221,338,662	235,867,542
282,501,875	290,614,837	310,935,044	323,515,510
52,939,839	47,422,918	55,526,093	52,105,772
137,970,347	116,145,598	111,341,292	109,461,713
16,310,767	16,217,263	16,217,213	-
-	4,337,425	17,553,911	17,518,357
282,914,217	286,479,535	319,055,457	333,763,510
11,712,960	13,780,520	9,311,836	10,783,829
14,464,802	4,500,270	5,690,589	18,146,740
9,984,374	13,624,695	7,758,701	21,179,610
(3,551,036)	(451,750)	6,753,937	-
-	-	132,000,000	-
(89,585,306)	(77,108,036)	(79,275,808)	(85,569,251)
<u>955,170,778</u>	<u>969,444,247</u>	<u>1,134,206,927</u>	<u>1,036,773,332</u>
22,808,775	12,516,207	18,645,400	28,789,163
(6,850,110)	3,812,743	4,488,833	3,509,544
-	-	(682,409)	-
-	-	-	-
<u>89,585,306</u>	<u>77,108,036</u>	<u>79,275,808</u>	<u>85,569,251</u>
<u>105,543,971</u>	<u>93,436,986</u>	<u>101,727,632</u>	<u>117,867,958</u>
<u>1,060,714,749</u>	<u>1,062,881,233</u>	<u>1,235,934,559</u>	<u>1,154,641,290</u>
(186,643,693)	(237,401,909)	(4,168,838)	70,717,528
72,950,801	63,443,617	42,027,135	46,955,843
<u>\$ (113,692,892)</u>	<u>\$ (173,958,292)</u>	<u>\$ 37,858,297</u>	<u>\$ 117,673,371</u>

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

	Fiscal Year				
	2008	2007	2006	2005	2004
General Fund:					
Reserved.....	\$ 77,472,983	\$ 64,169,704	\$ 66,502,619	\$ 121,809,601	\$ 164,248,792
Unreserved (Deficit).....	(219,158,137)	(155,575,800)	(173,678,707)	(155,404,035)	(95,032,523)
Total General Fund.....	<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>
All Other Governmental Funds:					
Reserved:					
Retirement Service Funds.....	\$ 24,851,160	\$ 24,927,727	\$ 24,955,781	\$ 46,884,125	\$ -
Special Revenue Funds.....	66,158,392	72,014,875	14,657,665	14,946,632	13,418,399
Capital Projects Fund.....	126,274,973	88,507,405	134,433,861	139,812,882	159,136,549
Debt Service Funds.....	42,825,432	39,781,836	27,799,931	29,061,404	70,466,781
Permanent Funds.....	1,494,202	1,445,462	1,291,569	1,253,623	1,232,820
Total Reserved.....	<u>261,604,159</u>	<u>226,677,305</u>	<u>203,138,807</u>	<u>231,958,666</u>	<u>244,254,549</u>
Unreserved (Deficit):					
Retirement Service Funds.....	(276,334)	-	-	-	-
Special Revenue Funds.....	16,865,024	22,230,294	77,241,086	76,896,645	74,394,377
Capital Projects Fund.....	-	-	-	-	-
Debt Service Funds.....	-	-	-	-	-
Total Unreserved.....	<u>16,588,690</u>	<u>22,230,294</u>	<u>77,241,086</u>	<u>76,896,645</u>	<u>74,394,377</u>
Total All Other Governmental Funds.....	<u>\$ 278,192,849</u>	<u>\$ 248,907,599</u>	<u>\$ 280,379,893</u>	<u>\$ 308,855,311</u>	<u>\$ 318,648,926</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years ending June 30, 1999 through 2008

See accompanying independent auditors' report.

Fiscal Year				
2003	2002	2001	2000	1999
\$ 209,367,618	\$ 163,780,306	\$ 174,840,303	\$ 151,158,816	\$ 163,117,742
(69,063,211)	42,440,056	43,250,036	65,927,526	71,130,077
<u>\$ 140,304,407</u>	<u>\$ 206,220,362</u>	<u>\$ 218,090,339</u>	<u>\$ 217,086,342</u>	<u>\$ 234,247,819</u>
\$ -	\$ -	\$ -	\$ -	\$ -
11,409,788	10,196,771	89,900,511	61,853,773	52,960,043
181,966,978	155,199,431	38,509,612	16,285,528	16,285,528
42,773,395	46,953,417	1,354,725	711,564	1,901,814
1,210,005	1,158,546	-	-	-
<u>237,360,166</u>	<u>213,508,165</u>	<u>129,764,848</u>	<u>78,850,865</u>	<u>71,147,385</u>
-	-	-	-	-
78,730,702	69,551,548	2,090,991	8,646,105	5,108,031
-	-	110,790,874	239,680,261	148,761,677
-	-	49,993	1,326,889	2,702,823
<u>78,730,702</u>	<u>69,551,548</u>	<u>112,931,858</u>	<u>249,653,255</u>	<u>156,572,531</u>
<u>\$ 316,090,868</u>	<u>\$ 283,059,713</u>	<u>\$ 242,696,706</u>	<u>\$ 328,504,120</u>	<u>\$ 227,719,916</u>

Schedule 4

City of Detroit, Michigan

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year				
	2008	2007	2006	2005	2004
Revenues					
Taxes:					
Property Taxes.....	\$ 225,890,313	\$ 257,003,325	\$ 243,621,932	\$ 238,771,142	\$ 249,372,955
Municipal Income Tax.....	276,485,035	278,309,191	284,111,220	282,501,875	290,614,837
Utility Users' Tax.....	51,590,599	53,768,977	60,019,626	52,939,839	50,473,815
Wagering Taxes.....	180,365,237	179,763,570	156,588,917	137,970,347	116,145,598
Gas and Weight Tax.....	61,070,748	62,080,522	62,804,995	63,476,425	65,806,351
Other Taxes and Assessments.....	13,283,748	16,201,899	13,583,421	13,565,118	14,911,156
State Hotel and Liquor Tax.....	16,220,140	17,579,292	16,287,676	16,310,767	16,217,263
State Shared Taxes.....	249,027,299	272,084,669	279,467,063	282,914,217	286,479,535
Shared Taxes-Liquor and Beer Licenses.....	573,613	550,391	1,351,158	602,582	528,355
Interest and Penalties on Taxes.....	10,857,112	10,342,478	9,181,155	11,491,470	13,969,136
Licenses, Permits and Inspection Charges.....	34,565,327	31,986,424	34,233,992	35,006,518	29,463,914
Intergovernmental:					
Federal.....	222,675,031	219,592,658	218,119,145	276,372,474	253,620,853
State.....	41,062,686	41,878,552	75,774,530	36,867,375	64,707,175
Health.....	-	-	-	-	-
State Equity Grant.....	-	-	-	1,076,931	982,701
Other.....	4,026,591	14,359,711	25,192,384	16,346,773	36,215,990
Sales and Charges for Services.....	258,599,558	243,533,764	189,253,428	183,294,833	190,928,138
Ordinance Fines and Forfeitures.....	20,850,629	25,680,231	21,525,257	27,481,642	28,237,898
Revenue from Use of Assets.....	13,560,617	37,634,876	22,780,845	16,782,057	28,696,431
Investment Earnings.....	19,189,619	24,075,811	18,396,691	14,464,802	4,500,270
Other Revenue.....	73,606,042	123,867,578	106,521,883	131,657,892	124,787,604
Total Revenues.....	1,773,499,944	1,910,293,919	1,838,815,318	1,839,895,079	1,866,659,975
Expenditures					
Current:					
Public Protection.....	660,230,564	654,137,306	687,251,414	1,423,581,547	738,330,832
Health.....	157,414,372	154,283,807	177,723,221	197,473,468	172,301,527
Recreation and Culture.....	21,265,879	24,648,968	55,390,716	99,296,179	73,769,563
Economic Development.....	99,342,897	86,454,732	88,424,272	96,655,593	96,272,459
Educational Development.....	57,388,638	58,021,384	64,427,129	77,259,012	95,579,152
Housing Supply and Conditions.....	9,607,906	8,412,644	14,786,461	27,863,296	21,150,047
Physical Environment.....	202,986,951	197,682,760	220,208,683	301,784,627	232,268,536
Transportation Facilitation.....	58,595,880	72,482,752	79,343,398	46,272,594	49,857,971
Development and Management.....	298,231,422	310,231,013	233,297,837	495,348,897	387,713,093
Debt Service:					
Principal.....	140,216,435	95,599,337	88,150,364	73,544,336	81,450,470
Interest.....	110,841,259	138,408,774	120,956,704	51,462,415	53,075,658
Bond Issuance Costs.....	3,182,053	-	56,147,009	44,262,505	5,591,428
Capital Outlay.....	88,458,549	69,848,815	175,169,666	282,545,708	162,593,794
Total Expenditures.....	1,907,762,805	1,870,212,292	2,061,276,874	3,220,350,177	2,169,954,530
Excess (Deficiency) of Revenues Over Expenditures.....	(134,262,861)	40,081,627	(222,461,556)	(1,380,455,098)	(303,294,555)
Other Financing Sources(Uses)					
Sources:					
Transfers In.....	208,766,473	176,069,587	129,799,480	141,075,789	162,683,542
Pension Obligation Certificates Issued.....	-	-	771,087,137	1,170,607,421	-
Swap Termination Fee.....	-	-	38,969,807	-	-
Proceeds of Section 108 Federal Note.....	-	14,958,000	1,800,000	7,789,000	-
Proceeds of Capital Leases.....	-	-	34,892,659	315,351	24,541,150
Proceeds from Debt Issuance.....	281,783,578	-	81,903,071	353,830,000	347,398,138
Premium from Debt Issuance.....	4,974,370	-	3,778,114	13,014,675	18,570,675
Total Other Financing Sources.....	495,524,421	191,027,587	1,062,230,268	1,686,632,236	553,193,505
Uses:					
Transfers Out.....	(310,205,006)	(247,789,783)	(165,027,112)	(230,661,095)	(239,791,578)
Transfer to primary government.....	-	-	-	-	-
Payment to Refunded Bond Escrow's Agent.....	-	-	-	-	-
Bond Issuance Costs.....	-	-	-	-	-
Principal Paid to Bond Agent for Refunded Bonds.....	(72,410,000)	-	(764,864,391)	(161,800,000)	(120,725,000)
Interest Paid to Bond Agent for Refunded Bonds.....	(1,314,181)	-	(1,741,161)	(10,865,420)	(2,874,682)
Total Other Financing Uses.....	(383,929,187)	(247,789,783)	(931,632,664)	(403,326,515)	(363,391,260)
Total Other Financing Sources (Uses).....	111,595,234	(56,762,196)	130,597,604	1,283,305,721	189,802,245
Special Item-Casino Development Revenue.....	-	-	-	-	38,250,000
Net Change in Fund Balances.....	(22,667,627)	(16,680,569)	(91,863,952)	(97,149,377)	(75,242,310)
Fund Balance at Beginning of Year.....	157,501,503	173,203,805	275,260,877	387,838,195	456,395,275
Prior Year Adjustment/Accounting Change.....	-	-	-	-	-
Increase (Decrease) in Inventories.....	1,673,819	978,267	(10,193,120)	(15,454,941)	6,685,230
Fund Balance at End of Year.....	\$ 136,507,695	\$ 157,501,503	\$ 173,203,805	\$ 275,233,877	\$ 387,838,195

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years ending June 30, 1999 through 2008

See accompanying independent auditors' report.

Fiscal Year					
	2003	2002	2001	2000	1999
\$	224,290,723	\$ 235,867,542	\$ 152,810,738	\$ -	\$ 145,459,046
	310,935,044	323,515,510	341,003,997	-	370,417,475
	55,329,177	52,105,772	54,270,230	-	50,924,267
	111,341,292	109,461,713	85,793,174	-	-
	61,048,895	60,765,471	12,499,740	-	-
	17,015,374	16,988,370	8,030,323	-	9,195,526
	16,217,213	16,278,163	-	-	-
	319,055,457	333,763,510	642,765,516	720,737,381	256,272,168
	538,537	529,987	547,690	-	332,532,167
	9,311,836	10,783,829	25,922,264	681,474,492	25,528,020
	24,881,416	24,857,012	28,824,236	29,828,990	24,426,007
	246,941,389	267,557,341	54,199,190	-	-
	59,912,152	51,267,772	-	-	-
	-	-	-	-	55,284,508
	2,066,684	-	3,551,318	-	3,546,856
	31,345,358	29,203,296	19,542,437	-	12,363,788
	174,532,811	203,321,599	185,731,909	176,947,615	150,481,902
	24,146,924	28,373,589	22,151,403	23,573,391	20,032,430
	31,883,204	21,771,275	45,012,837	32,090,957	30,004,368
	5,690,589	18,146,740	-	-	-
	102,385,529	142,977,087	89,229,509	57,512,847	75,669,129
	<u>1,828,869,604</u>	<u>1,947,535,578</u>	<u>1,771,886,511</u>	<u>1,722,165,673</u>	<u>1,562,137,657</u>
	609,579,375	601,013,576	598,723,406	531,139,943	502,979,585
	194,570,040	177,825,606	170,702,663	164,662,410	140,777,448
	78,478,378	79,786,788	67,393,419	68,698,607	65,077,273
	96,998,290	80,957,396	137,219,929	132,876,688	83,907,140
	85,853,927	85,515,642	49,543,144	28,894,210	29,084,169
	18,534,603	16,747,351	96,392,546	85,720,446	74,866,247
	252,006,036	292,579,453	275,368,548	282,839,381	242,808,604
	44,217,657	21,087,215	15,786,893	9,807,924	38,892,162
	399,417,971	354,174,726	250,911,948	328,474,911	322,394,661
	86,770,163	79,568,844	-	-	-
	43,761,038	42,442,667	-	-	-
	1,652,845	2,571,220	-	-	-
	69,605,285	117,575,095	-	-	-
	<u>1,981,445,608</u>	<u>1,951,845,579</u>	<u>1,662,042,496</u>	<u>1,633,114,520</u>	<u>1,500,787,289</u>
	(152,576,004)	(4,310,001)	109,844,015	89,051,153	61,350,368
	126,941,018	170,584,496	113,782,958	114,728,450	158,791,282
	-	-	-	-	-
	-	-	-	-	-
	-	50,326,480	-	-	-
	113,530,000	105,323,533	-	-	-
	5,161,762	-	-	34,698,568	253,477
	-	1,628,598	-	-	-
	<u>245,632,780</u>	<u>327,863,107</u>	<u>113,782,958</u>	<u>149,427,018</u>	<u>159,044,759</u>
	(206,216,826)	(256,153,747)	(239,882,675)	(224,493,716)	(255,286,600)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	(49,428,274)	-	-	-
	-	-	-	(11,024,254)	-
	<u>(206,216,826)</u>	<u>(305,582,021)</u>	<u>(239,882,675)</u>	<u>(235,517,970)</u>	<u>(255,286,600)</u>
	39,415,954	22,281,086	(126,099,717)	(86,090,952)	(96,241,841)
	93,750,000	-	-	-	-
	(19,410,050)	17,971,085	(16,255,702)	2,960,201	(34,891,473)
	489,280,075	465,094,880	287,586,219	292,315,892	315,098,030
	-	-	40,952,333	-	-
	(13,474,750)	6,214,110	(2,201,010)	(7,689,874)	12,109,335
\$	<u>456,395,275</u>	<u>489,280,075</u>	<u>310,081,840</u>	<u>287,586,219</u>	<u>292,315,892</u>

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property
2008	\$ 5,660,265	\$ 2,166,189	\$ 645,372
2007	5,615,395	1,899,540	737,484
2006	5,240,724	1,649,966	753,566
2005	4,943,144	1,574,914	730,307
2004	4,677,471	1,565,818	658,676
2003	4,329,989	1,546,470	594,529
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A
1999	N/A	N/A	N/A

Source: City of Detroit, Finance Department -Assessor's Office (Only total taxable values are available for fiscal years 1999 to 2002)

Total Taxable Assessed Value		Total Direct Tax Rate (Per Thousand of Taxable Value)	Estimated Actual Value	
\$	8,421,826	28.02	\$	23,581,113
	8,252,419	31.34		26,238,370
	7,644,256	30.02		26,513,090
	7,248,365	30.44		25,368,850
	6,901,965	30.88		24,083,510
	6,470,988	30.88		24,096,654
	7,639,805	31.90		21,951,604
	7,204,381	31.68		19,648,598
	6,856,682	31.10		17,256,888
	6,631,616	31.18		15,133,572

Schedule 6
City of Detroit, Michigan
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	Debt Service	Total Direct
2008	19.9520	8.0683	28.0203
2007	22.9448	8.3951	31.3399
2006	22.9448	7.0753	30.0201
2005	22.9563	7.4796	30.4359
2004	22.9563	7.9245	30.8808
2003	22.9563	7.9217	30.8780
2002	22.9563	8.9437	31.9000
2001	22.9563	8.7220	31.6783
2000	23.0000	8.0950	31.0950
1999	23.0000	8.1750	31.1750

City of Detroit's Budget Department
 (Red Books for 1999 through 2008)

Overlapping Rates

Detroit Public Schools		Library	County	State Education Tax
Homestead	Non-Homestead			
13.0000	31.0000	4.6307	13.9778	6.0000
13.0000	31.0000	4.6307	13.9980	6.0000
13.0700	30.6236	4.6307	13.9778	6.0000
13.0000	31.0000	3.6331	13.9861	6.0000
13.8000	31.8000	3.6331	13.9886	5.0000
13.1900	31.1900	3.6331	13.9895	6.0000
10.5000	28.5000	3.6331	12.5395	6.0000
7.0000	25.0000	3.6331	11.0565	6.0000
5.9000	23.9000	2.6400	11.1390	6.0000
6.4500	24.4500	2.6400	11.3200	6.0000

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

Taxpayer	2008		
	Taxable Assessed Value (Note 1)	Rank	Percentage of Total City Taxable Assessed Value (Note 2)
Chrysler LLC.....	\$ 538,217,278	1	5.44 %
Detroit Edison.....	323,205,898	2	3.27
MGM Grand Detroit LLC.....	246,711,996	3	2.49
Riverfront Holdings Inc.....	147,484,776	4	1.49
General Motors Corporation.....	146,965,605	5	1.48
American Axle & Manufacturing Inc.....	145,223,266	6	1.47
Marathon Ashland Pet. LLC/Marathon Oil	134,372,945	7	1.36
Detroit Entertainment LLC.....	99,629,152	8	1.01
Michigan Consolidated Gas Co.....	91,893,765	9	0.93
One Detroit Center.....	N/A	N/A	N/A
Flatbrick Detroit.....	N/A	N/A	N/A
Budd Corporation.....	N/A	N/A	N/A
Detroit Newspaper Agency.....	N/A	N/A	N/A
American Natural Resource.....	N/A	N/A	N/A

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, 1999 Comprehensive Annual Financial Report (Exhibit AA-14)

1999 (Note 3)

Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
\$ 767,921,267	1	8.90 %
298,301,437	3	4.27
N/A	N/A	3.82
N/A	N/A	N/A
321,769,429	2	N/A
23,783,237	10	N/A
N/A	N/A	3.82
N/A	N/A	N/A
177,792,283	4	N/A
40,647,896	5	2.42
31,022,000	6	0.75
25,092,706	7	0.46
24,626,995	8	0.41
24,126,097	9	0.39

Schedule 8
City of Detroit, Michigan
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
2008	\$ 271,516	\$ 251,530	92.64 %
2007	268,630	255,353	95.06
2006	263,532	244,189	92.66
2005	254,533	238,059	93.53
2004	242,235	231,696	95.65
2003	246,284	207,628	84.30
2002	243,710	212,435	87.17
2001	254,397	218,915	86.05
2000	231,310	210,805	91.14
1999	224,248	199,594	89.01

Source: City of Detroit, Finance Dept. - Treasury Division

Total Collections to Date

Collections in Subsequent Years		Amount	Percentage of Levy
\$	1,349	\$ 252,879	93.14 %
	-	255,353	95.06
	2,493	246,682	93.61
	8,942	247,001	97.04
	17,677	249,373	102.95
	16,663	224,291	91.07
	23,433	235,868	96.78
	15,854	234,769	92.28
	17,606	228,411	98.75
	14,302	213,896	95.38

Schedule 9
City of Detroit, Michigan
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	(Note 1) Pension Obligation Certificates
2008	\$ 936,578	\$ 5,650	\$ 94,453	\$ 1,484,485
2007	883,510	6,955	105,600	1,484,485
2006	953,275	8,322	114,183	1,484,485
2005	967,895	9,922	125,013	1,440,000
2004	827,370	11,414	135,368	-
2003	654,625	12,780	123,000	-
2002	602,400	13,859	132,290	-
2001	540,535	15,097	141,145	-
2000	584,805	16,240	149,615	-
1999	573,970	17,297	154,265	-

Note 1 Source: City of Detroit - Comprehensive Annual Financial Report for fiscal year ended June 30, 2008 through 1999

Note 2 Source: Per Capita calculations exclude Governmental and Business-type Activities Revenue Bonds

Business-type Activities (Note 1)

Sewage Disposal System Revenue Bonds	Water Supply System Revenue Bonds	Automobile Parking Revenue Bonds	Total Primary Government	Per Capita (Note2)
\$ 2,997,852	\$ 2,315,681	\$ 44,377	\$ 7,879,076	8,282.69
3,031,201	2,345,789	43,590	7,901,130	8,305.88
2,657,446	1,971,744	54,230	7,243,685	7,614.75
2,653,827	1,991,615	60,845	7,249,117	7,620.46
2,375,153	1,713,435	67,100	5,129,839	5,392.62
2,311,621	1,718,985	73,015	4,894,026	5,144.72
1,721,185	1,313,570	78,520	3,861,824	4,059.65
1,200,362	1,331,710	83,930	3,312,778	3,482.48
1,120,136	923,365	88,570	2,882,731	3,030.40
791,061	679,166	63,055	2,278,814	2,278.19

Schedule 10
City of Detroit, Michigan
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	Total
2008	\$ 936,578	\$ 5,650	\$ 942,228
2007	883,510	6,955	890,465
2006	953,275	8,322	961,597
2005	967,895	9,922	977,817
2004	827,370	11,414	838,784
2003	654,625	12,780	667,405
2002	602,400	13,859	616,259
2001	540,535	15,097	555,632
2000	584,805	16,240	601,045
1999	573,970	17,297	591,267

Note 1 Source: City of Detroit - Comprehensive Annual Financial Report for fiscal year ended June 30, 1999 through 2008

Note 2 Source: City of Detroit's Budget Department (Red Books for 1999 through 2008)

General Bonded Debt (Note 1)

Taxable Value (Note 2)	Percentage of Actual Taxable Value of Property (Note 2)	Per Capita (Note 2)
\$ 9,896,705	13.74	\$ 990.49
8,996,155	9.90	936.08
8,749,830	10.98	1,010.86
8,335,790	11.73	1,027.91
7,844,209	10.69	881.75
7,976,048	8.37	701.59
7,639,805	8.07	647.83
7,204,381	7.71	584.09
6,856,682	8.77	631.83
6,631,616	8.92	591.11

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Schedule 11
City of Detroit, Michigan
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008
(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.....	\$ 1,524,245	100.00 %	\$ 1,524,245
Wayne County.....	132,277	18.39	24,326
Wayne County Community College.....	40,575	29.12	11,815
Subtotal, overlapping debt.....			<u>1,560,386</u>
City of Detroit direct debt.....	1,492,636	100.00	1,492,636
Pension Obligation Certificates (1).....	1,206,770	100.00	<u>1,026,770</u>
City of Detroit debt.....			<u>2,519,406</u>
Total Direct and Overlapping Debt.....			<u><u>\$ 4,079,792</u></u>

Source: City of Detroit Finance Dept., Debt Management Division

(1) Includes only Governmental Activities portion of the Pension Obligation Certificates.

Total Pension Obligation Certificates equal \$1,484,485,000

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

	Fiscal Year				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limit.....	\$ 1,505,243	\$ 1,527,708	\$ 1,443,061	\$ 1,390,749	\$ 1,320,970
Total net debt applicable to limit.....	<u>820,400</u>	<u>758,805</u>	<u>815,002</u>	<u>728,229</u>	<u>738,889</u>
Legal debt margin.....	<u>\$ 684,843</u>	<u>\$ 768,903</u>	<u>\$ 628,059</u>	<u>\$ 662,520</u>	<u>\$ 582,081</u>
Total net debt applicable to the limit as a percentage of debt limit.....	54.50%	49.67%	56.48%	52.36%	55.94%

Source: City of Detroit Finance Dept., Debt Management Division

Fiscal Year

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 1,315,574	\$ 1,323,853	\$ 1,209,734	\$ 1,094,584	\$ 970,810
<u>579,119</u>	<u>572,817</u>	<u>499,641</u>	<u>533,190</u>	<u>514,094</u>
<u>\$ 736,455</u>	<u>\$ 751,036</u>	<u>\$ 710,093</u>	<u>\$ 561,393</u>	<u>\$ 456,716</u>
44.02%	43.27%	41.30%	48.71%	52.96%

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

Sewage Disposal Revenue Bonds						
Fiscal Year	Total (a) Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt Coverage	
1999	\$ 233,528	\$ 156,677	\$ 76,851	\$ 54,858	1.40	
2000	245,912	160,849	85,063	66,804	1.27	
2001	270,172	172,283	97,889	78,809	1.24	
2002	286,677	179,185	107,492	82,238	1.31	
2003	294,013	159,235	134,778	102,473	1.32	
2004	320,515	177,747	142,768	115,970	1.23	
2005	297,214	163,400	133,814	136,635	0.98	
2006	352,074	197,604	154,470	151,246	1.02	
2007	403,542	199,955	203,587	156,616	1.30	
2008	373,953	212,885	161,068	175,249	0.92	

Water Revenue Bonds						
Fiscal Year	Total (a) Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt Coverage	
1999	\$ 195,943	\$ 125,855	\$ 70,088	\$ 49,176	1.43	
2000	206,361	146,559	59,802	59,703	1.00	
2001	204,471	146,794	57,677	67,887	0.85	
2002	219,126	155,247	63,879	72,586	0.88	
2003	251,236	161,364	89,872	82,913	1.08	
2004	259,641	152,562	107,079	95,331	1.12	
2005	267,789	156,954	110,835	105,575	1.05	
2006	295,075	146,215	148,860	107,305	1.39	
2007	302,351	146,327	156,024	115,450	1.35	
2008	322,296	143,517	178,779	135,157	1.32	

Automobile Parking Revenue Bonds						
Fiscal Year	Total (a) Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt Coverage	
1999	\$ 17,880	\$ 8,512	\$ 9,368	\$ 5,917	1.58	
2000	19,407	9,407	10,000	7,897	1.27	
2001	18,220	9,621	8,599	10,728	0.80	
2002	20,683	9,655	11,028	10,514	1.05	
2003	19,254	11,156	8,098	10,670	0.76	
2004	19,478	12,295	7,183	10,510	0.68	
2005	13,628	16,006	(2,378)	8,622	(0.28)	
2006	21,126	10,315	10,811	10,604	1.02	
2007	18,114	9,470	8,644	10,605	0.82	
2008	18,556	7,998	10,558	6,374	1.66	

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 SRF Loans

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

Year	Population (Note 1)	Per Capita Personal Income	Median Age
2008	951,270	15,042	32.5
2007	951,270	15,042	32.5
2006	951,270	15,042	32.5
2005	951,270	15,042	32.5
2004	951,270	*	*
2003	951,270	*	*
2002	951,270	*	*
2001	951,270	*	*
2000	951,270	14,717	30.9
1999	1,000,272	*	*

Note 1 Source: 1999 are from U.S. Department of Commerce,
Current Population Reports subsequent years are based on the population
count for the City released by the U.S. Bureau of Census for 2000

Note 2 Source: Detroit Public Schools

Note 3 Source: City of Detroit 2008-2009 Executive Budget
Summary Page E5 - 2007 Rate from US Department of Labor

School Enrollment (Note 2)	Unemployment Rate (Note 3)
94,054	22.0
105,000	14.8
130,718	13.5
130,718	14.2
141,147	14.1
150,415	14.0
157,003	12.0
159,694	9.2
162,693	6.3
168,213	6.9

Schedule 15
City of Detroit, Michigan
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2008 (Note 1)		
	Employees	Rank	Percentage of Total City Employment (Note 3)
General Motors Corporation.....	41,861	1	13.0 %
Henry Ford Health System.....	15,139	2	4.7
Detroit Medical Center.....	11,031	3	3.4
AT & T.....	N/A	4	N/A
DTE Energy Co.....	7,188	5	2.2
Blue Cross and Blue Shield of Michigan.....	7,007	6	2.2
EDS Corp.....	6,711	7	2.1
Comerica Inc.....	6,169	8	1.9
DailmerChrysler AG.....	N/A	N/A	N/A
St. John Health System.....	N/A	N/A	N/A
American Axle & Manufacturing Holdings Inc.....	N/A	N/A	N/A
Detroit Diesel Corporation.....	N/A	N/A	N/A

Note 1 Source: Crain's Book of Lists, 2008 Edition (City of Detroit Based)

Note 2 Source: City of Detroit 1999-2000 Executive Budget Summary(Page 217)

Note 3 Source (Total City employment): Michigan Department of Labor & Economic Growth (Labor Market Information)

1999 (Note 2)

Employees	Rank
6,500	9
7,650	7
12,055	3
2,230	17
3,091	14
2,658	15
N/A	N/A
2,445	16
12,094	4
7,223	8
4,872	10
3,400	13

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

FUNCTION/PROGRAM	FTE Employees as of June 30,					FTE Employees as of June 30,				
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Governmental Agencies										
Executive Agencies										
Arts.....	-	-	1	1	1	1	1	1	1	5
Budget.....	22	23	23	28	28	31	29	33	29	32
Building and Safety.....	296	296	299	294	302	302	285	319	313	314
Civic Center.....	35	35	59	70	89	85	84	88	92	88
Consumer Affairs.....	-	-	14	13	17	18	20	21	22	21
Cultural Affairs.....	-	-	-	10	14	5	5	5	5	5
Public Works.....	750	748	873	1,226	1,314	1,420	1,290	1,524	1,373	903
Workforce Development.....	91	98	90	79	81	83	82	88	87	88
Environmental.....	53	51	21	23	29	27	10	12	8	6
Finance.....	327	310	298	402	506	525	498	486	494	494
Fire-Civilian.....	6	-	442	442	440	426	413	406	419	431
Fire-Uniform.....	1,438	1,479	1,069	1,281	1,286	1,368	1,374	1,386	1,302	1,311
General Services.....	676	670	-	-	-	-	-	-	-	-
Health & Wellness Promotion.....	348	335	434	505	568	579	552	562	552	568
Historical.....	-	-	6	24	39	41	33	39	30	28
Human Resources.....	175	179	174	232	266	285	361	327	418	374
Human Rights.....	13	7	7	19	25	21	25	22	23	22
Human Services.....	117	122	128	145	142	149	138	144	129	143
Information Technology Services.....	99	105	94	112	124	139	133	159	125	115
Law.....	127	134	140	180	195	191	206	190	168	161
Mayor's Office.....	108	107	59	97	100	96	86	87	87	82
Planning and Development.....	172	181	197	239	255	253	265	264	259	249
Police-Civilian.....	387	373	427	445	514	542	567	552	563	559
Police-Uniform.....	3,034	3,126	3,162	3,658	3,867	3,981	4,243	4,330	4,143	4,003
Communication and Creative Services.....	-	-	-	21	17	17	18	19	18	16
Public Lighting.....	225	217	228	254	281	299	279	312	310	331
Recreation.....	471	464	399	465	638	728	513	665	521	525
Senior Citizens.....	-	-	5	8	9	11	9	8	9	10
Youth.....	-	1	-	-	-	-	4	5	5	-
Zoological Institute.....	1	-	86	194	213	223	151	244	129	138
Administrative Hearings.....	6	5	5	4	-	-	-	-	-	-
Homeland Security.....	5	5	4	6	-	-	-	-	-	-
Housing.....	3	3	3	3	179	246	314	333	377	447
Legislative Agencies										
Auditor General.....	21	18	18	16	26	19	10	18	19	22
Board of Zoning Appeals.....	13	15	11	13	15	15	7	13	7	7
City Council.....	90	91	92	104	108	106	98	96	93	95
Ombudsman.....	10	7	6	9	11	13	10	10	11	11
City Clerk.....	25	25	27	30	31	27	28	27	28	30
Elections.....	68	60	65	74	75	83	70	68	68	71
Judiciary Agency										
36th District Court.....	32	31	31	31	31	31	31	30	515	29
Other Agencies										
Non-Departmental.....	44	37	41	44	29	26	28	24	-	-
Library.....	460	457	457	463	457	477	362	518	364	392
Total General Governmental Agencies.....	9,748	9,815	9,495	11,264	12,322	12,889	12,632	13,435	13,116	12,126
Enterprise Agencies										
Airport.....	11	11	13	22	26	39	33	46	35	33
Department of Transportation.....	1,512	1,562	1,530	1,588	1,748	1,779	1,750	1,731	1,711	1,815
Municipal Parking.....	109	114	108	108	118	123	119	116	128	125
Water and Sewage Disposal.....	2,260	2,224	2,311	2,592	2,735	2,942	2,946	3,018	2,795	2,944
Total Enterprise Agencies.....	3,892	3,911	3,962	4,310	4,627	4,883	4,848	4,911	4,669	4,917
Grand Total.....	13,640	13,726	13,457	15,574	16,949	17,772	17,480	18,346	17,785	17,043

Source: City of Detroit, Human Resource Department

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

	Fiscal Year				
	2008	2007	2006	2005	2004
Public Protection:					
Police					
Number of Stations (Including 16 Mini-Station).....	8	12	24	28	30
Number of Employees (Uniform).....	3,005	3,126	3,162	3,658	3,818
Number of Traffic Violations Issued (507,573 Parking Tickets).....	13,033	n/a	625,711	736,131	714,517
Number of Traffic Ordinance Violations Issued.....	200,585	181,616	38,352	45,121	47,782
Number of Arrests (Traffic + Others).....	58,115	34,747	-	79,852	64,539
Fire					
Number of Fire Stations.....	46	48	48	49	49
Number of Employees.....	1,535	1,479	1,511	1,723	1,726
Number of Fire Fighting Vehicles.....	90	212	256	238	238
Number of Fire Hydrants.....	28,000	38,000	38,000	38,000	38,000
Responses to Fire Alarms (Including False Alarms).....	23,174	33,399	33,992	34,160	34,160
Responses to Special Calls and Emergency Medical Service Calls.....	142,573	142,370	132,432	151,285	151,285
Estimated Fire Loss of Property.....	\$ 397,605,618	\$ 1,190,738,018	\$ 96,771,056	\$ 1,921,197,050	\$ 1,921,197,050
Public Works					
Number of Employees.....	753	748	873	1,124	1,189
Miles of Streets (Paved + Unpaved).....	2,570	2,570	2,784	2,784	2,784
Miles of Alleys (Paved + Unpaved).....	1,264	1,264	1,284	1,284	1,264
Miles of Sidewalks.....	4,243	4,243	4,265	4,265	4,243
Public Lighting					
Number of Street Lights.....	87,500	87,500	88,000	87,500	87,000
Number of Revenue Customers.....	235	185	201	179	1,302
Size of Generating Station in Kilowatts.....	177,000	177,000	184,000	184,000	184,000
Kilowatt Hours Generated (Net).....	136,207,800	94,000,300	256,395,400	308,391,000	253,271,700
Kilowatt Hours Delivered to System.....	608,442,800	631,299,700	634,026,280	567,529,080	541,722,900
Steam Heating Plants - Steam Produced in Pounds.....	104,544,579	85,000,000	62,306,014	71,852,887	75,226,300
Recreation and Cultures					
Number of Parks, Ornamental Areas, Playfields and Playgrounds Owned (5,108 Acres).....	354	387	391	391	391
Number of Summer Camps (199 Acres).....	-	-	1	1	1
Number of Recreation Centers, Playgrounds and School Facilities Operated.....	13	14	30	30	30
Number of Skating Rinks.....	1	2	1	1	1
Number of Swimming Pools.....	2	8	17	17	18
Number of Municipal Beaches.....	1	1	1	1	1
Total Playing Permits Issued at 6 Municipal Golf Courses.....	132,405	202,403	269,870	269,870	269,870
Library					
Number of Libraries(Including Two Bookmobiles).....	27	27	27	27	26
Estimated Number of Books.....	7,903,837	7,903,837	3,497,342	3,497,342	3,343,509
Circulation	1,199,736	1,199,736	889,315	981,689	996,316
Water System					
Number of Customer Accounts.....	275,900	264,173	264,259	281,104	262,415
Average Pumpage - Millions of Gallons per Day.....	601.7	575.2	599.6	640	606
Greatest Pumpage for a Single Day During Fiscal Year - Gallons.....	1,097,900,000	1,031,300,000	1,049,800,000	1,060,500,000	1,082,200,000
Greatest Pumpage for a Single Hour During Fiscal Year -Gallons.....	51,992,000	49,125,000	50,333,000	52,208,000	48,667,000
Filtration Plant Rated Capacity - Millions of Gallons per Day.....	1,780	1,780	1,780	1,670	1,680
Number of Miles of Water Mains.....	3,840	3,840	3,840	3,840	3,846
Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet.....	\$ 12.92	\$ 12.02	\$ 11.87	\$ 11.49	\$ 11.00
Sewage System					
Number of Sewage Disposal Plants.....	1	1	1	1	1
Number of Pumping Stations.....	12	12	12	12	12
Miles of (Trunk Line + Lateral) Sewers.....	2,913	2,913	2,913	3,383	2,913
Miles of Lateral Sewers.....	2,125	-	-	-	-
Transportation					
Number of Employees.....	1,562	1,562	1,530	1,605	1,757
Number of Revenue Vehicles.....	541	541	550	561	572
Seating Capacity.....	21,916	21,916	22,278	22,065	23,887
Number of Route Miles.....	1,291	1,291	1,291	1,198	1,324
Number of Passengers (Estimated).....	35,204,863	35,204,863	37,083,344	36,000,000	38,000,000
Regular Fare.....	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2
Tickets.....	N/A	5 for \$7.50	5 for \$7.50	5 for \$6.50	5 for \$6.50
Transfers.....	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ -
Weekly GO Pass.....	\$ 14.40	N/A	N/A	N/A	N/A
Health					
Number of Employees.....	338	335	434	508	578
Birth Rate per Thousand.....	13.3	15	14	15	15
Death Rate per Thousand.....	8.97	11	10	10	10
Infant Mortality Rate per Thousand Live Births.....	14.9	15	16	16	17

Source: City of Detroit, Various Departments

Fiscal Year				
2003	2002	2001	2000	1999
35	52	52	52	51
3,965	4,243	4,156	4,143	4,003
761,436	770,198	623,399	658,064	681,166
124,087	51,861	179,484	176,866	185,708
86,873	102,382	99,764	102,143	112,501
47	49	49	57	46
1,798	1,787	1,748	1,721	1,742
225	200	-	-	-
33,000	36,208	38,000	30,430	30,426
35,690	24,138	22,547	23,538	26,328
124,122	128,006	126,898	126,722	69,636
\$ 81,320,274	\$ 127,250,563	\$ 134,838,326	\$ 177,193,955	\$ 294,140,381
1,203	1,290	1,351	1,373	903
2,785	2,788	2,788	2,788	2,789
1,268	1,277	1,290	1,290	1,292
4,247	4,250	4,252	4,252	4,253
87,000	8,700	87,000	87,000	86,932
1,302	1,058	1,578	1,578	1,578
185,000	180,000	184,000	184,000	184,000
220,476,700	384,473,900	390,922,000	360,000,000	318,555,500
542,839,900	620,619,500	620,704,800	660,000,000	629,908,300
67,976,300	70,000,000	70,000,000	70,000,000	71,161,149
391	391	391	391	391
1	1	1	1	1
110	128	123	131	127
3	4	4	4	4
18	21	27	22	22
1	1	1	1	1
269,870	209,667	216,459	223,357	266,905
23	24	25	26	26
3,262,776	3,164,986	3,024,718	6,635,529	6,603,359
1,151,952	972,534	1,041,468	1,228,169	1,390,473
260,639	270,751	270,685	268,478	264,950
654	661	615	653	673
1,194,500,000	1,219,600,000	1,043,700,000	1,094,000,000	1,114,900,000
53,750,000	57,600,000	49,000,000	50,208,333	53,000,000
1,700	1,600	1,600	1,700	1,700
13,251	13,137	13,137	12,978	12,659
\$ 10.00	\$ 9.00	\$ 8.00	\$ 7.00	\$ 7.00
1	1	1	1	1
14	14	14	14	14
2,899	2,864	2,200	2,200	2,200
-	-	-	-	-
1,803	1,750	1,538	1,711	1,815
540	548	585	516	586
23,452	23,680	25,387	22,531	26,073
1,309	1,316	1,324	1,311	1,369
39,756,458	41,000,000	44,000,000	44,000,000	42,500,000
\$ 2	\$ 1	\$ 1	\$ 1	\$ 1
5 for \$6.50	5 for \$5.75	5 for \$5.75	5 for \$5.75	5 for \$5.75
\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A
582	552	545	552	568
16	17	17	16	14
10	11	11	11	14
14	15	15	15	15



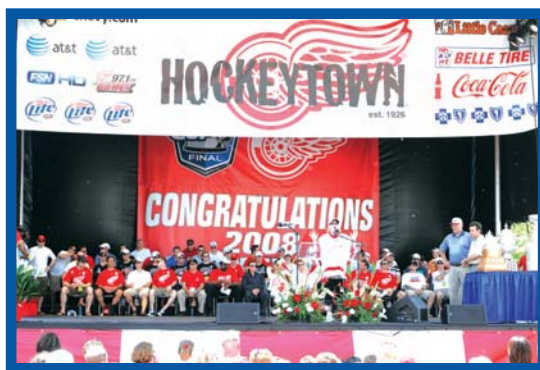
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