



CITY OF DETROIT, MICHIGAN

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

for the Fiscal Year Ended June 30, 2014

Michael E. Duggan, Mayor • John W. Hill, 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 713,777

City of Detroit

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2014

Michael E. Duggan, Mayor

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
LETTER OF TRANSMITTAL	I-1
AUDITOR GENERAL’S LETTER	I-9
LIST OF CITY OF DETROIT PRINCIPAL OFFICIALS	I-10
CITY OF DETROIT ORGANIZATION CHART	I-13
II. FINANCIAL SECTION	
INDEPENDENT AUDITORS’ REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)	7
BASIC FINANCIAL STATEMENTS:	
A. GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	39
Statement of Activities	40
B. FUND FINANCIAL STATEMENTS:	
Governmental Funds Financial Statements:	
Balance Sheet	42
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	43
Statement of Revenues, Expenditures, and Changes in Fund Balances	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	45
Enterprise Funds Financial Statements:	
Statement of Net Position	46
Statement of Revenues, Expenses, and Changes in Fund Net Position	50
Statement of Cash Flows	52
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	56
Statement of Changes in Fiduciary Net Position	57
Discretely Presented Component Units Financial Statements:	
Combining Statement of Net Position	58
Combining Statement of Activities	60
C. NOTES TO BASIC FINANCIAL STATEMENTS	63
REQUIRED SUPPLEMENTARY INFORMATION:	
A. BUDGET TO ACTUAL COMPARISON - GENERAL FUND:	
Notes to Budget to Actual Comparison	161
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	162
B. EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS:	
Schedules of Funding Progress and Employer Contributions	166

TABLE OF CONTENTS

	Page
OTHER SUPPLEMENTARY INFORMATION SECTION:	
A. COMBINING NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:	
Other Governmental Funds:	
Combining Balance Sheet	173
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	174
Special Revenue Funds:	
Combining Balance Sheet	176
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	178
Street Fund:	
Combining Balance Sheet	180
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	181
Permanent Funds:	
Combining Balance Sheet	182
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	183
B. OTHER GOVERNMENTAL FUNDS BUDGETARY COMPARISON SCHEDULES:	
Special Revenue Funds	184
Debt Service Fund	197
Capital Projects Fund	198
C. ENTERPRISE FUNDS:	
Combining Statement of Net Position	200
Combining Statement of Revenues, Expenses, and Changes in Net Position	202
Combining Statement of Cash Flows	203
D. FIDUCIARY FUNDS:	
Combining Statement of Fiduciary Net Position	206
Combining Statement of Changes in Fiduciary Net Position	208
E. AGENCY FUNDS:	
Combining Statement of Assets and Liabilities	209
Combining Statement of Changes in Assets and Liabilities	210
 III. STATISTICAL SECTION (UNAUDITED)	
Description of Statistical Section	213
Schedule 1 - Net Position by Component, Last Ten Fiscal Years	214
Schedule 2 - Changes in Net Position, Last Ten Fiscal Years	216
Schedule 3 - Fund Balances, Governmental Funds, Last Ten Fiscal Years	220
Schedule 4 - Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	222
Schedule 5 - Assessed and Actual Value of Taxable Property, Last Ten Fiscal Years	224
Schedule 6 - Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	226
Schedule 7 - Principal Property Tax Payers, Current Year and Nine Years Ago	228
Schedule 8 - Property Tax Levies and Collections, Last Ten Fiscal Years	230
Schedule 9 - Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	232
Schedule 10 - Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	234
Schedule 11 - Direct and Overlapping Governmental Activities Debt as of June 30, 2013	237
Schedule 12 - Legal Debt Margin Information, Last Ten Fiscal Years	238
Schedule 13 - Pledged Revenue Coverage, Last Ten Fiscal Years	240
Schedule 14 - Demographic and Economic Statistics, Last Ten Calendar Years	241
Schedule 15 - Principal Employers, Current Year and Ten Years Ago	242
Schedule 16 - Full-time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years	244
Schedule 17 - Miscellaneous Operating Indicators by Function/Program, Last Ten Fiscal Years	246

PHOTO CREDITS

All photographs courtesy of City of Detroit - Communications and Creative Services Department



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG
MUNICIPAL CENTER, SUITE 1100
DETROIT, MICHIGAN 48226
PHONE 313•224•1962
FAX 313•628•2717

June 17, 2015

The City of Detroit
Honorable Mayor Michael Duggan and
The Honorable City Council

The management and staff of the Office of the Chief Financial Officer are pleased to submit the City of Detroit's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 along with the Independent Auditors' Report. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties.

INTRODUCTION TO THE REPORT

Responsibility

The Office of the Chief Financial Officer prepares the City's CAFR and is responsible for both, the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City's primary government and component units for which it is financially accountable and that the disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles (GAAP)

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

Independent Audit

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

PROFILE OF THE GOVERNMENT

Background and Overviews

Detroit is the largest city in the state of Michigan and is the seat of Wayne County. The City covers approximately 140 square miles and accounts for nearly half of the population of Wayne County. The City is internationally known for automotive manufacturing and trade. Detroit is located on an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world. The City was incorporated in 1806, and is a home rule city under State law. The organizational structure of the City is as follows:



Emergency Management

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

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

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

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

On December 3, 2013, the Bankruptcy Court issued a bench decision determining that the City was insolvent and eligible to be a Chapter 9 debtor (the "Bench Decision"). On December 5, 2013, the Bankruptcy Court entered: (1) its Opinion Regarding Eligibility, memorializing, and further elucidating the Bench Decision; and (2) an Order for Relief under Chapter 9 of the Bankruptcy Code that permitted the City to be a debtor under Chapter 9 of the Bankruptcy Code.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. Accordingly, on February 21, 2014, the City filed its first plan of adjustment and a related disclosure statement. On May 5, 2014, following additional negotiations and mediations with its creditors, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also on May 5, 2014, the Bankruptcy Court entered an order approving the fourth amended disclosure statement, as containing adequate information with which creditors could determine whether to vote to accept or reject the Plan, and established July 11, 2014 as the deadline for creditors to cast votes to accept or reject the Plan. Thereafter, the City, through its claims and balloting agent, Kurtzman Carson Consultants LLC ("KCC"), sent the Plan, the disclosure statement, ballots, and other materials that had been approved by the Bankruptcy Court to the creditors entitled to vote on the Plan.

After voting was completed, on July 21, 2014, KCC filed its first declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Impaired classes that voted to accept the Plan included the classes comprising PFRS pension claims, GRS pension claims, OPEB claims, POC (Pension Obligation Certificate) Swap claims and Unlimited Tax General Obligation (UTGO) Bond claims. Impaired classes that voted to reject the Plan included the classes comprising general unsecured claims, POC claims, Limited Tax General Obligation (LTGO) Bond claims, and certain classes of DWSD debt.



Thereafter, the City continued to negotiate and mediate with its creditors who had either not settled their disputes with the City or voted to reject the Plan in an attempt to reach full consensus on the City's plan of adjustment. Those further discussions were successful, and the City filed successive amended versions of the Plan of adjustment that reflected new settlements as they were achieved. On October 22, 2014, the City filed its eighth (and final) amended plan of adjustment (the "Plan").

The hearing on confirmation of the Plan lasted 24 days between September 2, 2014 and October 27, 2014. On November 12, 2014, the Bankruptcy Court entered an order confirming the Plan (the "Confirmation Order"). On December 10, 2014 (the "Effective Date"), the transactions contemplated by the Plan closed, and the Plan became effective pursuant to its terms. On December 31, 2014, the Bankruptcy Court issued a Supplemental Opinion supporting the Confirmation Order.

On September 25, 2014, in accordance with Section 9(6) (c) of PA 436, the City Council voted unanimously to remove the EM as of the Effective Date (the period from the appointment of the EM through such removal, the "EM Tenure"). By a letter to the Governor, the Mayor approved of the Council's vote on the same day. On September 25, 2014, in connection with the vote of City Council to, and the Mayor's approval of, the removal of the EM as of the Effective Date, the EM adopted and issued his Order No. 42. Order No. 42 restored the authority of the Mayor and the City Council over day-to-day operations and activities of the City effective as of the date of such order, as permitted by PA 436. The EM continued to exercise his powers to manage and conclude the Bankruptcy Case and related bankruptcy proceedings, including the closing of the transactions contemplated by the Plan and the occurrence of the Effective Date.

On December 10, 2014, and in accordance with the Plan, the City: (1) issued \$1.3 billion of debt, of which \$1.1 billion was delivered to various classes of creditors in satisfaction of their claims; (2) paid \$110.1 million of cash including \$73.1 million to various classes of creditors in satisfaction of their claims, \$36.5 million to establish a Professional Fee Reserve account to pay the bankruptcy and restructuring professionals, and \$0.5 million to satisfy debt issuance costs; (3) assigned debt service payments on the remaining \$43.3 million of the original UTGO bonds primarily to the income stabilization funds for the General Retirement System (GRS) and Police and Fire Retirement System (PFRS); (4) issued settlement credits totaling \$25.0 million to the insurers of the POCs; and (5) irrevocably transferred the assets of the Detroit Institute of Arts (DIA) having a net book value of \$86.6 million to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within City limits, for the primary benefit of residents of the City and residents of the State. On December 10, 2014, the EM Tenure concluded.

Included in the \$1.3 billion of debt issued on December 10, 2014 were the City's Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014 A/B totaling \$275.0 million, which: (1) refunded the \$120.0 million of the Series 2014 Bonds issued in April 2014; (2) paid the \$38.0 million final installment of the POC swap settlement claim; (3) provided an additional \$85.7 million for reinvestment and revitalization initiatives in the City; (4) funded \$27.5 million for a debt service reserve for the Series 2014 A/B Bonds; and (5) paid \$3.8 million for issuance and other costs related to the new bonds. Also, the City has remaining proceeds available for reinvestment and revitalization initiatives from the \$120.0 million of the 2014 Financial Recovery Bonds (Quality of Life) that was refunded with this new debt.

The City eliminated a net \$8.3 billion (\$9.6 billion of liabilities and deferred inflows less \$1.3 billion of assets and deferred charges) of its obligations, including: (1) \$7.0 billion of pension and retiree benefits legacy costs; (2) \$1.4 billion of POC long-term obligations; (3) \$302.5 million of the POC swaps; and (4) \$200.9 million of accrued but unpaid pension contributions. Also, as a result of the elimination of the POC long-term obligations, the City eliminated the related net pension asset totaling \$1.2 billion, which included the obligation for the unpaid pension contributions. The bankruptcy exit and this settlement and discharge of claims under the Plan provided the City a total of \$6.8 billion in aggregate debt relief.



Financial Review Commission

Michigan Public Act 181 of 2014, M.C.L. §§ 141.1631, et seq. (“PA 181”), established the Detroit Financial Review Commission (the “Commission”) to monitor the City’s compliance with the Plan of Adjustment and PA 181, and provide oversight of the City’s financial activities. The Commission has broad authority (as of the Effective Date) to obtain and review the City’s financial records on an ongoing basis, approve budgets and contracts and conduct financial audits of the City. On December 10, 2014, the Commission became operational. Michigan Public Act 182 of 2014, M.C.L. 117.4s-t, further imposes requirements including that the City adopt a multi-year financial plan and appoint a chief financial officer (CFO).

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 the City Council are also elected to four-year terms. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved by the City Council.

During the fiscal year ending June 30, 2014, many of the powers and functions of the Executive and Legislative Branches were vested in the EM.

Other Agencies

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

LOCAL ECONOMY

The City of Detroit is the largest city in Michigan and the 18th largest city in the United States. The City’s current economic condition is improving. The future outlook for recovery and improvement is positive. Businesses are transferring employees from suburban cities to the City of Detroit. New residents are moving into the City.

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

Detroit is becoming a major entertainment destination. The City is home to major sports teams including the Tigers, Lions, and Red Wings. Also, the City’s three casinos and a growing number of restaurants and night spots provide visitors with many entertainment options.

The Detroit metro area economy remains dominated by the auto industry. Auto sales by Detroit manufacturers were up in 2014 from the prior year. It is expected that auto sales will continue their upward track this year.

Moody’s Investors Service, in its March 11, 2015 analysis of the City, noted “The City’s economy and tax base continue to struggle under the weight of property valuation declines, a stubbornly weak demographic profile and a dwindling population, all of which are impediments to the City’s efforts to revitalize its economy and shore up its revenue base. Unemployment remains high at 13.0% as of November 2014 reflecting the lasting effects of a 52.9% decline in the number of jobs in the City from 1970 to 2012, inclusive of auto maker job cuts experienced during the recession. The persistently high unemployment rate is also a contributor to the high concentration of residents below the poverty level. Approximately 39.3% of the City’s residents live in poverty, according to US census estimates from 2009-13, compared to the US official poverty rate of 14.5% for 2013. While Detroit is the eighteenth largest US City and still boasts a large economic base even after years of decline, the City reports a very low \$21,889 full value per capita, well below the U.S. city median of \$89,356. This statistic illustrates the difficulty of funding services for a population of this size using the resources available.



The City's housing market is beginning to show signs of rebounding, with housing prices in the Detroit-Dearborn-Livonia metropolitan statistical area increasing by 6.8% from 2013 through the second quarter of 2014. The City's aggressive plans to reduce blight have resulted in an abundance of distressed properties for sale. The large stock of these affordable housing structures will help attract new residents, though the housing market will still suffer from the large inventory of foreclosed and abandoned properties.

Despite these recent gains in home sale prices in some parts of the City, assessed values will continue to decline overall through 2020 due to declines in assessed values that have not kept pace with the recent severe drop in home prices. Erosion of the City's estimated full value began in fiscal 2008 as the recession began, resulting in a valuation decline of 45% from an estimated full value of \$28.2 billion at year-end 2007 to \$15.5 billion as of fiscal 2014. The City expects the trend of declining property valuations to continue as it makes changes to its property assessment process. The City began the reassessment process in 2014 in an attempt to attract new residents and to correct overassessment in certain areas of the City. As a result of this process, reassessment of residential property in fiscal 2015 is projected to result in an additional 10%-20% decline in taxable valuation for three-quarters of the residential housing stock, with the remainder of the neighborhoods seeing no reduction in their taxable valuation. An outside firm is conducting a reappraisal of all property over the next five years which will likely result in further reductions to the City's taxable value."

New International Trade Crossing

The City's border with Ontario, Canada is the most frequently crossed in North America, allowing for significant international commercial cooperation. A second bridge, the "New International Trade Crossing" (NITC), between Canada and Detroit has been approved and is expected to contribute to improvements in the City's economy through increased commerce and jobs for residents. Pursuant to an agreement between the Canadian federal government and the State of Michigan announced June 15, 2012, the Canadian federal government would fund bridge construction, land acquisition in Michigan, and the construction of ramps from Interstate 75. The Canadian contribution would be repaid from bridge tolls. On April 12, 2013, the U.S. State Department issued a Presidential permit to the State of Michigan for the new bridge. On May 22, 2013, the Canadian government allocated \$25 million to begin land acquisition on the Detroit side. The crossing, as proposed, would connect Detroit and Windsor by linking Interstate 75 and Interstate 94 in Michigan with the new Windsor–Essex Parkway connection to Highway 401 in Ontario. The bridge is tentatively scheduled for completion in 2020. The NITC is expected to provide an orderly flow of people and goods between the two countries.

M-1 Rail Project

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

Public Lighting

The City has long struggled with inadequate street lighting. In the last year, the Public Lighting Authority of Detroit (PLA) made great strides in providing citizens with satisfactory public lighting. The PLA is a State-created authority whose mission is to improve, modernize, and maintain all streetlights in the City. The PLA's goal is to complete relighting all neighborhoods in Detroit by the end of 2015 and all major thoroughfares by the end of 2016. The authority is almost halfway to its goal of installing 65,000 LED lights.

Blight Removal Initiatives

Remediation of blight is the City's highest reinvestment priority. The Detroit Land Bank Authority has taken control of a significant number of vacant City owned properties and will auction them to people who will renovate and inhabit the properties. In addition, the Authority takes legal action to seize abandoned homes and/or reaches agreements with property owners who agree to remove blight violations. The City also receives Federal grants to assist in demolition efforts of structures that cannot be saved.



LONG-TERM FINANCIAL PLANNING

The City's current financial planning process is primarily driven by the terms of the Plan of Adjustment, related restructuring initiatives, and the oversight of the Commission. In previous years it was primarily driven by the budget process. The Administration has prepared a four-year financial plan in accordance with state law and consistent with the Plan of Adjustment.

The Commission provides oversight of the City's finances and financial planning. Compliance with PA 181 includes the following:

- Providing to the Commission any documents, records or other information requested of City officials by the Commission or its staff, including any documents, records or other information specifically required by PA 181.
- Appearing before the Commission to provide testimony, documents, records or other information when requested by the Commission or its staff.
- Providing to the Commission upon its request verification of compliance by the City with all of the following consistent with the requirements of Section 6(3) of PA 181:
 - A. Section 8 of Michigan Public Act 152 of 2011, the Publicly Funded Health Insurance Contribution Act;
 - B. Sections 4i, 4p, 4s and 4t of Michigan Public Act 279 of 1909, the Home Rule City Act;
 - C. Michigan Public Act 34 of 2001, the Revised Municipal Finance Act; and
 - D. Michigan Public Act 2 of 1968, the Uniform Budgeting and Accounting Act;
- Providing to the Commission a four-year financial plan for review by March 23 of each year (100 days prior to the beginning of the fiscal year). Section 6 (4) ("PA 181") states- *"During the period of oversight, the commission shall review and approve that qualified city's 4-year financial plan required by section 4t of the home rule city act, 1909 PA 279, MCL 117.4t. A 4-year financial plan described in this subsection shall be submitted at least 100 days prior to the commencement of a qualified city's fiscal year."* The Commission shall approve or disapprove the Plan within 30 days after receipt of the Plan. The Commission, if it disapproves the Plan, shall receive from the City a revised plan that addresses the commission's rationale for rejection within 15 days after disapproving plan. The Commission shall approve or disapprove the revised plan no later than 15 days after receiving the revised plan from the City. If the revised plan is disapproved, the Commission may adopt and impose a financial plan that satisfies all requirements.

The Commission is required on June 1 and December 1 of each year to file a written report with the Governor with copies to the Senate Majority Leader and the Speaker of the House and posted on the Treasury website, as well as sent to the Mayor and the City Council.

RELEVANT FINANCIAL POLICIES

Internal Control Structure

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



Budgetary Control

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

ACCOMPLISHMENTS/ACKNOWLEDGEMENTS

Accomplishments

Implementation of Reinvestment Initiatives

The City began implementation of the \$1.7 billion program of reinvestment initiatives contemplated in, and made possible by confirmation of, the Plan. The Reinvestment Initiatives provide funds for (a) public safety equipment, facilities and services; (b) blight remediation; (c) upgrades to City infrastructure, operations, and information technology; and (d) public transportation improvements.

New Financial Management System

The City has begun a process to replace its old DRMS (Detroit Resource Management System) system. This process is referred to internally as “Fast Track” and will result in the implementation of modern Finance and Human Resource systems. These systems are cloud based (hosted environments where software is purchased as a service).

Acknowledgements

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

Sincerely,

A handwritten signature in black ink, appearing to read "John Naglick Jr.", is positioned below the word "Sincerely,".

John Naglick Jr.
Chief Deputy CFO/Finance Director

THIS PAGE LEFT BLANK INTENTIONALLY



City of Detroit

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, Michigan 48226
Phone: (313) 224-4558
Fax: (313) 224-4091
www.detroitmi.gov

Mark W. Lockridge
AUDITOR GENERAL

AUDITOR GENERAL'S LETTER

June 17, 2015

The Honorable Mayor Michael E. Duggan
And Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, were audited by KPMG LLP, under contract with the City of Detroit's, Office of the Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 7.5-105.

Respectfully,

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

Mark W. Lockridge
Auditor General

PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Executive (Elected)



Mayor
MICHAEL E. DUGGAN

Legislative (Elected)

City Council



BRENDA JONES
President



GEORGE CUSHINGBERRY
President Pro Tem



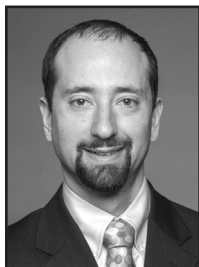
JANEÉ AYERS



SCOTT BENSON



RAQUEL
CASTANEDA-LOPEZ



GABE LELAND



MARY SHEFFIELD



ANDRE SPIVEY



JAMES TATE

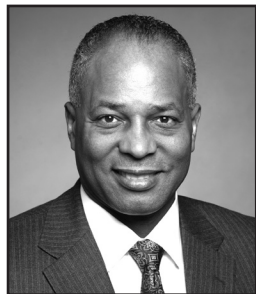
PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Legislative (Elected)



City Clerk
JANICE WINFREY

Other Executive Officials (Appointed)



JOHN W. HILL
Chief Financial Officer



JOHN NAGLICK
**Chief Deputy CFO/
Finance Director**

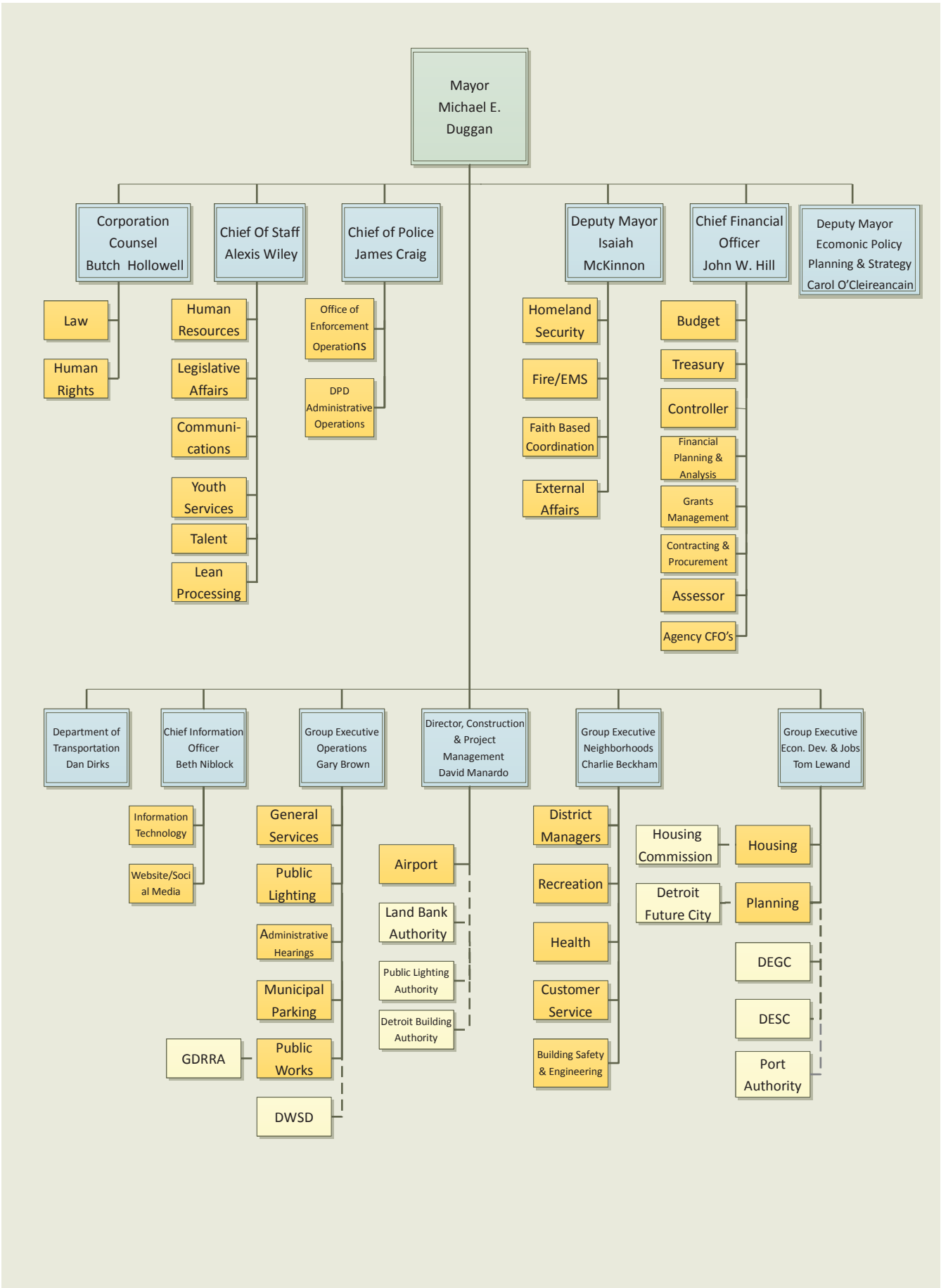


City Job Fair

The City of Detroit Human Resources Department held a City job fair at Cobo Center on Feb. 28, 2014, looking to fill more than 350 vacant positions in City government, including bus drivers, auto mechanics, police officers, EMS technicians, accountants and human resources analysts. The fair also featured on-site workshops on resumé building and interviewing techniques. The fair was a tremendous success, drawing 2,700 attendees and resulting in 3,400 applications from fair attendees and online applicants.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Detroit, Michigan





Video cameras on DDOT buses

The Detroit Department of Transportation (DDOT) and Mayor Duggan announced the installation of cameras on 48 buses on Feb. 24, 2014, thanks to a \$250,000 grant from the Federal Transit Administration. Each bus was installed with eight internal and external cameras to capture high-resolution images. The remaining 250 buses in the fleet are now having cameras installed.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Detroit, Michigan

FINANCIAL

The Financial Section Contains:

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

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITORS' REPORT

THIS PAGE LEFT BLANK INTENTIONALLY



KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

Independent Auditors' Report

To the Honorable Mayor Michael E. Duggan
and the Honorable Members of the City Council
City of Detroit, Michigan:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units listed in Note I (a) to the financial statements, which represent 100% of the assets and expenses of the aggregate discretely presented component units. We also did not audit the financial statements of the General Retirement System, the Police and Fire Retirement System (together the Retirement Systems), the Public Lighting Authority, and the Detroit Building Authority, which represent 94% and 64% of the assets and expenses/expenditures/deductions, respectively, of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and aggregate remaining fund information, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Retirement Systems and certain discretely presented component units identified in Note I (a) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Emphasis of Matter Regarding Bankruptcy Filing

As discussed in Note XIII to the financial statements, on July 18, 2013 the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code. On November 12, 2014, the Bankruptcy Court entered an order confirming the City's Eighth Amended Plan of Adjustment ("Plan"). The Plan became effective in accordance with its terms on December 10, 2014, and the City exited bankruptcy. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding Adoption of New Accounting Pronouncements

As discussed in Note I (u) to the financial statements, in 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. As a result, beginning net position was restated as bond issuance costs, except any portion related to prepaid insurance costs, are now recognized as an expense in the period incurred. Bond issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. Our opinions are not modified with respect to this matter.

As discussed in Note I (u) to the financial statements, in 2014, the City also adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. Adopting this new accounting standard resulted in significant changes to the defined benefit related footnote disclosures. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding the Fair Value of Pension Investments

The plan investments of the General Retirement System and the Police and Fire Retirement System include investments valued at \$642,000,000 and \$877,000,000, respectively, as of June 30, 2014 whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on various methods, which may include information provided by investment managers, general partners, real estate advisors, and other means. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic



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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Detroit, Michigan
June 17, 2015



Frederick Douglass Homes Demolition



Mayor Duggan, former Mayor Dave Bing, and Detroit Housing Commission Executive Director Kelley Lyons joined U.S. Department of Housing and Urban Development Assistant Secretary for Public and Indian Housing Sandra Henriquez for the demolition of the Frederick Douglass Homes, formerly the Brewster-Douglass Housing Projects, on March 10, 2014. HUD awarded the Detroit Housing Commission \$6.5 million in emergency capital funds to demolish all of the 661 housing units on the site, which had been vacant since 2008. The City is developing an RFP for the redevelopment of the entire site.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Detroit, Michigan

MANAGEMENT'S

DISCUSSION

AND ANALYSIS

(MD&A)

(UNAUDITED)

The following Management's Discussion and Analysis is a required supplement to the City of Detroit's (the "City") financial statements. It describes and analyzes the financial position of the City, providing an overview of the City's activities for the year ended June 30, 2014. 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.

BANKRUPTCY

On July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case"). On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit. On or about February 18, 2015, after Judge Rhodes' retirement, Judge Thomas J. Tucker assumed oversight of the Bankruptcy Case.

Under Chapter 9 of the Bankruptcy Code, actions by creditors to collect indebtedness the City owed prior to the Petition Date were stayed, and certain other pre-petition contractual obligations could not be enforced against the City. The Chapter 9 filing enabled the City to continue to operate and provide services to its residents and "froze" pre-petition debts, which generally would be treated and resolved under a plan of adjustment. Obligations of the City incurred, owing or attributable to the period prior to July 18, 2013 were subject to compromise in the bankruptcy process. The City paid certain pre-petition liabilities, including certain employee salaries, wages, benefits, and other obligations, during the Bankruptcy Case. The City stopped making payments related to unsecured funded debt and legacy liabilities, with the exception of retiree healthcare benefits (which were modified during the Bankruptcy Case) and payments to certain vendors providing essential goods and services.

On December 3, 2013, the Bankruptcy Court issued a bench decision determining that the City was insolvent and eligible to be a Chapter 9 debtor (the "Bench Decision"). On December 5, 2013, the Bankruptcy Court entered: (1) its Opinion Regarding Eligibility memorializing and further elucidating the Bench Decision; and (2) an Order for Relief under Chapter 9 of the Bankruptcy Code that permitted the City to be a debtor under Chapter 9 of the Bankruptcy Code.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. Accordingly, on February 21, 2014, the City filed its first plan of adjustment and a related disclosure statement. On May 5, 2014, following additional negotiations and mediations with its creditors, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also on May 5, 2014, the Bankruptcy Court entered an order approving the fourth amended disclosure statement as containing adequate information with which creditors could determine whether to vote to accept or reject the Plan, and established July 11, 2014 as the deadline for creditors to cast votes to accept or reject the Plan. Thereafter, the City, through its claims and balloting agent, Kurtzman Carson Consultants LLC ("KCC"), sent the Plan, the disclosure statement, ballots, and other materials that had been approved by the Bankruptcy Court to creditors entitled to vote on the plan.

After voting was completed, on July 21, 2014, KCC filed its first declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Impaired classes that voted to accept the Plan included classes comprising PFRS pension claims, GRS pension claims, OPEB claims, POC (Pension Obligation Certificates) Swap claims and Unlimited Tax General Obligation (UTGO) Bond claims. Impaired classes that voted to reject the Plan included the classes comprising general unsecured claims, POC claims, Limited Tax General Obligation (LTGO) Bond claims, and certain classes of DWSD debt.

Thereafter, the City continued to negotiate and mediate with its creditors who had either not settled their disputes with the City or voted to reject the Plan in an attempt to reach full consensus on the City's plan of adjustment. Those further discussions were successful, and the City filed successive amended versions of the Plan of adjustment that reflected new settlements as they were achieved. On October 22, 2014, the City filed its eighth (and final) amended plan of adjustment (the "Plan").

The hearing on confirmation of the Plan lasted 24 days between September 2, 2014 and October 27, 2014. On November 12, 2014, the Bankruptcy Court entered an order confirming the Plan (the "Confirmation Order"). On December 10, 2014 (the "Effective Date"), the transactions contemplated by the Plan closed, and the Plan became effective pursuant to its terms. On December 31, 2014, the Bankruptcy Court issued a Supplemental Opinion supporting the Confirmation Order.

Eight timely appeals of the Confirmation Order were filed and docketed in the United States District Court for the Eastern District of Michigan (one of which has been dismissed on procedural grounds). Seven appeals remain pending. Six of the pending appeals of the Confirmation Order arise from the Plan's treatment of Pension and OPEB Claims and the ASF Recoupment program and are identified by the following case numbers: (1) No. 14-14872, (2) No. 14-14910, (3) No. 14-14917, (4) No. 14-14920, (5) No. 15-10036 and (6) No. 14-14899. The seventh pending appeal (No. 14-14919) concerns the unrelated issue of the Plan's treatment of claims arising under 42 U.S.C. § 1983.

On December 10, 2014, and in accordance with the Plan, the City: (1) issued \$1.3 billion of debt of which \$1.1 billion was delivered to various classes of creditors in satisfaction of their claims; (2) paid \$110.1 million of cash including \$73.1 million to various classes of creditors in satisfaction of their claims, \$36.5 million to establish a Professional Fee Reserve account to pay the bankruptcy and restructuring professionals, and \$0.5 million to satisfy debt issuance costs; (3) assigned debt service payments on the remaining \$43.3 million of the original UTGO bonds primarily to the income stabilization funds for the General Retirement System (GRS) and Police and Fire Retirement System (PFRS); (4) issued settlement credits totaling \$25.0 million to the insurers of the POCs; and (5) irrevocably transferred the assets of the Detroit Institute of Arts (DIA) having a net book value of \$86.6 million to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within City limits, for the primary benefit of residents of the City and residents of the State. The table below describes the Plan creditor claims settlements and other

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

requirements and the sources and amounts for the Plan distributions made on or around December 10, 2014.

Description of Plan Creditor Claims and Other Requirements	Source	Settlement Amount
Limited Tax General Obligation (LTGO) Bond Debt	Cash	\$ 54,999,940
Professional Fee Reserve	Cash	36,461,114
POC Swap Settlement	Casino Holdback Funds	12,662,479
Syncora POC Swap Settlement	Cash	5,000,000
Debt Issuance Costs	Cash	521,147
36th District Court Settlement	Cash	<u>482,857</u>
	Total Cash	110,127,537
Unlimited Tax General Obligation (UTGO) Bond Debt to Holders	2014 A1 - K1 UTGO Bonds	279,618,950
Police Fire Retiree Health Care Trust (VEBA)	2014 B(1) & B(2) Bonds	253,900,999
General Retiree Health Care Trust (VEBA)	2014 B(1) & B(2) Bonds	238,780,159
Refund Series 2014 Financial Recovery Bonds Issued In April 2014	2014 A/B Income Tax Bonds	120,105,000
POC Settlement FGIC/Syncora	2014 B(1)	97,692,788
POC Settlement FGIC/Syncora	2014 C Bonds	88,430,021
Funds for Revitalization and Reinvestment Initiatives (RRI)	2014 A/B Income Tax Bonds	85,684,724
POC Swap Settlement	2014 A/B Income Tax Bonds	37,969,929
Debt Service Reserve on 2014 A/B Bonds	2014 A/B Income Tax Bonds	27,500,000
Class 14 Unsecured Claims	2014 B(1) & B(2) Bonds	20,596,747
LTGO Class 9 Settlement (POC Claims)	2014 B(1) & B(2) Bonds	17,301,861
Unlimited Tax General Obligation (UTGO) Bond Debt to Insurers	2014 A2 - K2 UTGO Bonds	7,941,840
Downtown Development Authority Class 13 Claim Assigned to FGIC	2014 B(1) Bonds	3,691,591
Debt Issuance and Other Costs	2014 A/B Income Tax Bonds	<u>3,740,347</u>
	Total Bonds	1,282,954,956
Income Stabilization Funds for Two Pension Funds	Original UTGO Bonds	43,349,210
Settlement Credits	Non-Cash	<u>25,000,000</u>
	Total Other Sources	68,349,210
Transfer of Detroit Institute of Arts (DIA) Assets to DIA Trustee	DIA Assets (Book Value)	<u>86,568,800</u>
	Grand Total	<u>\$ 1,548,000,503</u>

Included in the \$1.3 billion of debt issued on December 10, 2014 were the City's Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014 A/B totaling \$275.0 million which: (1) refunded the \$120.0 million of the Series 2014 Bonds issued in April 2014; (2) paid the \$38.0 million final installment of the POC swap settlement claim; (3) provided an additional \$85.7 million for reinvestment and revitalization initiatives in the City; (4) funded \$27.5 million for a debt service reserve for the Series 2014 A/B Bonds; and (5) paid \$3.8 million for issuance and other costs related to the new bonds. Also, the City has remaining proceeds available for reinvestment and revitalization initiatives from the \$120.0 million of the 2014 Financial Recovery Bonds (Quality of Life) that were refunded with this new debt.

The City eliminated a net \$8.3 billion (\$9.6 billion of liabilities and deferred inflows less \$1.3 billion of assets and deferred charges) of its obligations including: (1) \$7.0 billion of pension and retiree benefits (\$994.8 million included in the Long-Term Obligations total of \$3.0 billion detailed in the table below) legacy costs which were not recorded in the City's June 30, 2014 financial statements; (2) \$1.4 billion of POC long-term obligations; (3) \$302.5 million of the POC swaps; and (4) \$200.9 million of accrued but unpaid pension contributions. Also, as a result of the elimination of the POC long-term obligations, the City eliminated the related net pension asset totaling \$1.2 billion, which included the obligation for the unpaid pension contributions.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

The bankruptcy exit and settlement and discharge of claims under the Plan provided the City a total of \$6.8 billion in aggregate debt relief. Detailed in the table below is a summary of: (1) the eliminated and restructured obligations; (2) cash and assets used and new or other obligations incurred; and (3) the net benefit of the Plan.

Description	Assets & Obligations		Primary Government Cash & Assets Used & New Obligations			Net Benefit
	Eliminated	Applied or Assigned	Cash & Assets	New Debt		
				Obligations	Other	
ASSETS						
Net Pension Asset	(1) \$ (1,206,321,236)	\$ -	\$ -	\$ -	\$ -	\$ (1,206,321,236)
Capital Assets (Net Book Value)	-	-	(10) 86,568,800	-	-	(86,568,800)
Deferred Charges	(2) (34,452,367)	-	-	-	-	(34,452,367)
Total Assets	(1,240,773,603)	-	86,568,800	-	-	(1,327,342,403)
DEFERRED OUTFLOWS OF RESOURCES	(3) (17,682,877)	-	-	-	-	(17,682,877)
LIABILITIES						
Accounts Payable	-	-	(11) 36,461,114	-	-	(36,461,114)
Accrued Interest Payable	53,306,470	-	-	-	-	53,306,470
Derivative Instruments - Swap Liability	302,463,879	-	17,662,479	37,969,929	-	246,831,471
Defaulted Debt Due to Insurers	(4) 143,085,398	-	-	-	-	143,085,398
Other Defaulted Debt	(5) 25,000,000	-	-	-	-	25,000,000
Contingent Liabilities	-	-	-	-	25,000,000	(25,000,000)
Long-Term Obligations	(6) 2,961,435,753	43,349,210	56,003,944	1,244,985,027	43,349,210	1,660,446,782
Total Liabilities	3,485,291,500	43,349,210	110,127,537	1,282,954,956	68,349,210	2,067,209,007
DEFERRED INFLOWS OF RESOURCES	(7) 34,844,753	-	-	-	-	34,844,753
Total Net Position (Deficit)	2,261,679,773	43,349,210	196,696,337	1,282,954,956	68,349,210	757,028,480
Other Obligations Not In Financial Statements						
Long-Term Obligations - OPEB	(8) 4,723,511,843	-	-	-	-	4,723,511,843
Long-Term Obligations - Net Pension Liability	(9) 1,326,824,448	-	-	-	-	1,326,824,448
Total Other Obligations	6,050,336,291	-	-	-	-	6,050,336,291
Grand Total Net Position (Deficit)	\$ 8,312,016,064	\$ 43,349,210	\$ 196,696,337	\$ 1,282,954,956	\$ 68,349,210	\$ 6,807,364,771

- (1) Net Pension Asset eliminated with bankruptcy and GASB 67 and upcoming GASB 68 requirements
- (2) Prepaid insurance costs related to eliminated obligations
- (3) Deferred charges related to eliminated obligations
- (4) Principal and interest paid by insurers for defaulted debt including POC and LTGO debt
- (5) Uninsured LTGO (2008 A(2)) bonds principal defaulted on
- (6) Includes \$1.4 billion POC; \$994.8 million OPEB eliminated for year ended June 30, 2014; \$287.5 million restructured UTGO; and \$117.6 million LTGO obligations
- (7) Deferred Swap Termination Fees
- (8) Last OPEB valuation (June 11, 2011) \$5,718,286,228 less \$994,774,385 included in Long-Term Obligations
- (9) Net Pension Liability Reduction (\$2,918,025,938 pre-bankruptcy and \$1,591,201,490 post-bankruptcy)
- (10) DIA Assets transferred to DIA Trustee
- (11) Funding for Professional Fee Reserve

See Note XIII – Bankruptcy for further details on the City’s Chapter 9 Bankruptcy.

FINANCIAL HIGHLIGHTS

Government Wide

- At June 30, 2014, the City's net position was \$188.4 million, an improvement of \$931.9 million from the balance at June 30, 2013, as restated (see below for details). This was mainly due to the \$994.8 million (Special Item) reduction of other postemployment benefits (OPEB) because the Employee Health and Life Insurance Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014 in accordance with the Plan of Adjustment and settlements reached with retirees in the Bankruptcy Case.
- The City's unrestricted net position was a deficit of \$1.3 billion as of June 30, 2014.
- The City had revenues of \$2.3 billion and expenses of \$2.4 billion for the year ended June 30, 2014.
- The City implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the City reported a change in accounting principle (See Note I (t)). Beginning net position was restated, as debt issuance costs, except the portion related to prepaid insurance costs, were recognized as an expense in the period incurred. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. As a result, the City's governmental activities net position as of June 30, 2013 decreased \$22.4 million and business-type activities net position as of June 30, 2013 decreased \$42.9 million. See Note I (t) on page 75 for additional information. Also, GASB 65 established accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Furthermore, these statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position.
- The City's pension obligations, retiree benefits, debt service, and derivatives associated with the POCs presented a substantial financial challenge for the City and were a contributing factor in the City's bankruptcy filing. As of June 30, 2014, a total of \$302.5 million of the negative fair value of derivatives related to interest rate swaps associated with the City's POCs. The POCs, totaling approximately \$1.5 billion, were issued in fiscal years 2005 and 2006 to provide funding for obligations of the City's two pension plans. The City had a \$1.5 billion long-term obligation payable at June 30, 2014 for the POCs, including a \$52.8 million principal payment that the City defaulted on in June 2013 (\$23.1 million) and June 2014 (\$29.7 million). The obligations of the City's two pension plans for retiree pensions totaled \$7.5 billion at June 30, 2013 (the most recent valuation date), of which approximately \$1.5 billion was unfunded (according to the pension plans' actuarial estimates). The primary government's pension, retiree benefits, and other pension related costs totaled \$377.4 million for the year ended June 30, 2014. This was a decrease of \$314.6 million from the prior year total of \$692.0 million. The large decrease was primarily due to the reduction of other

postemployment benefits (OPEB) because the Employee Health and Life Insurance Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014 in accordance with the Plan of Adjustment and settlements reached with retirees in the Bankruptcy Case.

- The City's total bonded debt at June 30, 2014 was \$6.4 billion, an increase of \$6.8 million from the June 30, 2013 balance. This increase was primarily due to the Governmental Funds and Public Lighting Authority issuing \$120.0 million and \$60.0 million of new debt, respectively. The Governmental Funds retired \$81.6 million of general obligation bonds during the year ended June 30, 2014. The Sewage Disposal, Water, and Parking Funds retired \$42.5 million, \$41.2 million, and \$9.3 million, respectively, of revenue bonds during the year ended June 30, 2014.
- Total primary government long-term obligations were \$8.8 billion at June 30, 2014, a decrease of \$703.4 million from \$9.5 billion at June 30, 2013. The long-term obligations decreased mainly due to the \$994.4 million decrease in other postemployment benefits. The City defaulted on its POC long-term (principal and interest) obligations totaling \$107.5 million from June 15, 2013 to June 30, 2014 due to cash flow and the bankruptcy stay.
- At June 30, 2014, the fair value of the POC swap liabilities was \$244.1 million for the governmental activities and totaled \$302.5 million for the primary government (see Note VIII for more details). This was a \$6.0 million increase in fair value from the \$296.5 million balance at June 30, 2013.

Fiduciary

- The City implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 67, *Financial Reporting for Pension Plans*—an amendment of GASB Statement No. 25. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts). For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. The adoption of Statement No. 67 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the actuarially determined contributions, as required by State law. The calculation of pension contributions is unaffected by the change. The adoption has resulted in certain changes to the presentation of the financial statements of the City's Pension and Other Employee Benefit Trust Funds with the exception of the OPEB Plan. In the City's financial statements, these changes were generally limited to a recharacterization of fiduciary fund net position. In the separate annual financial statements of these funds, certain changes in note disclosures and Required Supplementary Information (RSI) were incorporated to comply with Statement No. 67.

Fund Level

- The City of Detroit General Fund assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$53.4 million and cash and investments on hand totaling \$381.3 million were sufficient to meet obligations due. The General Fund fund balance was \$53.4 million, a \$126.4 million increase from the \$73.0 million deficit at June 30, 2013. Cash and investments were \$279.1 million higher than the \$102.2 million cash and investments balance at June 30, 2013. The Unassigned General Fund Balance (page 42) had a \$145.9 million cumulative deficit at June 30, 2014, a \$13.3 million increase from the \$132.6 million deficit at the end of fiscal year 2013. The increase in the cumulative deficit of unassigned fund balance was primarily due to the bankruptcy and restructuring costs incurred during the year. The City's General Fund improved solvency and fund balance was in part due to the \$120.0 million in proceeds from the Financial Recovery Bonds issued in April 2014 through a private placement with Barclays Capital, Inc. for the Quality of Life program (various reinvestment and revitalization initiatives programs such as blight remediation and purchase of police vehicles). Also, significantly contributing to the increase in the General Fund cash was the default on the \$176.2 million required pension contributions through the year ended June 30, 2014. The General Fund fund balance for the Quality of Life program was restricted for \$42.0 million for Capital Acquisitions and was committed for \$77.1 for other Quality of Life projects.
- The City's General Fund obligations that were defaulted on because of the bankruptcy stay through the year ended June 30, 2014 included: (1) \$122.5 million in pension contributions due the Police and Fire Retirement System; (2) \$53.7 million in pension contributions due the General Retirement System; (3) \$85.6 million of Pension Obligation Certificate (POC) debt; and (4) \$51.8 million of Limited Tax General Obligation (LTGO) bond debt. The POC and LTGO debt that was defaulted on was included in the governmental financial statements as liabilities due to the service corporations (POC) and as obligations due to the insurer (for defaulted debt paid by the insurer who had subrogation rights) and bondholders (LTGO). Also, the General Fund owed property taxes totaling \$102.1 million due to other funds, component units and other governmental agencies. These unpaid obligations greatly contributed to the City's General Fund \$381.3 million cash and investment balance at June 30, 2014.
- The City's General Fund had a net cost of \$132.0 million for restructuring and bankruptcy expenses for the year ended June 30, 2014, as the City made substantial progress to settle with the major creditors in the Bankruptcy Case. This was a \$112.8 million increase from the \$19.2 million for the prior year.
- The City's General Fund agencies continued to make substantial efforts to reduce the deficit for the year ended June 30, 2014 by reducing costs from the prior year, including the: (1) \$28.2 million reduction in salaries and wages through 10% pay cuts, furlough days, attrition, and other measures; and (2) \$39.7 million and \$20.4 million reductions in health care and miscellaneous benefit expenses, respectively, primarily through reductions to retiree benefits starting in March 2014.

- Other major changes to the General Fund for the year ended June 30, 2014 compared to the prior year included: (1) \$49.5 million decrease in the risk management fund premium, as the Bankruptcy Case stayed legal claims; (2) \$7.7 million increase in sewage disposal costs as the City's General Fund settled with the Water and Sewerage Department concerning disputed invoices; (3) \$28.3 million decrease in legal claims because of the bankruptcy stay; (4) \$71.1 million increase in debt service (principal and interest) because of the change to report the General Fund supported debt in the General Fund rather than the Debt Service Fund, as was done in the prior years (this was offset by a decrease in transfers-out); (5) \$39.2 million decrease in transfers-out mainly because the \$71.1 million of debt service included in the General Fund had in prior years been reported as a transfer-out; (6) \$26.0 million increase in other transfers-out, including \$10.0 million increase in DDOT subsidy and \$17.5 million transfer to the Public Lighting Authority of utility users tax revenues to support the new authority; and (7) \$18.8 million increase in sales and charges revenues mainly due to the \$35.2 million settlement of the City's General and other Governmental Funds interfund service and other charges due from the Water and Sewerage Disposal Funds.

- The Public Lighting Authority of Detroit (the "PLA") was authorized by the Michigan Legislature in 2012 per the Michigan Lighting Authority Act (Michigan Public Act 392 of 2012). The PLA is a legally separate entity that was created by the City on February 5, 2013. The PLA was created for the purpose of providing an equitable and reasonable method and means of financing, operating, and maintaining a street lighting system in the City. The PLA anticipates making a multi-year investment in public lighting infrastructure. Because the PLA is in substance a part of the City's operation, its financial statements are blended (Blended Component Unit) with the City's financial statements in the CAFR's Enterprise Funds section. In the year ended June 30, 2013, the PLA was reported in the Special Revenue section because sufficient details were not available at the time on the enterprise activities of the PLA.

- For the year ended June 30, 2014, the General Fund recorded \$16.6 million in liabilities due to Wayne County for estimated chargebacks/recoveries of uncollectible delinquent property taxes. Wayne County has been providing the City with payments for the purchase of current year delinquent taxes every year since 2004. In the current year, the County will chargeback to the City prior year taxes purchased that it determines to be uncollectible. At June 30, 2013, the liability totaled \$24.5 million. The \$7.8 million decrease in the liability for the year ended June 30, 2014 was due to improvements in county collections.

- The General Fund's hospitalization, dental, vision, and life insurance benefits costs in recent years have presented some of the biggest challenges for the City and were major contributors to the structural deficit. For the year ended June 30, 2014, these costs were \$155.8 million, down \$37.6 million from \$193.4 million for year ended June 30, 2013. The portion of the fiscal year 2014 costs relating to retirees was \$96.8 million, or 62.1% of the total amount. The portion of the fiscal year 2014 costs relating to active employee's costs was \$59.0 million, or 37.9% of the total amount. The retiree share decreased \$46.0 million from \$142.8 million in the year ended June 30, 2013, while the active share increased \$8.4 million. The reason for the decrease in retiree benefits for the year ended June 30, 2014 from the prior

year was that effective March 1, 2014, the City significantly reduced retiree benefits. For retirees who were not eligible for Medicare, the City provided stipends for the purchase of insurance which were much less costly than the insurance previously provided. As discussed in the Bankruptcy Footnote XIII, the Plan of Adjustment provides that the City will no longer provide retiree health benefits after December 31, 2014. The number of retirees exceeds the number of active employees by a factor of two to one.

- The City's business-type activities had a net position of \$234.8 million at June 30, 2014, an increase of \$147.0 million from the restated balance of \$87.7 million at June 30, 2013. The business-type activities cumulative unrestricted net position was a deficit totaling \$292.6 million, a \$347.8 million decrease from the \$640.4 million deficit at June 30, 2013. The Sewage Disposal Fund's net position increased by \$40.1 million to \$71.0 million at June 30, 2014. The Water Fund's net position deficit decreased by \$20.9 million, to a deficit of \$37.9 million at June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

Government-wide financial statements (pages 39-41) are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The financial statements include the Statement of Net Position and the Statement of Activities. These statements are prepared using the economic resources measurement focus and accrual basis of accounting. They take into account all revenues and expenses connected with the fiscal year, regardless of when the City received or paid the cash. The Statement of Net Position and the Statement of Activities are two financial statements that report information about the City as a whole, and about its activities that should help answer this question: How has the City's financial position, as a whole, changed as a result of this year's activities? These statements include all non-fiduciary assets and liabilities.

The Statement of Net Position (page 39) presents all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position measure whether the City's financial position is improving or eroding.

The Statement of Activities (pages 40 and 41) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- **Governmental Activities** – Most of the City's basic services such as public protection (police and fire) 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 twelve legally separate organizations including the Economic Development Corporation, Museum of African American History, and the Detroit Employment Solutions Corporation that are reported as discretely presented component units of the City.

Fund Financial Statements

The fund financial statements begin on page 42 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 Service Corporation and Other Governmental Funds.
- *Proprietary funds* – When the City charges customers for services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary (e.g., Enterprise) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public (e.g., Transportation Fund).
- *Fiduciary funds* – The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (pages 56 and 57). These funds, which include pension (and other employee benefit) and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

because these assets are restricted in purpose and do not represent discretionary assets of the City to finance its operations.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 63 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 Position

Net position (assets less liabilities) serves as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$188.4 million at June 30, 2014. The net position increased \$866.6 million from the deficit of \$678.2 million at June 30, 2013. As discussed previously, the increase was mainly due to the \$994.8 million reduction in OPEB.

Summary of Net Position
June 30, 2014 and 2013
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other non-current assets	\$ 1,805,240	\$ 1,583,883	\$ 1,507,345	\$ 1,513,742	\$ 3,312,585	\$ 3,097,625
Capital assets	1,510,671	1,511,817	5,106,915	5,200,965	6,617,586	6,712,782
Total assets	3,315,911	3,095,700	6,614,260	6,714,707	9,930,171	9,810,407
Deferred outflows of resources	14,797	-	331,572	-	346,369	-
Current and other liabilities	829,064	608,324	374,956	344,803	1,204,020	953,127
Long-term obligations	2,515,734	3,295,168	6,316,358	6,240,290	8,832,092	9,535,458
Total liabilities	3,344,798	3,903,492	6,691,314	6,585,093	10,036,112	10,488,585
Deferred inflows of resources	32,299	-	19,735	-	52,034	-
Net position:						
Net investment						
in capital assets	886,141	832,127	54,337	525,964	940,478	1,358,091
Restricted	102,048	75,056	473,057	244,040	575,105	319,096
Unrestricted (deficit)	(1,034,578)	(1,714,975)	(292,611)	(640,390)	(1,327,189)	(2,355,365)
Total net position (deficit)	\$ (46,389)	\$ (807,792)	\$ 234,783	\$ 129,614	\$ 188,394	\$ (678,178)

Total Primary Government

The City's net investment in capital assets (e.g., land, buildings, equipment, infrastructure, and others), net of any related debt outstanding that was needed to acquire or construct the assets at June 30, 2014, was \$940.5 million, \$417.6 million less than the \$1.4 billion at June 30, 2013. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The large decrease was primarily due to adjustments by the Sewage Disposal and Water Funds.

Restricted net position totaling \$575.1 million at June 30, 2014 is resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City presents restricted net position for Highway and Street Improvement (\$48.9 million), Capital Projects and Acquisitions (\$187.7 million), Debt Service (\$335.6 million), Endowments and Trusts (\$1.7 million), and Donations (\$1.2 million).

The remaining balance is an unrestricted accumulated deficit of \$1.3 billion at June 30, 2014. A deficit represents a shortage of assets available to meet all the City's obligations if they were immediately due and payable. The unrestricted accumulated deficit decreased by \$1.0 billion from the \$2.4 billion at June 30, 2013 mainly due to the \$994.8 million OPEB reduction.

Governmental Activities

At June 30, 2014, the City's governmental activities had a net position deficit (liabilities exceeded assets) of \$46.4 million, a decrease of \$761.4 million from the \$807.8 million net position deficit at June 30, 2013. The reduction of OPEB payable accounted for \$766.0 million of the governmental activities decreases in the net position deficit. In addition, the weak economy in fiscal year 2014 and resulting high unemployment and depressed property values adversely impacted tax revenues. Expenses were down \$46.8 million due to cost cutting measures such as the 10% pay cut, reduction in retiree health care and other benefits and attrition. Revenues increased \$126.1 million mainly due to increases for investment earnings (\$84.4 million), charges for services (\$58.0 million), and capital grants (\$10.9 million). Investment earnings increased due to the derivatives' (interest rate swaps) fair market value adjustment, which was much less than in the prior year. Charges for Services increased \$26.6 million for the City's settlement with Comcast for disputed fees. The capital grants were up due to the street resurfacing and repair projects for the year ended June 30, 2014. Income tax revenues were up \$5.8 million due to the improving economy. Shared tax revenues were up \$7.3 million due to improvements in the State's economy. Wagering tax revenues were down \$6.8 million due to competition from other area casinos. Property tax revenues were down \$4.5 million as depressed property values and home foreclosures hindered collections.

Net investment in capital assets totaled \$886.1 million at June 30, 2014, an increase of \$54.0 million from the prior fiscal year. Restricted net position totaled \$102.0 million at June 30, 2014. The remaining unrestricted net position deficit totaled \$1.0 billion at June 30, 2014, a \$680.4 million decrease from the \$1.7 billion deficit at June 30, 2013.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

Business-type Activities

The business-type activities had a net position totaling \$234.8 million at June 30, 2014, an increase of \$105.2 million from the \$129.6 million net position at June 30, 2013. The unrestricted net position deficit decreased \$347.8 million to \$292.6 million at June 30, 2014 from the \$640.4 million deficit at June 30, 2013. The Water Fund had a \$37.9 million net position deficit at June 30, 2014. The Sewage Disposal Fund had a net position of \$71.0 million at June 30, 2014. The Transportation, Parking, and Other Enterprise (Airport and PLA) Funds had net positions totaling \$110.9 million, \$57.4 million, and \$33.4 million, respectively, at June 30, 2014.

Government-wide Changes in Net Position

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 346,935	\$ 288,971	\$ 857,942	\$ 835,754	\$ 1,204,877	\$ 1,124,725
Operating Grants and Contributions	176,788	211,471	61,598	70,142	238,386	281,613
Capital Grants and Contributions	30,593	19,741	9,943	11,855	40,536	31,596
General Revenues:						
Property Taxes	194,680	199,192	-	-	194,680	199,192
Municipal Income Tax	253,770	248,017	-	-	253,770	248,017
Utility Users Tax	42,387	35,300	-	-	42,387	35,300
Wagering Tax	167,570	174,357	-	-	167,570	174,357
Hotel and Liquor Tax	-	-	-	-	-	-
Other Local Taxes	8,604	14,385	-	-	8,604	14,385
State Shared Taxes	189,757	182,454	-	-	189,757	182,454
State Returnable Liquor License Fees	607	604	-	-	607	604
Investment Earnings (Losses)	(4,171)	(88,533)	5,609	(46,469)	1,438	(135,002)
Bond Issuance Costs	-	-	(22,174)	-	-	-
Miscellaneous	8,460	3,950	(15,217)	7,263	(6,757)	11,213
Total Revenues	1,415,980	1,289,909	897,701	878,545	2,335,855	2,168,454
Expenses:						
Public Protection	539,831	694,708	-	-	539,831	694,708
Health	49,563	38,070	-	-	49,563	38,070
Recreation and Culture	30,467	26,856	-	-	30,467	26,856
Economic Development	59,702	81,455	-	-	59,702	81,455
Educational Development	-	37,041	-	-	-	37,041
Housing Supply and Conditions	8,465	5,087	-	-	8,465	5,087
Physical Environment	110,555	121,192	-	-	110,555	121,192
Transportation Facilitation	55,832	20,746	-	-	55,832	20,746
Development and Management	328,244	205,938	-	-	328,244	205,938
Interest on Long-term Debt	135,131	133,545	-	-	135,131	133,545
Sewage Disposal	-	-	482,724	523,910	482,724	523,910
Transportation	-	-	163,842	166,024	163,842	166,024
Water	-	-	392,921	398,087	392,921	398,087
Automobile Parking	-	-	14,714	20,089	14,714	20,089
Airport	-	-	4,613	1,910	4,613	1,910
Total Expenses	1,317,790	1,364,638	1,058,814	1,110,020	2,376,604	2,474,658
Excess (Deficiency) Before						
Transfers	98,190	(74,729)	(161,113)	(231,475)	(62,923)	(306,204)
Special Item	766,046	-	228,728	-	994,774	-
Transfers, Net	(79,433)	(52,662)	79,433	52,662	-	-
Increase (decrease) in						
Net Position	784,803	(127,391)	147,048	(178,813)	931,851	(306,204)
Net Position, July 1	(807,792)	(680,401)	129,614	308,427	(678,178)	(371,974)
GASB 65 and PLA Adjustment	(23,400)	-	(41,880)	-	(65,280)	-
Restated Net Assets, July 1	(831,192)	(680,401)	87,734	308,427	(743,458)	(371,974)
Net Position, June 30	\$ (46,389)	\$ (807,792)	\$ 234,782	\$ 129,614	\$ 188,393	\$ (678,178)

Total Primary Government

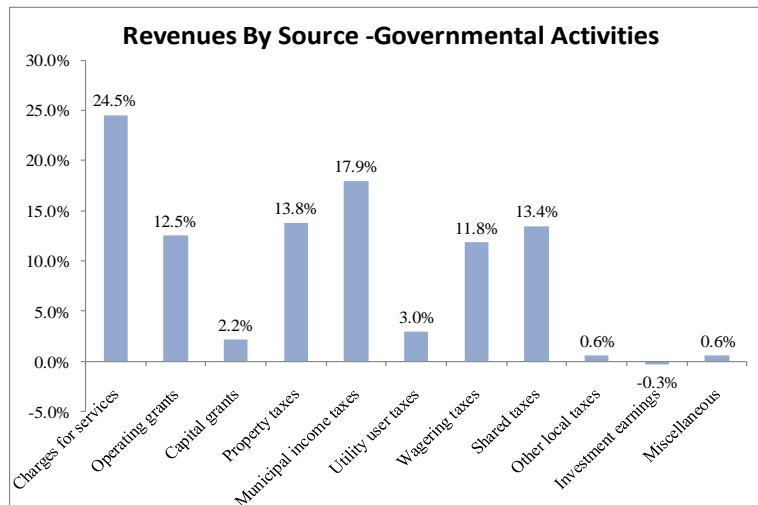
Total revenues for the year ended June 30, 2014 were \$2.3 billion, an increase of \$145.2 million from the prior fiscal year mainly due to increases in investment earnings. Investment earnings improved by \$114.3 million mainly due to the derivative (interest rate swaps) fair market value adjustments, which were much less than in the prior year. Charges for services increased \$80.2 million in part due to the \$26.3 million settlement with Comcast for disputed fees. Sewer and water revenues from customer charges for services increased \$33.3 million and decreased \$6.0 million, respectively, from the prior fiscal year.

Total expenses for the year ended June 30, 2014, were \$2.4 billion, a decrease of \$98.1 million from the prior fiscal year amount. The decrease is mainly attributable to reductions in salaries, wages, and benefits costs, primarily other post-employment benefits as the City significantly reduced retiree benefits effective March 1, 2014, offset by the \$112.8 million increase in professional fees for the bankruptcy and restructuring. Significantly contributing to the decrease in expenses were the City labor cost cutting initiatives, including a 10% pay-cut, and attrition which reduced the General Fund salaries and wages by \$28.2 million and benefit cuts, mainly health care, by \$60.1 million from the prior year amount. General Fund Legal expenses were down \$29.0 million from the prior year due to the bankruptcy stay. The Sewage Disposal Fund expenses were \$482.7 million during the year ended June 30, 2014, a decrease of \$41.2 million compared to \$523.9 million during the prior fiscal year due to the \$26.0 million reduction in salaries, wages, and benefits. The Water Fund expenses decreased \$5.2 million during the year ended June 30, 2014 mainly due to the \$17.3 million decrease in salaries, wages, and benefits expenses. The Transportation Fund expenses were \$2.2 million less than the prior fiscal year mainly due to the \$10.3 million decrease in salaries, wages, and benefits expense resulting from the 10% pay-cut and attrition, partially offset by an increase in materials and supplies costs.

A special item totaling \$994.8 million was recorded for the reduction of other postemployment benefits (OPEB) because the Employee Health and Life Insurance Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014 in accordance with the Plan of Adjustment and settlements reached with retirees in the Bankruptcy Case. The governmental activities and the business-type activities had special items totaling \$766.1 million and \$228.7 million, respectively, for the OPEB reduction.

Governmental Activities

The following chart depicts revenues of the governmental activities for the year ended June 30, 2014:

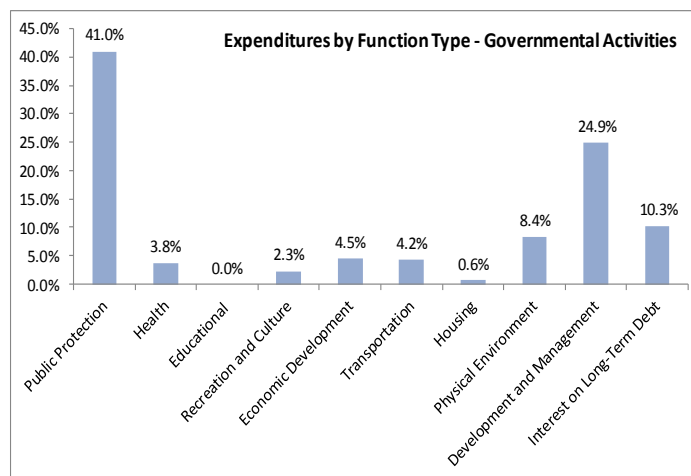


The governmental activities revenues totaled \$1.4 billion for the year ended June 30, 2014, a \$126.1 million increase from the year ended June 30, 2013. The amount that taxpayers paid for these activities through City taxes was \$667.0 million or 47.1% of total revenues, a \$4.3 million decrease from the prior year amount. Income taxes were the largest (17.9% of total revenues) category of taxes collected and totaled \$253.8 million, a \$5.8 million increase from the prior fiscal year amount mainly resulting from improvement in the local economy. Property taxes were \$4.5 million less than the prior fiscal year amount due to declining home values and population. Wagering (casino) tax revenues decreased \$6.8 million from the prior fiscal year amount due to competition from other casinos opening in the region such as the Toledo casino. Utility users taxes were up \$7.1 million due to improvement in the City's economy and utility collections. Other funding for governmental activities was provided from the following sources for the year ended June 30, 2014:

- Charges for services paid by those who directly benefited totaled \$346.9 million or 24.5% of total revenues. These services included permits, parking fines, licenses, and solid waste fees. Charges for services were \$57.9 million more than the \$289.0 million for the year ended June 30, 2013. Charges for services increased mainly due to the \$26.6 million settlement with Comcast for disputed fees. Also, charges for services were up for settlement of amounts due for City services provided to the Water and Sewerage Department, which were exchanged for amounts owed to the Department. In the past several years, the revenue had not been recognized due to the inability to collect from the Water and Sewerage Disposal Department. The increase was partially offset by a \$13.0 million decrease in electricity revenue mainly due to the inability to collect from the Detroit Public Schools due to their poor financial condition.

- Other governments and organizations subsidized programs such as health related activities and community development projects with grants and contributions totaling \$207.4 million or 14.7% of total revenue. This was \$23.8 million less than the \$231.2 million of subsidies during the year ended June 30, 2013. The major reason for the decrease was workforce development grants were no longer passed through the City. For the year ended June 30, 2013 the City recorded \$36.9 million of grant revenue passed through the City to Detroit Employment Solutions Corporation (DESC). Also, contributing to the decrease in grant revenue was that the American Reinvestment and Recovery Act (ARRA) grant funding ended in the prior year. The loss of these grant revenues was partially offset by additional grant revenues for Street resurfacing and repairs during the year.
- Other revenues such as state aid (revenue sharing), interest, and miscellaneous income funded the “public benefit” portion of various programs and totaled \$194.7 million or 13.7% of total revenue. This was \$96.2 million more than the \$98.5 million for the year ended June 30, 2013 mainly due to the \$84.4 million increase in investment earnings for derivatives (POC interest rate swaps). In the prior year, adjustments were made due to the anticipation of a termination of the derivatives due to the potential bankruptcy filing and final settlement with the counterparties. As a result, the balance in the deferral (asset) account (i.e., deferred outflows) totaling \$203.1 million for the governmental activities was written off to investment revenue. This was offset by a \$115.0 million adjustment for the decrease in the fair market value of the swaps at June 30, 2013. State shared taxes were up \$7.3 million for the year ended June 30, 2014 compared to the prior fiscal year due to the improving state and local economy.

The following chart depicts expenses of the governmental activities for the year ended June 30, 2014:



The governmental activities expenses totaled \$1.3 billion, a \$46.8 million decrease from the \$1.4 billion for the year ended June 30, 2014. The expenditures are primarily for public protection (police and fire) and development and management (human resources, finance, information technology, general services, Mayor, City Council, etc.). Detailed below is an explanation of the expenses by function type and reasons for changes from the year ended June 30, 2013.

Public protection (police and fire) was the largest component of current expenses, accounting for 41.0% of total expenses. Public protection expenses decreased by \$154.9 million from the \$694.7 million for the year ended June 30, 2013 primarily due to the OPEB reductions as the City has greatly reduced retiree health care. Public protection OPEB costs were \$10.6 million for the year ended June 30, 2014 compared to the \$135.0 million for the year ended June 30, 2013. In addition, General Fund public protection salaries and wages decreased \$24.3 million and benefits were down \$35.2 million from the prior year due to the 10% pay cut, reduction in overtime and reduction of benefits during the year.

Development and management expense was the next largest component at 24.9% of total expenses. Development and management expenses totaled \$328.2 million for the year ended June 30, 2014, an increase of \$122.3 million from the \$205.9 million for the year ended June 30, 2013. Development and management expenses increased from the prior fiscal year mainly because of the professional fees for the bankruptcy and restructuring, which increased \$112.8 million from the prior year. In addition, the contribution to the Detroit Transportation Corporation (People Mover) was \$6.9 million greater than the prior year. These increases were offset by the \$16.6 million decrease in hospitalization expenses because of the cut in retiree benefits on March 1, 2014.

Health expenses were 3.8% of total expenses and totaled \$49.6 million for the year ended June 30, 2014, an increase of \$11.5 million from the prior fiscal year amount of \$38.1 million. The primary reason for the increase in health expenses was the transition of the Health and Human Services departments' grant activities to non-profit agencies that were not under the City's direct control in the prior year which caused a reduction in health grant activities in the prior year. However, for the year ended June 30, 2014, the City's Health Department had taken on more grant responsibilities including the Michigan Department of Community Health (MCDH) and Substance Abuse grants, which has increased its health expenses over the prior year.

Physical environment expenses were 8.4% of total expenses and decreased by \$10.6 million from the prior fiscal year amount. The decrease was mainly due to transitioning the Public Lighting Department (PLD) services such as street lighting and electricity to the new Public Lighting Authority and DTE Energy, respectively. The physical environment salaries and benefits were down \$3.6 million and \$1.4 million, respectively, from the prior year. Physical environment electricity and legal expenses were also down \$3.4 million and \$6.5 million, respectively. These decreases were offset by a \$6.1 million increase in physical environment contractual costs primarily for the public lighting conversion for the PLA from the prior year amount.

Economic development expenses were 4.5% of total expenses and decreased by \$21.8 million for the year ended June 30, 2014. The decrease was mainly due to the \$9.9 million decrease in the NSP home rehabilitation and demolition grants and the \$5.7 million decrease in Home grants during the year because of issues with the grantor agency. Also, Planning and Development salaries and wages decreased \$2.3 million due to cuts and attrition.

Educational development expenses were zero and decreased by \$37.0 million for the year ended June 30, 2013 compared to the prior fiscal year amount because the workforce development

activities were transitioned to the Detroit Employment Solutions Corporation (DESC) in the prior fiscal year. Also, as discussed above, the City no longer passes through grant revenues to the DESC.

Transportation facilitation expenses were 4.2% of total expenses and increased \$35.1 million for the year ended June 30, 2014 from the prior fiscal year. The prior year had large adjustments for capital outlays which greatly reduced the Transportation expense amount for that year. Also, there was an \$8.5 million increase in Transportation grant contributions due to a large amount of work on City streets during the year ended June 30, 2014.

Recreation and Culture expenses were 2.3% of total expenses and increased \$3.6 million mainly due to the \$3.5 million increase in sewerage expenses from the prior year as the City settled accounts with the Water and Sewerage Department.

Interest expense on long-term debt was 10.3% of total expenses. Interest expense on long-term debt was \$135.1 million for the year ended June 30, 2014 and increased \$1.6 million from the \$133.5 million for the year ended June 30, 2013. The Governmental Funds defaulted on \$71.6 million of interest due on the unsecured debt (certain Pension Obligation Certificates, UTGO Bonds and LTGO Bonds) as of June 30, 2014. The insurers paid \$31.8 million of the \$71.6 million of defaulted interest to the debt holders. At June 30, 2014, the City was obligated to the insurers and bond holders for the defaulted debt.

Business-type Activities

The net position of the business-type activities increased \$147.0 million to \$234.8 million for the year ended June 30, 2014. Detailed below are the results for the major business-type funds:

Water Fund

The Water Fund had a decrease in net position deficit of \$20.9 million for the year ended June 30, 2014. High interest and depreciation expenses due to infrastructure needs relative to revenues continued to adversely impact the Water Fund's net position. Water sales revenues from Detroit and suburban customers decreased \$6.0 million to \$344.9 million for the year ended June 30, 2014 compared to \$350.9 million for the year ended June 30, 2013. OPEB expenses decreased \$70.3 million (Special Item - OPEB Plan Termination). Salaries, wages, and benefits expenses were \$17.3 million less than the prior year amount due to cuts in staff and reduction in retiree health benefits. Interest expense was \$133.6 million for the year ended June 30, 2014, an increase of \$5.7 million from the prior fiscal year amount. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Water Fund restated and increased its deficit net position at the beginning of the fiscal year by \$17.2 million to \$58.8 million to eliminate debt issuance costs previously recorded as an asset. As of June 30, 2014, the Water Fund had \$2.5 billion of outstanding revenue bonds payable in part for major infrastructure projects, which contributed to the \$133.6 million of interest expense for the year.

Sewage Disposal Fund

The Sewage Disposal Fund had an increase in net position of \$40.1 million for the year ended June 30, 2014. High interest and depreciation expenses due to infrastructure needs relative to revenues continued to adversely impact the Sewage Disposal Fund's net position. Sewage Disposal Fund revenues from Detroit and Suburban customers increased \$33.4 million to \$465.4 million for the year ended June 30, 2014 compared to \$432.0 million for the year ended June 30, 2013. OPEB expenses decreased \$70.2 million (Special Item – OPEB Plan Termination). Salaries, wages, and benefits were down \$26.0 million from the prior fiscal year. Interest expense was \$135.1 million for the year ended June 30, 2014, a decrease of \$6.9 million from the prior fiscal year. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Sewage Disposal Fund restated and reduced its net position at the beginning of the fiscal year by \$21.4 million to \$31.0 million to eliminate debt issuance costs previously recorded as an asset. As of June 30, 2014, the Sewage Disposal Fund had \$2.8 billion of outstanding revenue bonds payable in part for major infrastructure projects, which contributed to the \$135.1 million interest expense for the year.

Transportation Fund

The Transportation Fund (“DDOT”) had an increase in net position of \$68.3 million for the year ended June 30, 2014 from the prior year amount mainly due to the \$85.8 million reduction in OPEB (Special Item – OPEB Plan Termination). DDOT revenues decreased \$7.3 million from the prior fiscal year amount. Salaries, wages, and benefits were \$89.5 million, a decrease of \$10.2 million from the \$99.7 million for the year ended June 30, 2013. This was due to the 10% pay cut and attrition and reduction in retiree benefits. Contractual services expenses were down \$1.8 million. The Federal and State grants were \$8.5 million less than the \$70.1 million for the year ended June 30, 2013, mainly due to a reduction in the State operating assistance (Act 51). The General Fund subsidy to the Transportation Fund was \$57.2 million for the year ended June 30, 2014, an increase of \$10.0 million from the \$47.2 million for the year ended June 30, 2013. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Transportation Fund restated its net position at the beginning of the fiscal year by \$4.3 million to \$42.6 million to eliminate debt issuance costs previously recorded as an asset.

Automobile Parking Fund

The Automobile Parking Fund recorded an increase of \$2.0 million in net position for the year ended June 30, 2014. The City's General Fund eliminated the \$4.1 million advance payable from the Parking Fund because of the inability to collect it. The Fund revenues decreased \$1.7 million to \$10.3 million for the year ended June 30, 2014 compared to the prior fiscal year. Operating expenses decreased \$5.5 million, mainly due to the \$10.1 million impairment loss recorded in the prior year for the Joe Louis Arena and related parking garage due to the anticipated move of the Detroit Red Wings to a new arena to be built in the City's mid-town. Salaries and wages were up \$2.4 million from the prior year amount. The Parking Fund retired all of its \$9.3 million of revenue bonds during the year ended June 30, 2014.

Airport and Public Lighting Authority Funds (Other Enterprise Funds)

Other Enterprise Funds include the Airport Fund and Public Lighting Authority of Detroit (the "PLA"). Because the PLA is in substance a part of the City's operation, its financial statements are blended (Blended Component Unit) with the City's financial statements in the CAFR's Enterprise Funds section. In the year ended June 30, 2013, the PLA was reported in the Special Revenue section because sufficient details were not available at the time on the enterprise activities of the PLA. The PLA had a \$16.5 million net position at June 30, 2014, a \$15.5 million increase from the \$1.0 million at June 30, 2013. The PLA had revenues of \$18.3 million including \$17.5 million transferred from the City's General Fund utility users tax revenues. The PLA had \$2.8 million of expenses for the year ended June 30, 2014. Also, the PLA issued \$60.0 million of Revenue Bonds in December 2013. These bonds were paid off with proceeds from the \$185.0 million of Revenue Bonds (30 year) issued on July 2, 2014.

The Airport Fund had a \$0.3 million increase in net position for the year ended June 30, 2014 primarily due to revenue for land acquisition. The General Fund contribution to the Airport was \$0.6 million for the year ended June 30, 2014, which was \$0.3 million more than in the prior fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds (statements begin on page 42) reported a combined ending fund balance of \$245.6 million at June 30, 2014, a \$136.1 million increase from the \$109.5 million fund balance deficit at June 30, 2013. This was mainly due to the \$120.0 million in proceeds from the Financial Recovery Bonds issued in April 2014 for the Quality of Life program. The fund balances include an unassigned deficit of \$145.9 million, a \$13.3 million increase from the June 30, 2013 balance. In addition, the remaining fund balances totaling \$391.5 million are classified as follows: (1) nonspendable - \$25.0 million; (2) restricted - \$197.5 million; (3) assigned - \$12.6 million; and (4) committed - \$156.3 million. Nonspendable fund balances include inventory, long-term receivables and permanent fund principal from endowments. Restricted fund balances include highway and street improvements, police (drug law enforcement), endowments and trusts, capital acquisitions, local business growth (targeted business development), rubbish collection and disposal, and grants. Assigned fund balances include debt service. Committed fund balances include the risk management (workers' compensation, legal, and other damage claims) and Quality of Life funds.

General Fund

The General Fund is the chief operating fund of the City. The fund had a \$53.4 million surplus at June 30, 2014, a \$126.4 million increase from the \$73.0 million deficit at June 30, 2013. The fund balance includes an unassigned deficit of \$145.9 million, a \$13.3 million increase from the \$132.6 million deficit at June 30, 2013. The remaining General Fund balance includes: (1) restricted (capital acquisitions) - \$43.0 million; and (2) committed (risk management and Quality of Life Programs) - \$156.3 million.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

General Fund Balance Sheet
June 30, 2014 and 2013
(in millions)

	2014	2013
Assets and Deferred Outflows of Resources	\$ 622.8	\$ 292.5
Liabilities and Deferred Inflows of Resources	569.4	365.5
Fund Balance		
Nonspendable	-	4.0
Restricted	43.0	1.0
Committed	156.3	54.6
Unassigned for:		
General Fund Deficit	(145.9)	(132.6)
Total Fund Balance (Deficit)	53.4	(73.0)
Total Liabilities and Fund Balance (Deficit)	\$ 622.8	\$ 292.5

The \$13.3 million increase in the unassigned General Fund deficit was primarily due to the \$132.0 million for bankruptcy and restructuring costs incurred during the year offset in part by the City's default on the required pension contributions and other cost savings for the year ended June 30, 2014. The GASB (Governmental Accounting Standards Board) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, requires that the defaulted pension expenses and related obligations not be included in the governmental financial statements when there are no available resources to pay them. Also, GASB Statement No. 27 requires that the defaulted pension expenses and related obligation (Net Pension Obligation or Net Pension Asset) be recorded in the government-wide statements. While the City was in bankruptcy and had stated its intention not to pay the pension contributions, the City still had a legal requirement to pay them until the Plan of Adjustment was approved by the Bankruptcy Court in December 2014.

The City made great improvements in reducing costs for the year ended June 30, 2014. However, the reduction in costs did adversely impact city services such as public protection for the year ended June 30, 2014. Contributing to the City's deficit reduction efforts were the: (1) \$28.2 million reduction in salaries and wages through 10% pay cuts, furlough days, attrition and other measures; and (2) \$60.1 million reduction in benefits, mainly hospitalization, due to reduction in retiree benefits effective March 1, 2014.

General Fund Budgetary Highlights

The City's fiscal year 2014 General Fund budget (pages 162-164) was \$1.3 billion. The City's fiscal year 2014 General Fund budget contained no additions or material changes to existing taxes. Pursuant to Section 12(1)(b) of Michigan Public Act 436 of 2012, Emergency Manager approved the City's fiscal year 2014 budget in June 2013.

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
(UNAUDITED)

The estimated revenues in the budget exceeded actual revenues by \$205.7 million for the year ended June 30, 2014. The revenue shortfall is mainly attributable to actual intergovernmental (including grant) revenues, and other revenues being \$211.0 million and \$19.4 million, respectively, less than the final budget (see explanation below for grants revenues). Other revenues were less than budget partially due to the elimination of intra-fund transactions such as the Risk Management Fund premium of \$19.4 million, which reduced the actual amount of other revenues and contributed to the budget variance.

Actual expenditures were less than budgeted expenditures by \$292.5 million for the year ended June 30, 2014 primarily because the Development and Management, Public Protection and Health appropriations were \$26.0 million, \$172.3 million and \$98.7 million, respectively, larger than the actual results for the year. In addition, the grant expenditures were less than budgeted (see explanation below). Development and Management expenses were less than budget primarily because the "Quality of Life" program actual expenditures were significantly less than appropriation, as the funding was not received until April 2014. Public protection expenses were \$172.3 million less than budgeted appropriations mainly due to salary and benefit reductions for police and fire. Health expenses were \$98.7 million less than budget due to the transition of Health grant activities to a non-profit entity.

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

Differences between the original budget and the final amended budget consisted of a total net increase in estimated revenues of \$302.6 million and a total net increase in appropriations of \$211.5 million. The difference was mostly offset by a total net increase in other financing sources and uses of \$85.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total Government

At June 30, 2014, the City had invested \$6.6 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). This was a decrease of \$95.2 million from the balance at June 30, 2013.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Land & Land Rights	\$ 412,817	\$ 412,818	\$ 76,694	\$ 49,731	\$ 489,511	\$ 462,549
Land Improvements	-	-	136,311	137,563	136,311	137,563
Buildings & Structures	667,074	626,888	2,100,346	2,150,499	2,767,420	2,777,387
Sewer a& Water Lines	-	-	893,839	890,974	893,839	890,974
Equipment & Structures	50,282	71,409	1,504,276	1,599,455	1,554,558	1,670,864
Works of Art	29,805	29,805	-	-	29,805	29,805
Infrastructure	326,323	304,551	-	-	326,323	304,551
Construction in Progress	24,370	66,346	395,449	372,743	419,819	439,089
Total	<u>\$ 1,510,671</u>	<u>\$ 1,511,817</u>	<u>\$ 5,106,915</u>	<u>\$ 5,200,965</u>	<u>\$ 6,617,586</u>	<u>\$ 6,712,782</u>

Governmental Activities

Governmental Activities capital assets at June 30, 2014 were \$1.1 million less than the \$1.5 billion at June 30, 2013. The City acquired \$81.3 million in new assets including \$24.2 million of construction in progress, which was completed during the year ended June 30, 2014. Depreciation expenses totaled \$82.1 million for the year ended June 30, 2014, which was \$4.3 million less than the prior fiscal year.

At June 30, 2014, the City governmental activities had commitments for future capital asset construction contracts of \$20.1 million.

Major capital assets acquired and projects completed or in progress during the year ended June 30, 2014 included the following:

- \$49.4 million for traffic light modernization and replacement as well as road construction and resurfacing;
- \$60.3 million for renovation and modernization of the new public safety headquarters;
- \$5.1 million for improvements to various police precincts, upgrades of police electronic systems and purchases of new police vehicles; and
- \$1.6 million for improvements to various recreational facilities, parks and play grounds.

Business-type Activities

Business-type activities capital assets at June 30, 2014 were \$5.1 billion, a decrease of \$94.1 million from the balance at June 30, 2013.

Construction work in progress, major capital assets acquired, and projects completed during the year ended June 30, 2014 included the following:

- The Water Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program. The total cost of this program is anticipated to be approximately \$504.0 million through fiscal year 2019. The program is being financed from revenues of the fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2014 was approximately \$130.9 million. Projects that will be completed as part of the Water Program include the replacement of water distribution mains, installation of the automated meters reading system, and improvements to water plants, booster stations and, transmission mains.
- The 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 \$553.0 million through fiscal year 2019. The program is being financed primarily from revenues of the Sewage Disposal Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2014 was approximately \$737.2 million. Projects that will be completed as part of the Sewage Program include the design and construction of combined sewage overflow facilities, rehabilitation of pumping stations, improvements at the wastewater facility, and relining of lateral sewers.

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

Long-term Debt

Outstanding Bonded Debt as of June 30, 2014 and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 1,042,312	\$ 1,003,937	\$ 5,458	\$ 5,458	\$ 1,047,770	\$ 1,009,395
Revenue bonds	-	-	5,285,785	5,377,390	5,285,785	5,377,390
Total	<u>\$ 1,042,312</u>	<u>\$ 1,003,937</u>	<u>\$ 5,291,243</u>	<u>\$ 5,382,848</u>	<u>\$ 6,333,555</u>	<u>\$ 6,386,785</u>

At June 30, 2014, the City had total bonded debt of \$6.4 billion outstanding. Of this amount, \$1.0 billion are general obligation bonds backed by the full faith and credit of the City and \$5.4 billion are revenue bonds of the City's business enterprises.

The City's total governmental activities general obligation bonded debt increased by \$38.4 million during year ended June 30, 2014 mainly because of the issuance of \$120.0 million of Financial Recovery Bonds issued in April 2014 through a private placement with Barclays Capital, Inc. for the Quality of Life program (various restructuring programs such as blight remediation and purchase of police vehicles). The proceeds will be used to enhance City services to improve the quality of life of the City's citizens. Planned uses include public safety improvements including purchasing new police cars, hiring new police officers, upgrading technology and equipment, and blight removal. On December 10, 2014, the City issued its Financial Recovery Income Tax Bonds, Series 2014 A/B, which in part, refunded the \$120.0 million bonds issued in April 2014.

The City defaulted on \$81.6 million of the governmental activities general obligation long-term bonded debt (principal) during the year. The insurers paid \$56.6 million of this debt and the remaining \$25.0 million, which was uninsured, was unpaid. The City reported a total of \$56.6 million due the insurers and the \$25.0 million unpaid debt as short-term liabilities on the Governmental Funds Balance Sheet.

Business-type activities' bonded debt decreased by \$31.6 million for the year ended June 30, 2014. The Sewage Disposal, Water, and Parking Funds retired \$42.5 million, \$41.2 million, and \$9.3 million, respectively, of revenue bonds in 2014. The PLA issued \$60.0 million of revenue bonds in December 2013. The PLA revenue bonds were paid off with the proceeds from the \$185.0 million of revenue bonds issued on July 2, 2014. The other Business-type activities did not issue any new bonded debt during the year ended June 30, 2014 due to the City's financial emergency and inability to access credit markets.

In addition to the bonded debt, the City's governmental activities had a total debt of \$1.5 billion at June 30, 2014 for POCs (\$1.1 billion), notes payable (\$85.2 million), loans payable (\$36.7 million), and other debt (\$214.1 million) such as accrued compensated absences, workers' compensation, and claims and judgments. The City's governmental activities defaulted on its POC long-term obligation totaling \$42.9 million during the years ended June 30, 2014 (\$24.1 million) and June 30, 2013 (\$18.8 million) due to the City's financial emergency and bankruptcy. The bond insurer paid the POC holders. The City reported the \$42.9 million on its Governmental Funds balance sheet as a short-term liability due the insurer.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred, which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities. Not all of the general bonded debt is subject to the general debt limitation. The City's legal debt limitation at June 30, 2014 was \$1.6 billion, of which \$553.0 million is available for use. Pursuant to a lawsuit commenced on January 31, 2014, however, the City challenged the validity of the sale of the POCs to the public on the

grounds that such sale exceeded the City's legal debt limitation. The POC obligations were compromised and discharged in the Bankruptcy Case, and the lawsuit was dismissed.

The City's ratings on uninsured general obligation bonds as of June 30, 2014 were:

Moody's Investors Service, Inc.	Caa3
Standard & Poor's Corporation	C
Fitch IBCA, Inc.	Withdrawn

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

As of June 30, 2014, the City had eight interest rate swap agreements (the "Swap Agreements"). These eight Swap Agreements were executed by service corporations formed by the City in connection with the POCs. The City's legal obligation relating to the Swap Agreements results from the City's contractual obligation to make service payments to the service corporations.

The City reached a settlement agreement with the counterparties to the City's interest rate swap agreements that allowed the City to terminate its obligations related to the swap agreements in exchange for approximately \$85.0 million, less certain payments, in full satisfaction of the claims between the parties (the "Plan Support Agreement"). The POC Swap agreements are detailed in Exhibit I.A.88 of the Plan. On June 30, 2014, the fair value of the interest rate swaps obligation to the City was \$302.5 million (\$244.1 million to the Governmental Activities). On December 12, 2014, the City used \$37,969,929 of bond proceeds (Series 2014 B Income Tax Bonds) and \$12,662,479 of Casino holdback funds to pay the remaining balance owed the Swap counterparties in accordance with the Plan of Adjustment.

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

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

The City of Detroit is the largest city in Michigan and the 18th largest city in the United States. However, as documented in the 2010 Census, the City's population continues to decline, which contributes to the declining property and income tax base. In addition, the City faces continued high unemployment (11.7% unemployment rate in March 2015 compared to the State unemployment rate of 5.7%), which hinders personal income tax collections. Resident home foreclosures and delinquent property tax levels are another financial concern.

The City's current economic condition is improving. The future outlook for recovery and improvement is positive. Businesses are transferring employees from suburban cities to the City of Detroit. New residents are moving into the City's mid-town and downtown areas. Detroit is becoming a major entertainment destination. The City is home to major sports teams including

the Tigers, Lions, and Red Wings. Also, the City's three casinos and a growing number of restaurants and night spots provide visitors with many entertainment options.

The Detroit metro area economy remains dominated by the auto industry. Auto sales by Detroit area manufacturers were up in 2014 from the prior year. It is expected that auto sales will continue their upward track this year.

The City is partnering with the State and Federal governments to work towards developing a rapid transit bus system operating in dedicated lanes on routes from downtown to and through the suburbs along Gratiot, Woodward, and Michigan avenues. A second bridge between Canada and Detroit has been approved and will contribute to the improvement of the City's economy, providing jobs for residents and improving commerce.

Next Year's Budget

The fiscal year 2015 budget for the City of Detroit reflects the assumptions in the eighth amended Plan of Adjustment, which was confirmed by the Bankruptcy Court on November 12, 2014 and became effective on December 10, 2014. Section 21 of PA 436 states, "[b]efore the termination of receivership and the completion of the emergency manager's term, or if a transition advisory board is appointed under section 23, then before the transition advisory board is appointed, the emergency manager shall adopt and implement a 2-year budget, including all contractual and employment agreements, for the local government commencing with the termination of receivership." Accordingly, on December 8, 2014 the Emergency Manager submitted the City's fiscal year 2015 and 2016 Budgets. Consistent with the requirements of Section 21(2) of PA 436, the City shall not amend the Two-Year Budget without the written approval of the State Treasurer. In addition to approval by the State Treasurer, an amendment by the City to the Two-Year Budget shall not take effect unless approved by the Commission consistent with Section 7(c) of PA 181.

The fiscal year 2015 budget includes:

- \$63.3 million subsidy to DDOT compared to \$64.1 million in the FY 14 Budget.
- \$58.2 million to pay off the POC derivatives (Swaps).
- \$127.6 million for restructuring initiatives and bankruptcy professional fees.
- \$63.3 million for Blight reinvestment.
- \$94.3 million for Quality of Life exit financing debt service.
- Debt service on financing per the Plan.
- \$111.3 million Budget reserve.
- \$34.0 million for the Land Bank.
- \$12.9 million for Fire Department vehicle fleet replacement.

- \$7.4 million for the Finance Enterprise Resource Planning (ERP) system that will upgrade the City's accounting and financial reporting.
- \$2.0 million for dangerous tree removal.
- \$1.8 million for DDOT transit police.
- \$9.5 million for Police vehicle fleet replacement.
- \$4.2 million for Recreation Department repairs and maintenance.
- 5% salary and wage increase for all employees for FY 15.

The fiscal year 2015 budget has 787 fewer positions than the budget for the year ended June 30, 2014. Budgeted positions are as follows:

Description	Positions FY 2014-15	Positions FY 2013-14	Variance
General City	5,911	6,461	(550)
Enterprise Agencies	3,230	3,467	(237)
Total Budgeted	9,141	9,928	(787)

Deficit Elimination Plan

State law requires that a local unit of government ending its fiscal year in a deficit condition shall formulate and file a deficit elimination plan (DEP) with the Michigan Department of Treasury within 90 days after the beginning of the fiscal year to correct the deficit. The City's Plan of Adjustment, effective on December 10, 2014, serves as its deficit elimination plan.

CONTACTING THE CITY'S OFFICE OF THE CHIEF FINANCIAL OFFICER

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 Office of the Chief Financial Officer's website at <http://www.detroitmi.gov/How-Do-I/City-of-Detroit-CAFR-Find-How-Do-I-City-of-Detroit-MI>. You can also contact the office by phone at (313) 224-9707.

The City's component units issue their own audited financial statements. These statements may be obtained by directly contacting the component unit. A list of contact numbers is provided on pages 66 and 67 of this report.



Mayor Duggan Community Meeting at Detroit Unity Temple

Mayor Duggan hosted a community meeting at Detroit Unity Temple on March 27, 2014. Hundreds of residents heard the Mayor's vision and dozens had an opportunity to ask the Mayor about issues that were of greatest importance to them. Mayor Duggan hosted charter-mandated community meetings in all 7 districts in the city last year.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Detroit, Michigan

BASIC
FINANCIAL
STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

City of Detroit, Michigan
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and Cash Equivalents	\$ 534,206,367	\$ 579,470,142	\$ 1,113,676,509	\$ 41,746,604
Investments	55,714,512	336,599,126	392,313,638	134,521,928
Accounts and Contracts Receivable - Net	75,219,189	212,939,343	288,158,532	11,485,708
Internal Balances	(18,565,399)	18,565,399	—	—
Due from Primary Government	—	—	—	13,069,229
Due from Component Units	3,592,419	480	3,592,899	—
Due from Other Governmental Agencies	170,403,897	7,780,877	178,184,774	18,856,821
Inventory	—	19,816,345	19,816,345	3,462,458
Prepaid Expenses	—	1,051,783	1,051,783	1,595,444
Long-Term Receivable	—	10,219,051	10,219,051	—
Loans, Notes, and Pledges Receivable	—	—	—	37,496,812
Advance to Component Unit/Library	24,016,604	—	24,016,604	—
Other Assets	2,059,941	—	2,059,941	34,480,286
Restricted Assets	—	—	—	5,065,376
Net Pension Asset	924,139,521	282,181,715	1,206,321,236	25,829,798
Prepaid Insurance on Debt	34,452,367	38,720,796	73,173,163	—
Capital Assets:				
Non-Depreciable	466,993,045	472,143,776	939,136,821	28,212,022
Depreciable, Net	1,043,678,085	4,634,770,863	5,678,448,948	117,705,469
Total Capital Assets - Net	<u>1,510,671,130</u>	<u>5,106,914,639</u>	<u>6,617,585,769</u>	<u>145,917,491</u>
Total Assets	<u>3,315,910,548</u>	<u>6,614,259,696</u>	<u>9,930,170,244</u>	<u>473,527,955</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,796,845</u>	<u>331,572,495</u>	<u>346,369,340</u>	<u>297,025</u>
LIABILITIES				
Accounts and Contracts Payable	96,648,366	134,105,609	230,753,975	17,718,672
Accrued Liabilities	89,850,714	—	89,850,714	—
Accrued Salaries and Wages	18,000,727	3,182,486	21,183,213	1,088,586
Accrued Interest Payable	55,004,224	142,211,803	197,216,027	4,439,540
Due to Other Governmental Agencies	132,547,217	1,478,909	134,026,126	22,619,927
Due to Primary Government	—	—	—	3,592,899
Due to Component Units	11,251,015	1,818,214	13,069,229	—
Deposits and Refunds	10,102,587	—	10,102,587	—
Unearned Revenue	—	17,983,338	17,983,338	1,771,783
Derivative Instruments - Swap Liability	244,149,176	58,314,703	302,463,879	—
Other Defaulted Debt	25,000,000	—	25,000,000	—
Defaulted Debt Due to Insurers	131,265,183	11,820,215	143,085,398	—
Other Liabilities	15,245,132	4,041,207	19,286,339	45,125,136
Long-Term Obligations:				
Advance Payable to Primary Government	—	—	—	24,016,604
Due within one year	161,367,791	250,922,447	412,290,238	15,324,440
Due in more than one year	2,354,366,144	6,065,434,729	8,419,800,873	126,957,593
Total Liabilities	<u>3,344,798,276</u>	<u>6,691,313,660</u>	<u>10,036,111,936</u>	<u>262,655,180</u>
DEFERRED INFLOWS OF RESOURCES	<u>32,298,762</u>	<u>19,735,156</u>	<u>52,033,918</u>	<u>585,365</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	886,141,054	54,337,164	940,478,218	145,683,104
Restricted for:				
Highway and Street Improvement	48,941,150	—	48,941,150	—
Endowments and Trust (Expendable)	765,245	—	765,245	12,519,624
Endowments and Trust (Non-Expendable)	937,861	—	937,861	1,752,471
Capital Projects and Acquisitions	14,781,479	172,960,701	187,742,180	49,076,041
Debt Service	36,621,368	298,960,977	335,582,345	27,393,991
Donations	—	1,135,691	1,135,691	—
Unrestricted (Deficit)	<u>(1,034,577,802)</u>	<u>(292,611,158)</u>	<u>(1,327,188,960)</u>	<u>(25,840,796)</u>
Total Net Position (Deficit)	<u>\$ (46,389,645)</u>	<u>\$ 234,783,375</u>	<u>\$ 188,393,730</u>	<u>\$ 210,584,435</u>

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Protection	\$ 539,831,117	\$ 75,017,759	\$ 15,384,089	\$ —
Health	49,563,178	2,389,178	48,519,656	—
Recreation and Culture	30,467,345	17,106,690	1,401,609	—
Economic Development	59,701,870	3,344,270	55,043,039	—
Housing Supply and Conditions	8,465,345	3,509,934	1,041,372	—
Physical Environment	110,555,039	93,846,458	—	—
Transportation Facilitation	55,831,652	22,728,698	54,487,195	30,592,996
Development and Management	328,243,425	128,991,615	910,867	—
Interest on Long-Term Debt	135,130,618	—	—	—
Total Governmental Activities	<u>1,317,789,589</u>	<u>346,934,602</u>	<u>176,787,827</u>	<u>30,592,996</u>
Business-type Activities:				
Sewage Disposal	482,723,501	475,770,844	—	—
Transportation	163,841,194	19,374,841	61,597,871	9,943,047
Water	392,920,925	349,369,362	—	—
Automobile Parking	14,714,363	10,341,324	—	—
Airport	4,613,418	3,085,314	—	—
Total Business-type Activities	<u>1,058,813,401</u>	<u>857,941,685</u>	<u>61,597,871</u>	<u>9,943,047</u>
Total Primary Government	<u>\$ 2,376,602,990</u>	<u>\$ 1,204,876,287</u>	<u>\$ 238,385,698</u>	<u>\$ 40,536,043</u>
Component Units:				
Detroit Brownfield Redevelopment Authority	\$ 2,591,668	\$ —	\$ 164,811	\$ —
Detroit Public Library	34,426,623	610,264	1,139,935	—
Detroit Transportation Corporation	19,975,848	1,688,923	11,225,937	—
Downtown Development Authority	34,202,813	6,728,612	—	—
Eastern Market Corporation	4,649,205	1,246,199	565,290	—
Economic Development Corporation	4,318,242	1,613,572	—	—
Greater Detroit Resource Recovery Authority	10,483,592	68,732	—	—
Local Development Finance Authority	3,121,257	—	—	—
Museum of African American History	5,729,011	2,082,615	1,049,803	—
Detroit Land Bank Authority	7,125,327	—	8,595,248	—
Eight Mile/Woodward Corridor Imp. Authority	71,058	—	—	—
Detroit Employment Solutions Corporation	37,709,392	—	37,551,181	—
Total Component Units	<u>\$ 164,404,036</u>	<u>\$ 14,038,917</u>	<u>\$ 60,292,205</u>	<u>\$ —</u>

General Revenues:

Taxes:

Property Taxes
Municipal Income Tax
Utility Users' Tax
Wagering Tax
Other Taxes and Assessments
State Shared Taxes
State Returnable Liquor License Fees
Interest and Penalties on Taxes
Tipping Fees
Contributions

Investment Earnings (Losses)

Bond Issuance Costs

Miscellaneous Revenues (Expenses)

Loss on Disposal of Capital Assets

Special Item - OPEB Plan Termination

Transfers

Total General Revenues, Transfers and Special Items

Change in Net Position

Net Position (Deficit) - Beginning of Year, as Restated (Note I(t))

Net Position (Deficit) - End of Year

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

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (449,429,269)	\$ —	\$ (449,429,269)	\$ —
1,345,656	—	1,345,656	—
(11,959,046)	—	(11,959,046)	—
(1,314,561)	—	(1,314,561)	—
(3,914,039)	—	(3,914,039)	—
(16,708,581)	—	(16,708,581)	—
51,977,237	—	51,977,237	—
(198,340,943)	—	(198,340,943)	—
(135,130,618)	—	(135,130,618)	—
<u>(763,474,164)</u>	<u>—</u>	<u>(763,474,164)</u>	<u>—</u>
—	(6,952,657)	(6,952,657)	—
—	(72,925,435)	(72,925,435)	—
—	(43,551,563)	(43,551,563)	—
—	(4,373,039)	(4,373,039)	—
—	(1,528,104)	(1,528,104)	—
—	<u>(129,330,798)</u>	<u>(129,330,798)</u>	<u>—</u>
<u>(763,474,164)</u>	<u>(129,330,798)</u>	<u>(892,804,962)</u>	<u>—</u>
—	—	—	(2,426,857)
—	—	—	(32,676,424)
—	—	—	(7,060,988)
—	—	—	(27,474,201)
—	—	—	(2,837,716)
—	—	—	(2,704,670)
—	—	—	(10,414,860)
—	—	—	(3,121,257)
—	—	—	(2,596,593)
—	—	—	1,469,921
—	—	—	(71,058)
—	—	—	(158,211)
—	—	—	<u>(90,072,914)</u>
194,680,186	—	194,680,186	58,570,321
253,769,874	—	253,769,874	—
42,386,549	—	42,386,549	—
167,569,541	—	167,569,541	—
8,603,632	—	8,603,632	3,333,713
189,756,901	—	189,756,901	517,663
607,547	—	607,547	—
1,269,784	—	1,269,784	—
—	—	—	9,199,165
—	—	—	12,388,902
(4,170,808)	5,609,449	1,438,641	2,119,562
—	(22,173,885)	(22,173,885)	—
7,549,098	(13,956,786)	(6,407,688)	1,827,491
(359,223)	(1,259,818)	(1,619,041)	—
766,046,174	228,728,211	994,774,385	20,210,541
<u>(79,432,723)</u>	<u>79,432,723</u>	<u>—</u>	<u>—</u>
<u>1,548,276,532</u>	<u>276,379,894</u>	<u>1,824,656,426</u>	<u>108,167,358</u>
784,802,368	147,049,096	931,851,464	18,094,444
<u>(831,192,013)</u>	<u>87,734,279</u>	<u>(743,457,734)</u>	<u>192,489,991</u>
<u>\$ (46,389,645)</u>	<u>\$ 234,783,375</u>	<u>\$ 188,393,730</u>	<u>\$ 210,584,435</u>

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 376,272,685	\$ —	\$ —	\$ 157,933,682	\$ 534,206,367
Investments	5,009,151	—	—	50,705,361	55,714,512
Accounts and Contracts Receivable:					
Estimated Withheld Income Taxes Receivable	24,694,559	—	—	—	24,694,559
Utility Users' Taxes Receivable	2,505,618	—	—	—	2,505,618
Property Taxes Receivable	260,081,217	—	—	102,587,983	362,669,200
Income Tax Assessments	58,485,008	—	—	—	58,485,008
Special Assessments	24,669,919	—	—	541,890	25,211,809
Loans Receivable	—	—	—	18,000,000	18,000,000
Trade Receivables	211,692,008	—	—	7,860,509	219,552,517
Total Accounts and Contracts Receivable	582,128,329	—	—	128,990,382	711,118,711
Allowance for Uncollectible Accounts	(513,781,842)	—	—	(125,309,367)	(639,091,209)
Total Accounts and Contracts Receivable - Net	68,346,487	—	—	3,681,015	72,027,502
Due from Other Funds	10,729,220	36,123,493	49,459,580	76,645,530	172,957,823
Due from Fiduciary Funds	2,538,863	—	—	652,824	3,191,687
Due from Component Units	1,808,025	1,775,280	—	9,114	3,592,419
Due from Other Governmental Agencies	156,927,661	—	—	13,476,236	170,403,897
Advances to Component Units	—	24,016,604	—	—	24,016,604
Other Advances	805,485	—	—	—	805,485
Other Assets	348,865	—	—	905,591	1,254,456
Total Assets	622,786,442	61,915,377	49,459,580	304,009,353	1,038,170,752
DEFERRED OUTFLOWS OF RESOURCES					
Total Assets and Deferred Outflows of Resources	\$ 622,786,442	\$ 61,915,377	\$ 49,459,580	\$ 304,009,353	\$ 1,038,170,752
LIABILITIES					
Accounts and Contracts Payable	\$ 50,239,629	\$ —	\$ —	\$ 14,241,131	\$ 64,480,760
Accrued Liabilities	68,690,505	—	—	21,160,209	89,850,714
Accrued Salaries and Wages	17,141,508	—	—	859,219	18,000,727
Due to Other Funds	181,615,738	—	—	9,907,484	191,523,222
Due to Fiduciary Funds	32,167,402	—	—	204	32,167,606
Due to Other Governmental Agencies	87,700,587	—	—	24,723,046	112,423,633
Due to Component Units	9,295,244	—	—	1,955,771	11,251,015
Income Tax Refunds Payable	3,862,477	—	—	—	3,862,477
Deposits from Vendors and Customers	5,440,699	—	—	799,411	6,240,110
Unearned Revenue	5,051,341	—	—	357,514	5,408,855
Other Defaulted Debt	25,000,000	—	—	—	25,000,000
Defaulted Debt Due to Insurer	22,953,172	22,282,634	29,079,826	56,949,551	131,265,183
Other Liabilities	14,639,129	—	—	606,003	15,245,132
Accrued Interest Payable	3,890,348	15,616,139	20,379,754	—	39,886,241
Accrued Compensated Absences	—	—	—	9,539	9,539
Claims and Judgments	628,806	—	—	—	628,806
Total Liabilities	\$ 528,316,585	\$ 37,898,773	\$ 49,459,580	\$ 131,569,082	\$ 747,244,020
DEFERRED INFLOWS OF RESOURCES					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 41,063,488	\$ —	\$ —	\$ 4,268,862	\$ 45,332,350
FUND BALANCES (DEFICIT)					
Nonspendable:					
Long-Term Receivables	\$ —	\$ 24,016,604	\$ —	\$ —	\$ 24,016,604
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	—	—	—	48,941,150	48,941,150
Unspent Bond Proceeds	979,826	—	—	—	979,826
Police	—	—	—	9,690,016	9,690,016
Endowments and Trusts	—	—	—	765,245	765,245
Capital Acquisitions	42,000,000	—	—	62,946,287	104,946,287
Local Business Growth	—	—	—	478,084	478,084
Rubbish Collection and Disposal	—	—	—	19,109,922	19,109,922
Construction Code	—	—	—	2,395,287	2,395,287
Grants	—	—	—	10,302,793	10,302,793
Committed for:					
Risk Management Operations	79,267,054	—	—	—	79,267,054
QOL Program	77,067,071	—	—	—	77,067,071
Assigned for:					
Debt Service	—	—	—	12,604,764	12,604,764
Unassigned:					
General Fund (Deficit)	(145,907,582)	—	—	—	(145,907,582)
Total Fund Balances (Deficit)	53,406,369	24,016,604	—	168,171,409	245,594,382
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 622,786,442	\$ 61,915,377	\$ 49,459,580	\$ 304,009,353	\$ 1,038,170,752

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Fund Balances (Deficit) - Total Governmental Funds \$ 245,594,382

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

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

Governmental capital assets	\$ 3,422,579,811	
Less accumulated depreciation	<u>(1,911,908,681)</u>	1,510,671,130

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

Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in the governmental funds		13,033,588
--	--	------------

Grant receivables applicable to governmental activities are not due and collectible in the current period and therefore are unearned revenues in governmental funds		5,408,855
---	--	-----------

Net pension asset		924,139,521
-------------------	--	-------------

Deferred amount on refunding		14,796,845
------------------------------	--	------------

Prepaid insurance on debt		34,452,367
---------------------------	--	------------

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

Accrued interest payable on bonds and other long-term obligations	(15,117,983)	
Accrued interest and penalties on escheatment payable	(20,123,584)	
General obligation bonds	(1,042,311,968)	
Derivative Instruments	(244,149,176)	
Notes payable	(85,184,000)	
Loans payable	(36,693,164)	
Unamortized premiums	(18,651,009)	
Accrued compensated absences	(63,586,781)	
Accrued workers' compensation	(69,176,000)	
Accrued other postemployment benefits	(14,032,941)	
Claims and judgments	(48,004,758)	
Accrued pollution remediation	(51,265)	
Pension obligation certificates payable	<u>(1,137,403,704)</u>	<u>(2,794,486,333)</u>

Net Position (Deficit) of Governmental Activities \$ (46,389,645)

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	General Retirement System Service Corporation	Police and Fire Retirement System Service Corporation	Other Governmental Funds	Totals
REVENUES:					
Taxes:					
Property Taxes	\$ 129,413,195	\$ —	\$ —	\$ 65,214,710	\$ 194,627,905
Municipal Income Tax	253,769,874	—	—	—	253,769,874
Utility Users' Tax	42,386,549	—	—	—	42,386,549
Wagering Tax	167,924,023	—	—	—	167,924,023
Gas and Weight Tax	—	—	—	53,904,485	53,904,485
Other Taxes and Assessments	6,480,150	—	—	2,123,482	8,603,632
Interest and Penalties on Taxes	896,735	—	—	373,049	1,269,784
Licenses, Permits, and Inspection Charges	8,685,443	—	—	20,021,186	28,706,629
Intergovernmental:					
Federal	39,930,125	—	—	56,977,258	96,907,383
State:					
State Shared Revenue	189,756,901	—	—	—	189,756,901
State Returnable Liquor License Fees	607,547	—	—	—	607,547
Other State Sourced Revenue	24,333,026	—	—	24,893,308	49,226,334
Other	223,381	—	—	5,778,004	6,001,385
Sales and Charges for Services	157,377,149	—	—	50,609,879	207,987,028
Ordinance Fines and Forfeitures	15,946,936	—	—	1,904,202	17,851,138
Revenue from Use of Assets	7,568,498	—	—	—	7,568,498
Investment Earnings	180,623	—	—	119,774	300,397
Other Revenue	64,735,592	1,859,512	—	28,415,290	95,010,394
Total Revenues	1,110,215,747	1,859,512	—	310,334,627	1,422,409,886
EXPENDITURES:					
Current:					
Public Protection	426,103,004	—	—	23,519,280	449,622,284
Health	46,424,431	—	—	2,357,772	48,782,203
Recreation and Culture	15,979,864	—	—	52,728	16,032,592
Economic Development	—	—	—	51,178,770	51,178,770
Housing Supply and Conditions	6,966,303	—	—	—	6,966,303
Physical Environment	59,575,884	—	—	37,865,258	97,441,142
Transportation Facilitation	—	—	—	36,505,709	36,505,709
Development and Management	296,530,041	—	—	1,156,350	297,686,391
Debt Service:					
Principal	44,546,910	10,454,902	13,644,111	41,331,000	109,976,923
Interest	29,081,981	29,242,071	38,162,200	30,459,501	126,945,753
Bond Issuance Costs	3,379,410	—	—	—	3,379,410
Capital Outlay	15,175,250	—	—	66,154,054	81,329,304
Total Expenditures	943,763,078	39,696,973	51,806,311	290,580,422	1,325,846,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	166,452,669	(37,837,461)	(51,806,311)	19,754,205	96,563,102
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In	9,010,944	37,837,461	51,806,311	11,115,472	109,770,188
Bonds and Notes Issued	120,000,000	—	—	—	120,000,000
Uses:					
Transfers Out	(169,076,495)	—	—	(20,126,416)	(189,202,911)
Total Other Financing Sources (Uses)	(40,065,551)	37,837,461	51,806,311	(9,010,944)	40,567,277
Net Change in Fund Balances	126,387,118	—	—	10,743,261	137,130,379
Fund Balances (Deficit) at Beginning of Year	(72,980,749)	24,016,604	—	157,428,148	108,464,003
Fund Balances at End of Year	\$ 53,406,369	\$ 24,016,604	\$ —	\$ 168,171,409	\$ 245,594,382

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, 2014

Change in Fund Balances - Total Governmental Funds	\$	137,130,379
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds		(7,485,689)
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	\$ 81,329,304	
Less current year depreciation	<u>(82,115,608)</u>	(786,304)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(359,223)
Due to State Government for Escheatment		(5,445,909)
Payments to the pension systems increased the net pension asset		(75,245,775)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(120,000,000)
Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		109,976,923
Change in deferred outflows of resources related to derivatives is not reported in the governmental funds		(4,471,205)
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 prepaid insurance issuance costs	(1,863,189)	
Change in accrued interest payable	495,711	
Deferred gain/(loss) on defeasance	(265,261)	
Amortization of bond premiums	2,231,146	
Amortization of swap termination fees	1,343,787	
Amortization of deferred amounts on refunding	(1,301,745)	
Change in accrued compensated absences	2,864,411	
Change in accrued workers' compensation claims	(7,327,000)	
Change in accrued Public Liability	2,253,358	
Change in accrued other post employment benefits	752,952,453	
Change in accrued pollution remediation	<u>105,500</u>	<u>751,489,171</u>
Change in Net Position of Governmental Activities	\$	<u><u>784,802,368</u></u>

City of Detroit, Michigan
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2014

	Sewage Disposal Fund	Transportation Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 96,127,434	\$ 2,586,571
Investments	20,771,621	10,532
Accounts and Contracts Receivable:		
Other Receivables - Trade	241,121,210	100,085
Total Accounts and Contracts Receivable	241,121,210	100,085
Allowance for Uncollectible Accounts	(108,044,238)	(18,551)
Total Accounts and Contracts Receivable - Net	133,076,972	81,534
Due from Other Funds	7,435,471	12,182,487
Due from Fiduciary Funds	1,639,051	2,554,411
Due from Other Governmental Agencies	—	7,768,833
Due from Component Unit	—	—
Inventory	9,384,419	4,962,196
Prepaid Expenses	787,731	180,876
Restricted:		
Cash and Cash Equivalents	152,554,687	—
Investments	19,487,688	—
Total Current Assets	441,265,074	30,327,440
Noncurrent Assets:		
Restricted:		
Cash and Cash Equivalents	52,137,290	—
Investments	68,058,347	—
Prepaid Insurance on Debt	20,670,224	—
Other Receivables	7,523,336	650,000
Net Pension Asset	90,144,213	93,066,680
Capital Assets:		
Land and Land Rights	37,926,842	7,578,462
Land Improvements	76,829,093	—
Buildings and Structures	2,115,462,929	150,933,511
Interceptors and Regulators	205,749,861	—
Mains	—	—
Services and Meters	—	—
Vehicles and Buses	—	139,023,990
Machinery, Equipment, and Fixtures	1,712,904,344	50,299,558
Construction in Progress	251,923,506	1,808,177
Total Capital Assets	4,400,796,575	349,643,698
Less: Accumulated Depreciation	(1,562,801,735)	(199,077,574)
Capital Assets - Net	2,837,994,840	150,566,124
Total Noncurrent Assets	3,076,528,250	244,282,804
Total Assets	3,517,793,324	274,610,244
Deferred Outflows of Resources	214,536,819	1,287,183

Water Fund	Automobile Parking Fund	Other Enterprise Funds	Totals
\$ 98,870,737	\$ 10,812,378	\$ 17,441,205	\$ 225,838,325
14,030,467	—	—	34,812,620
<u>107,172,012</u>	<u>43,619</u>	<u>2,140,012</u>	<u>350,576,938</u>
107,172,012	43,619	2,140,012	350,576,938
<u>(34,349,502)</u>	<u>—</u>	<u>(1,029,232)</u>	<u>(143,441,523)</u>
<u>72,822,510</u>	<u>43,619</u>	<u>1,110,780</u>	<u>207,135,415</u>
23,674,834	1,066,812	25,315	44,384,919
1,576,152	34,314	—	5,803,928
—	—	12,044	7,780,877
—	480	—	480
5,469,730	—	—	19,816,345
—	60,097	23,079	1,051,783
132,458,480	—	—	285,013,167
—	—	—	19,487,688
<u>348,902,910</u>	<u>12,017,700</u>	<u>18,612,423</u>	<u>851,125,547</u>
16,481,360	—	—	68,618,650
161,891,288	—	52,349,183	282,298,818
18,050,572	—	—	38,720,796
2,045,715	—	—	10,219,051
98,970,822	—	—	282,181,715
8,872,365	4,967,313	17,349,458	76,694,440
101,297,526	214,908	8,020,718	186,362,245
811,978,038	200,066,403	5,853,773	3,284,294,654
—	—	—	205,749,861
1,033,350,228	—	—	1,033,350,228
176,652,924	—	—	176,652,924
—	1,254,151	1,326,693	141,604,834
1,072,459,390	4,952,624	1,867,408	2,842,483,324
<u>122,415,104</u>	<u>—</u>	<u>19,302,549</u>	<u>395,449,336</u>
3,327,025,575	211,455,399	53,720,599	8,342,641,846
<u>(1,315,381,585)</u>	<u>(142,510,869)</u>	<u>(15,955,444)</u>	<u>(3,235,727,207)</u>
<u>2,011,643,990</u>	<u>68,944,530</u>	<u>37,765,155</u>	<u>5,106,914,639</u>
<u>2,309,083,747</u>	<u>68,944,530</u>	<u>90,114,338</u>	<u>5,788,953,669</u>
<u>2,657,986,657</u>	<u>80,962,230</u>	<u>108,726,761</u>	<u>6,640,079,216</u>
<u>115,748,493</u>	<u>—</u>	<u>—</u>	<u>331,572,495</u>

(Continued)

City of Detroit, Michigan
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2014

	Sewage Disposal Fund	Transportation Fund
LIABILITIES AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts and Contracts Payable	\$ 63,013,252	\$ 11,752,614
Accrued Salaries and Wages	620,423	1,378,484
Due to Other Funds	22,743,136	306,257
Due to Fiduciary Funds	1,365,525	1,032,831
Due to Component Units	—	1,818,214
Due to Other Governmental Agencies	—	1,478,909
Accrued Interest	71,473,338	3,783,534
Defaulted Debt Due to Insurer	3,876,257	4,523,248
Other Liabilities	16,003,280	—
Unearned Revenue	—	506,989
Bonds, Notes, and Capital Leases	86,495,000	2,660,578
Accrued Compensated Absences	1,565,150	3,013,426
Accrued Workers' Compensation and Claims and Judgments	2,034,458	786,262
Accrued Other Postemployment Benefits	1,111,555	1,508,954
Pension Obligation Certificates - Net	2,041,421	2,382,157
Total Current Liabilities	272,342,795	36,932,457
Noncurrent Liabilities:		
Other Liabilities	15,217,513	—
Bonds and Notes Payable - Net	3,259,316,826	2,797,454
Pension Obligation Certificates Payable (POCs) - Net	83,802,009	97,777,302
Accrued Compensated Absences	3,178,793	188,540
Accrued Workers' Compensation and Claims and Judgments	4,362,500	2,182,717
Accrued Other Postemployment Benefits	254,116	294,769
Derivative instruments - swap liability	19,073,402	22,315,318
Total Noncurrent Liabilities	3,385,205,159	125,556,100
Total Liabilities	3,657,547,954	162,488,557
Deferred Inflows of Resources	3,738,739	2,532,991
Net Position:		
Net Investment in Capital Assets	22,834,100	145,108,091
Restricted for Capital Acquisitions	44,123,303	—
Restricted for Donations	—	—
Restricted for Debt Service	176,641,371	—
Unrestricted (Deficit)	(172,555,324)	(34,232,212)
Total Net Position (Deficit)	\$ 71,043,450	\$ 110,875,879

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
\$ 41,763,877	\$ 799,338	\$ 11,396,723	\$ 128,725,804
1,080,879	97,246	5,454	3,182,486
—	2,134,131	635,996	25,819,520
1,919,469	693,545	368,435	5,379,805
—	—	—	1,818,214
—	—	—	1,478,909
66,954,931	—	—	142,211,803
3,420,710	—	—	11,820,215
9,820,504	1,378,944	2,662,263	29,864,991
—	17,476,349	—	17,983,338
53,140,000	—	60,000,000	202,295,578
1,965,415	76,578	19,078	6,639,647
2,487,823	84,000	88,000	5,480,543
1,782,195	48,137	6,967	4,457,808
1,801,509	—	—	6,225,087
<u>186,137,312</u>	<u>22,788,268</u>	<u>75,182,916</u>	<u>593,383,748</u>
6,521,791	—	—	21,739,304
2,500,192,940	—	—	5,762,307,220
73,946,895	—	—	255,526,206
3,991,449	76,578	—	7,435,360
10,193,000	685,000	186,800	17,610,017
258,787	6,898	2,052	816,622
16,925,983	—	—	58,314,703
<u>2,612,030,845</u>	<u>768,476</u>	<u>188,852</u>	<u>6,123,749,432</u>
<u>2,798,168,157</u>	<u>23,556,744</u>	<u>75,371,768</u>	<u>6,717,133,180</u>
<u>13,463,426</u>	<u>—</u>	<u>—</u>	<u>19,735,156</u>
(209,212,631)	68,944,530	26,663,074	54,337,164
120,420,900	—	8,416,498	172,960,701
1,135,691	—	—	1,135,691
122,319,606	—	—	298,960,977
<u>(72,559,999)</u>	<u>(11,539,044)</u>	<u>(1,724,579)</u>	<u>(292,611,158)</u>
<u>\$ (37,896,433)</u>	<u>\$ 57,405,486</u>	<u>\$ 33,354,993</u>	<u>\$ 234,783,375</u>

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services	\$ 465,356,441	\$ 18,596,179
Rentals, Fees, and Surcharges	5,830,344	524,200
Miscellaneous	4,584,059	254,462
Total Operating Revenues	475,770,844	19,374,841
Operating Expenses:		
Salaries, Wages, and Benefits	69,598,479	89,458,201
Contractual Services	51,134,733	11,413,548
Operating	60,835,254	3,700,340
Maintenance	5,528,124	—
Materials, Supplies, and Other Expenses	42,072,667	36,560,190
Depreciation	118,409,025	16,280,241
Total Operating Expenses	347,578,282	157,412,520
Operating Income (Loss)	128,192,562	(138,037,679)
Non-Operating Revenues (Expenses):		
Investment Earnings (Losses)	2,832,781	507
Investment Earnings (Losses) - Changes in Fair Value of Derivatives	(491,902)	(575,510)
Federal and State Grants	—	61,597,871
Interest on Bonds, Notes Payable, and Loans	(135,145,219)	(6,428,674)
Loss on Disposal of Capital Assets	—	(1,259,818)
Bond Issuance Costs	—	—
Amortization of Bond Issuance Costs and Deferrals	(13,963,557)	—
Special Item - OPEB Plan Termination	70,201,066	85,808,452
Other Revenues	(11,573,635)	—
Total Non-Operating Revenues (Expenses), Net	(88,140,466)	139,142,828
Net Loss Before Contributions and Transfers	40,052,096	1,105,149
Capital Contributions	—	9,943,047
Transfers In	—	57,209,128
Increase (Decrease) in Net Position	40,052,096	68,257,324
Net Position (Deficit) - Beginning of Year, as Restated (Note I(t))	30,991,354	42,618,555
Net Position (Deficit) - End of Year	\$ 71,043,450	\$ 110,875,879

Water Fund	Automobile Parking Fund	Other Enterprise Funds	Totals
\$ 344,879,132	\$ —	\$ 1,430	\$ 828,833,182
—	10,341,324	1,259,571	17,955,439
<u>4,490,230</u>	<u>—</u>	<u>1,824,313</u>	<u>11,153,064</u>
<u>349,369,362</u>	<u>10,341,324</u>	<u>3,085,314</u>	<u>857,941,685</u>
64,876,052	4,483,891	1,047,008	229,463,631
45,384,265	4,292,433	—	112,224,979
46,272,888	2,064,199	2,785,842	115,658,523
9,449,775	70,436	24,674	15,073,009
8,279,376	200,189	35,103	87,147,525
<u>85,026,008</u>	<u>3,031,143</u>	<u>135,302</u>	<u>222,881,719</u>
<u>259,288,364</u>	<u>14,142,291</u>	<u>4,027,929</u>	<u>782,449,386</u>
<u>90,080,998</u>	<u>(3,800,967)</u>	<u>(942,615)</u>	<u>75,492,299</u>
4,276,702	1,729	1,660	7,113,379
(436,518)	—	—	(1,503,930)
—	—	—	61,597,871
(133,632,561)	(572,072)	(585,489)	(276,364,015)
—	—	—	(1,259,818)
—	—	(916,636)	(916,636)
(7,293,692)	—	—	(21,257,249)
70,306,819	2,365,557	46,317	228,728,211
<u>(2,383,151)</u>	<u>—</u>	<u>—</u>	<u>(13,956,786)</u>
<u>(69,162,401)</u>	<u>1,795,214</u>	<u>(1,454,148)</u>	<u>(17,818,973)</u>
20,918,597	(2,005,753)	(2,396,763)	57,673,326
—	—	—	9,943,047
<u>—</u>	<u>4,050,006</u>	<u>18,173,589</u>	<u>79,432,723</u>
20,918,597	2,044,253	15,776,826	147,049,096
<u>(58,815,030)</u>	<u>55,361,233</u>	<u>17,578,167</u>	<u>87,734,279</u>
<u>\$ (37,896,433)</u>	<u>\$ 57,405,486</u>	<u>\$ 33,354,993</u>	<u>\$ 234,783,375</u>

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 475,207,954	\$ 20,281,999
Receipts from (to) Other Funds	(21,977,299)	(7,211,813)
Payments to Suppliers	(105,305,127)	(60,436,419)
Payments to Employees	(64,948,994)	(71,986,402)
Net Cash Provided by (Used in) Operating Activities	282,976,534	(119,352,635)
Cash Flows from Non-Capital Financing Activities:		
Interest Paid - Pension Obligation Certificates	(2,494,649)	(745,026)
Grants and Contributions from Other Governments	—	65,893,601
Transfers from Other Funds	—	52,060,618
Miscellaneous Non-Capital Financing	(11,573,635)	—
Net Cash Provided by Non-Capital Financing Activities	(14,068,284)	117,209,193
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	—	10,737,618
Proceeds from Sales of Capital Assets	—	—
Acquisition and Construction of Capital Assets	(118,350,724)	(343,779)
Proceeds from Bond and Note Issuances	12,705,851	—
Principal Paid on Bonds, Notes, and Capital Leases	(78,245,000)	(8,243,938)
Interest Paid on Bonds, Notes, and Leases - Net	(145,306,061)	(2,876,502)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(329,195,934)	(726,601)
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investments	84,773,753	4,364
Purchases of Investments	(60,523,125)	(573)
Earnings (Losses) from Investment Securities	1,135,070	507
Net Cash Provided by (Used in) Investing Activities	25,385,698	4,298
Net Increase (Decrease) in Cash and Cash Equivalents	(34,901,986)	(2,865,745)
Cash and Cash Equivalents at Beginning of Year	335,721,397	5,452,316
Cash and Cash Equivalents at End of Year	\$ 300,819,411	\$ 2,586,571

Water Fund	Automobile Parking Fund	Other Enterprise Funds	Totals
\$ 363,525,264	\$ 9,830,913	\$ 2,550,213	\$ 871,396,343
18,306,856	1,914,555	(93,363)	(9,061,064)
(53,738,131)	(5,634,880)	(2,146,841)	(227,261,398)
<u>(66,989,564)</u>	<u>(3,705,613)</u>	<u>(827,899)</u>	<u>(208,458,472)</u>
261,104,425	2,404,975	(517,890)	426,615,409
(2,826,869)	—	—	(6,066,544)
—	—	—	65,893,601
—	—	18,173,589	70,234,207
<u>(2,383,151)</u>	<u>—</u>	<u>—</u>	<u>(13,956,786)</u>
<u>(5,210,020)</u>	<u>—</u>	<u>18,173,589</u>	<u>116,104,478</u>
—	—	—	10,737,618
434,765	—	—	434,765
(39,864,058)	(690,638)	(8,130,049)	(167,379,248)
—	—	59,083,364	71,789,215
(41,180,000)	(9,300,000)	—	(136,968,938)
<u>(137,864,072)</u>	<u>(634,396)</u>	<u>(585,489)</u>	<u>(287,266,520)</u>
<u>(218,473,365)</u>	<u>(10,625,034)</u>	<u>50,367,826</u>	<u>(508,653,108)</u>
55,072,264	18,836,414	—	158,686,795
(20,000,000)	(18,836,414)	(52,349,183)	(151,709,295)
<u>1,465,972</u>	<u>1,729</u>	<u>1,660</u>	<u>2,604,938</u>
<u>36,538,236</u>	<u>1,729</u>	<u>(52,347,523)</u>	<u>9,582,438</u>
73,959,276	(8,218,330)	15,676,002	43,649,217
<u>173,851,301</u>	<u>19,030,708</u>	<u>1,765,203</u>	<u>535,820,925</u>
<u>\$ 247,810,577</u>	<u>\$ 10,812,378</u>	<u>\$ 17,441,205</u>	<u>\$ 579,470,142</u>

(Continued)

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 128,192,562	\$ (138,037,679)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	118,409,025	16,280,241
Write-off of Capital Assets, including Construction in Progress	21,996,104	—
Loss on Disposal of Capital Assets	10,573,894	—
Changes in Assets and Liabilities:		
Accounts and Contracts Receivable	(562,890)	539,926
Inventory	378,384	(427,500)
Net Pension Asset	(3,895,750)	11,263,451
Prepaid Expenses	65,461	(26,193)
Due from Other Funds	(7,435,471)	(1,272,177)
Unearned Revenue	—	367,232
Accounts and Contracts Payable	12,524,879	2,789,900
Due to Other Funds	(14,541,828)	(5,939,636)
Due to Fiduciary Funds	1,136,329	(4,844,460)
Other Liabilities	—	—
Accrued Compensated Absences	—	(234,969)
Accrued Workers' Compensation and Claims and Judgments	14,996,490	(1,333,714)
Accrued Other Postemployment Benefits	1,121,642	1,521,894
Accrued Salaries and Wages	17,703	1,049
Net Cash Provided by (Used in) Operating Activities	<u>\$ 282,976,534</u>	<u>\$ (119,352,635)</u>
Noncash activities:		
Fair value of derivatives	\$ 491,902	\$ 575,510
Prior period adjustment	21,367,325	4,319,037
Special Item - OPEB Plan Termination	(70,201,066)	(85,808,452)
Acquisition of Capital Assets under Accounts Payable	—	—
Defaulted debt due to insurer	—	4,523,248

<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
\$ 90,080,998	\$ (3,800,967)	\$ (942,615)	\$ 75,492,299
85,026,008	3,031,143	135,302	222,881,719
27,680,423	—	—	49,676,527
2,629,607	—	—	13,203,501
14,155,902	197,625	(900,302)	13,430,261
791,994	—	—	742,878
(2,708,997)	—	—	4,658,704
3,819,180	30,127	(22,479)	3,866,096
—	(28,725)	5,851	(8,730,522)
—	(708,036)	—	(340,804)
17,816,401	241,879	495,493	33,868,552
18,306,855	1,943,280	(100,214)	(331,543)
104,162	693,545	—	(2,910,424)
—	720,371	607,968	1,328,339
—	(26,477)	1,729	(259,717)
1,495,252	58,003	191,800	15,407,831
1,795,726	48,364	7,060	4,494,686
110,914	4,843	2,517	137,026
<u>\$ 261,104,425</u>	<u>\$ 2,404,975</u>	<u>\$ (517,890)</u>	<u>\$ 426,615,409</u>
\$ 436,518	\$ —	\$ —	\$ 1,503,930
17,232,024	—	—	42,918,386
(70,306,819)	(2,365,557)	(46,317)	(228,728,211)
—	—	11,102,081	11,102,081
—	—	—	4,523,248

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 85,199,201	\$ 21,643,703
Investments at Fair Value:		
Short-Term Investments	192,269,659	—
Bonds and Stocks	3,258,768,111	—
Mortgage-Backed Securities	85,351,584	—
Mortgage and Construction Loans	222,109,497	—
Equity Interest in Real Estate	511,763,494	—
Real Estate Investment Trusts Held by Custodian	176,517,750	—
Pooled Investments	387,888,304	—
Private Placements	392,167,687	—
Total Investments	5,226,836,086	—
Accrued Interest Receivable	24,035,831	—
Accounts Receivable:		
Due from Primary Government	37,547,411	—
Due from Component Units	14,736	—
From Investment Sales	37,262,430	—
Other Receivables	28,528,866	—
Total Accounts Receivable	103,353,443	—
Cash and Investments Held as Collateral for Securities Lending	110,495,718	—
Prepaid Assets	1,085,025	—
Capital Assets	2,622,067	—
Total Assets	5,553,627,371	21,643,703
LIABILITIES		
Accounts and Contracts Payable	14,014,313	389,068
Payables for Investment Purchases	22,691,745	—
Benefits and Claims Payable	16,033,638	—
Due to Primary Government	8,453,683	541,932
Due to Component Units	99,221	—
Amount Due to Broker for Securities Lending	122,793,596	—
Other Liabilities	32,509,380	20,712,703
Total Liabilities	216,595,576	\$ 21,643,703
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 5,337,031,795	

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Employer Contributions	\$ 231,603,289
Plan Member Contributions	49,120,221
Other Income	5,957,863
Total Contributions	286,681,373
Investment Earnings:	
Interest and Dividend Income	127,874,664
Net Appreciation in Fair Value	746,643,164
Investment Expense	(23,931,038)
Securities Lending Income, Net	660,610
Net Gain on Collateralized Securities	2,944,306
Other Income	10,126,392
Total Investment Earnings	864,318,098
Total Additions	1,150,999,471
DEDUCTIONS:	
Pension and Annuity Benefits	539,195,823
Premiums to Insurers and Damage Claims	245,224,610
Member Refunds and Withdrawals	182,078,457
General and Administrative Expenses	22,658,364
Total Deductions	989,157,254
Net Increase	161,842,217
Net Position Held in Trust for Pension and Other Employee Benefits, Beginning of Year	5,175,189,578
Net Position Held in Trust for Pension and Other Employee Benefits, End of Year	\$ 5,337,031,795

City of Detroit, Michigan
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2014

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority	Eastern Market Corporation
ASSETS:					
Cash and Cash Equivalents	\$ 7,107	\$ 19,520,264	\$ 262,389	\$ 2,706,524	\$ 2,844,294
Investments	3,417,485	13,427,149	3,667,299	63,652,861	—
Accounts and Contracts Receivable, Taxes, Interest, and Penalties Receivable - Net	1,021,456	65,007	92,487	2,262,781	1,393,595
Due from Primary Government	3,713,854	(285)	1,818,214	7,477,887	—
Due from Other Governmental Agencies	—	4,389,634	2,861,557	8,252,783	—
Inventory	—	—	3,411,282	—	19,503
Prepaid Expenses	9,568	429,300	421,741	592,905	19,916
Loans, Notes, and Pledges Receivable	—	—	—	32,314,472	—
Other Assets	28,130	13,906	—	26,399,339	132,570
Restricted Assets	—	—	—	—	—
Net Pension Asset	—	25,829,798	—	—	—
Capital Assets:					
Non-Depreciable	—	1,602,932	7,108,237	7,544,670	2,921,599
Depreciable, Net	—	22,185,043	39,921,964	36,965,020	1,850,671
Capital Assets, Net	—	23,787,975	47,030,201	44,509,690	4,772,270
Total Assets	<u>8,197,600</u>	<u>87,462,748</u>	<u>59,565,170</u>	<u>188,169,242</u>	<u>9,182,148</u>
DEFERRED OUTFLOWS OF RESOURCES:	—	297,025	—	—	—
LIABILITIES:					
Accounts and Contracts Payable	16,089	1,827,983	4,579,293	1,568,992	594,377
Accrued Salaries and Wages	—	523,492	136,219	—	84,754
Accrued Interest Payable	—	—	—	3,921,397	—
Due to Primary Government	2,500	2,353,003	932,561	35,769	22,935
Due to Other Governmental Agencies	—	4,594,927	—	18,000,000	—
Unearned Revenue	—	—	6,362	—	326,387
Other Liabilities	6,451,446	1,815,135	1,442,667	34,770,616	33,865
Long-term Obligations:					
Advance Payable to Primary Government for POCs	—	24,016,604	—	—	—
Due within one year	—	1,649,275	—	7,156,974	—
Due in more than one year	—	2,057,748	576,453	82,126,198	—
Total Liabilities	<u>6,470,035</u>	<u>38,838,167</u>	<u>7,673,555</u>	<u>147,579,946</u>	<u>1,062,318</u>
DEFERRED INFLOWS OF RESOURCES:	—	585,365	—	—	—
NET POSITION (DEFICIT):					
Net Investment in Capital Assets	—	23,787,975	47,030,201	44,509,690	4,772,270
Restricted for:					
Endowments and Trusts (Expendable)	—	11,623,654	—	—	—
Endowments and Trusts (Non-Expendable)	—	748,960	—	—	—
Capital Projects	477,331	—	3,165,832	—	3,492,759
Debt Service	—	—	—	—	—
Unrestricted (Deficit)	<u>1,250,234</u>	<u>12,175,652</u>	<u>1,695,582</u>	<u>(3,920,394)</u>	<u>(145,199)</u>
Total Net Position (Deficit)	<u>\$ 1,727,565</u>	<u>\$ 48,336,241</u>	<u>\$ 51,891,615</u>	<u>\$ 40,589,296</u>	<u>\$ 8,119,830</u>

Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Totals
\$ 12,411,240	\$ 1,139,067	\$ 1,236,779	\$ 617,007	\$ 818,181	\$ 1,868	\$ 181,884	\$ 41,746,604
20,198,862	1,728,533	27,393,991	1,035,748	—	—	—	134,521,928
16,950	1,207,315	—	29,885	706,426	—	4,689,806	11,485,708
—	—	3	—	—	59,556	—	13,069,229
880,858	—	2,400,138	—	—	71,851	—	18,856,821
—	—	—	31,673	—	—	—	3,462,458
—	—	—	19,305	44,145	9,392	49,172	1,595,444
4,732,340	—	—	450,000	—	—	—	37,496,812
—	—	—	—	7,876,681	—	29,660	34,480,286
—	5,065,376	—	—	—	—	—	5,065,376
—	—	—	—	—	—	—	25,829,798
—	8,873,234	—	161,350	—	—	—	28,212,022
—	14,961,219	—	1,196,481	119,679	—	505,392	117,705,469
—	23,834,453	—	1,357,831	119,679	—	505,392	145,917,491
38,240,250	32,974,744	31,030,911	3,541,449	9,565,112	142,667	5,455,914	473,527,955
—	—	—	—	—	—	—	297,025
230,815	2,407,586	13,860	801,145	1,167,853	18,413	4,492,266	17,718,672
—	—	—	151,507	192,614	—	—	1,088,586
74,183	—	443,960	—	—	—	—	4,439,540
—	—	—	386	46,141	—	199,604	3,592,899
25,000	—	—	—	—	—	—	22,619,927
74,667	—	—	—	1,364,367	—	—	1,771,783
—	—	—	—	168,507	—	442,900	45,125,136
—	—	—	—	—	—	—	24,016,604
312,796	—	6,035,000	—	—	53,202	117,193	15,324,440
750,000	—	41,330,000	—	—	—	117,194	126,957,593
1,467,461	2,407,586	47,822,820	953,038	2,939,482	71,615	5,369,157	262,655,180
—	—	—	—	—	—	—	585,365
—	23,834,453	—	1,357,831	119,679	—	271,005	145,683,104
—	—	—	895,970	—	—	—	12,519,624
—	—	1,003,511	—	—	—	—	1,752,471
36,578,087	5,065,377	—	296,655	—	—	—	49,076,041
—	—	27,393,991	—	—	—	—	27,393,991
194,702	1,667,328	(45,189,411)	37,955	6,505,951	71,052	(184,248)	(25,840,796)
<u>\$ 36,772,789</u>	<u>\$ 30,567,158</u>	<u>\$ (16,791,909)</u>	<u>\$ 2,588,411</u>	<u>\$ 6,625,630</u>	<u>\$ 71,052</u>	<u>\$ 86,757</u>	<u>\$ 210,584,435</u>

City of Detroit, Michigan
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2014

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Downtown Development Authority	Eastern Market Corporation
Expenses	\$ (2,591,668)	\$ (34,426,623)	\$ (19,975,848)	\$ (34,202,813)	\$ (4,649,205)
Program Revenues:					
Charges for Services	—	610,264	1,688,923	6,728,612	1,246,199
Operating Grants and Contributions	164,811	1,139,935	11,225,937	—	565,290
Total Program Revenues	<u>164,811</u>	<u>1,750,199</u>	<u>12,914,860</u>	<u>6,728,612</u>	<u>1,811,489</u>
Net Program (Expenses) Revenues	<u>(2,426,857)</u>	<u>(32,676,424)</u>	<u>(7,060,988)</u>	<u>(27,474,201)</u>	<u>(2,837,716)</u>
General Revenues:					
Property Taxes	2,604,386	30,275,953	—	20,778,345	—
Other Taxes	—	3,333,713	—	—	—
Shared Taxes	—	517,663	—	—	—
Tipping Fees	—	—	—	—	—
Contributions	—	—	3,315,661	—	5,444,995
Investment Earnings (Losses)	3,597	1,364,907	403,228	—	76,555
Special Item - OPEB	—	20,210,541	—	—	—
Miscellaneous Revenues	—	6,122	479,915	1,248,392	—
Total General Revenues	<u>2,607,983</u>	<u>55,708,899</u>	<u>4,198,804</u>	<u>22,026,737</u>	<u>5,521,550</u>
Change in Net Position	181,126	23,032,475	(2,862,184)	(5,447,464)	2,683,834
Net Position (Deficit) - Beginning of Year, as Restated (Note I(t))	<u>1,546,439</u>	<u>25,303,766</u>	<u>54,753,799</u>	<u>46,036,760</u>	<u>5,435,996</u>
Net Position (Deficit) - End of Year	<u>\$ 1,727,565</u>	<u>\$ 48,336,241</u>	<u>\$ 51,891,615</u>	<u>\$ 40,589,296</u>	<u>\$ 8,119,830</u>

Economic Development Corporation	Greater Detroit Resource Recovery Authority	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/ Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Totals
\$ (4,318,242)	\$ (10,483,592)	\$ (3,121,257)	\$ (5,729,011)	\$ (7,125,327)	\$ (71,058)	\$ (37,709,392)	\$ (164,404,036)
1,613,572	68,732	—	2,082,615	—	—	—	14,038,917
—	—	—	1,049,803	8,595,248	—	37,551,181	60,292,205
1,613,572	68,732	—	3,132,418	8,595,248	—	37,551,181	74,331,122
(2,704,670)	(10,414,860)	(3,121,257)	(2,596,593)	1,469,921	(71,058)	(158,211)	(90,072,914)
—	—	4,778,443	—	—	133,194	—	58,570,321
—	—	—	—	—	—	—	3,333,713
—	—	—	—	—	—	—	517,663
—	9,199,165	—	—	—	—	—	9,199,165
859,397	—	—	2,768,849	—	—	—	12,388,902
126,911	3,439	140,925	—	—	—	—	2,119,562
—	—	—	—	—	—	—	20,210,541
—	—	—	93,062	—	—	—	1,827,491
986,308	9,202,604	4,919,368	2,861,911	—	133,194	—	108,167,358
(1,718,362)	(1,212,256)	1,798,111	265,318	1,469,921	62,136	(158,211)	18,094,444
38,491,151	31,779,414	(18,590,020)	2,323,093	5,155,709	8,916	244,968	192,489,991
\$ 36,772,789	\$ 30,567,158	\$ (16,791,909)	\$ 2,588,411	\$ 6,625,630	\$ 71,052	\$ 86,757	\$ 210,584,435

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES
TO BASIC
FINANCIAL
STATEMENTS

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Detroit (the “City”), incorporated in 1806, is a home rule city under State of Michigan (MI) law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor; and (2) the legislative branch, which is composed of the City Council and its agencies. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, airport, and parking.

(a) Reporting Entity

The accompanying financial statements present the City (primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Units

*Detroit Building Authority (DBA)** - The DBA is governed by a Board in which the City appoints the voting majority of the DBA’s Board Members and is able to impose its will. Although legally separate, the DBA is included in the operations and activities of the City because it was entirely incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining buildings, automobile parking lots or structures, and recreational facilities for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.

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

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

In May 2006, the City entered into a separate service contract with each of the DGRSSC and the DPFRSSC, in which the City purported to contractually obligate itself to make periodic payments to the corporations. The DGRSSC and the DPFRSSC, severally and not jointly, entered into a Trust Agreement with U.S. Bank National Association, as Trustee, which created the Detroit Retirement Systems Funding Trust 2006 (DRSFT), a grantor trust established and existing under MI law. The DGRSSC and DPFRSSC sold and assigned to the DRSFT their rights to receive certain of the payments to be received from the City under the service contracts. During the year, the City was involved in litigation regarding this transaction, which was settled in connection with the City’s plan of adjustment in the Bankruptcy Case. See Note XIII for further discussion regarding the bankruptcy.

Discretely Presented Component Units

*Detroit Brownfield Redevelopment Authority (DBRA)** - The DBRA was created by a City Council resolution and approved by the Mayor in April 1998, under the provisions of Act 381, Michigan Public Act of 1996. The City appoints the majority of the DBRA's Board Members and is able to impose its will. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property.

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

*Detroit Transportation Corporation (DTC)** - The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The DTC is primarily funded by means of grants from the City.

*Downtown Development Authority (DDA)** - The DDA was created to promote and develop economic growth in the City's downtown business district. The DDA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Funding is provided by an ad valorem tax of 1.0 mill on real and personal property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

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

*Economic Development Corporation (EDC)** - The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The EDC is primarily funded by means of grants from the City.

Greater Detroit Resource Recovery Authority (GDRRA) - The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The GDRRA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Operating revenues consist of tipping fees received from the City of Detroit to be used for the hauling and disposal of the municipal solid waste.

*Local Development Finance Authority (LDFA)** - The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. The LDFA is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. Incremental portions of the City and the County property taxes fund the LDFA.

*Museum of African American History (MAAH)** - The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. The MAAH is a legally separate entity. However, the City appoints the voting majority of the Board Members and may impose its will. The MAAH is primarily funded by means of private grants and grants from the City.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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

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

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

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

Financial Statements of Component Units

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

Blended Component Units:

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

Detroit Police and Fire Retirement System
Service Corporation
500 Woodward Avenue, Suite 3000
Detroit, MI 48226
(313) 224-3380

Detroit General Retirement System
Service Corporation
500 Woodward Avenue, Suite 3000
Detroit, MI 48226
(313) 224-3362

Public Lighting Authority
65 Cadillac Square, Suite 3100
Detroit, MI 48226
(313) 324-8290

Discretely Presented Component Units:

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

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

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

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

Detroit Transportation Corporation
535 Griswold, Suite 400
Detroit, MI 48226
(313) 224-2160

Museum of African American History
315 East Warren Avenue
Detroit, MI 48202
(313) 494-5800

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

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

Eastern Market Corporation
2934 Russell Street
Detroit, MI 48207
(313) 833-9300

Eight Mile/Woodward Corridor Improvement
Authority
500 Griswold, Suite 2200
Detroit, MI 48226
(313) 237-4616

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

Detroit Employment Solutions Corporation
440 East Congress Street
Detroit, MI 48226
(313) 876-0674

Related Organizations

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

Detroit Historical Society
Founders Society Detroit Institute of Arts
Detroit Zoological Society

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

The City has in place a Cooperative Endeavor Agreement with the U.S. Department of Housing and Urban Development (HUD) to handle the day-to-day administration and management of the Detroit Housing Commission (DHC). The DHC is now an autonomous enterprise, separate from the City.

The Mayor is responsible for appointing the members of the board of the Northwest Community Programs, Inc., and the Detroit Economic Growth Association, private nonprofit corporations, but the City's accountability for these organizations does not extend beyond making the appointments.

Joint Venture

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

The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by an agreement between the City and Wayne County. The DWJBA receives its revenues through a lease agreement with the City and the County, which expires on March 1, 2028. The lease provides that the DWJBA shall maintain and operate the building at 2 Woodward Ave, Detroit, (known as the Coleman A. Young Municipal Center), the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and holders of the bonds.

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

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

(b) Basis of Presentation

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

Government-wide Financial Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the primary government (the “City”), excluding fiduciary activities, and its component units. Eliminations have been made to minimize the double counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The City reports the following major funds:

Governmental Funds:

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

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

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

Proprietary Funds:

Sewage Disposal Fund accounts for the operations of the wastewater treatment plant, sewers, including sanitary and combined sewers, combined sewer outfalls, and interceptors. The facility provides service to Detroit and 76 other communities in southeastern MI.

Transportation Fund accounts for the City's mass transit system with a fleet of 462 coaches. The fund operates an administration building, which includes a heavy repair facility and plant maintenance building, as well as three other satellite terminals with light repair garages and storage bays.

Water Fund accounts for the operations of five water treatment plants, 19 booster stations, a transmission and distribution system, and reservoirs. The fund provides service to Detroit and 127 other communities in southeastern MI.

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

Additionally, the City reports the following Fiduciary Fund types:

Fiduciary Funds:

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

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

(c) Measurement Focus and Basis of Accounting

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

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as certificates of deposits and money market funds with an original maturity date of three months or less.

(e) Investments

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

(f) Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

(g) Due from/to Other Governmental Agencies

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

(h) Inventory

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

(i) Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased capital assets are reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated fair value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and storm water lines. All acquisitions of land and land improvements are capitalized regardless of cost.

Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. Capitalized interest for the year ended June 30, 2014 for the Sewage Disposal and Water Funds was \$9,366,483 and \$3,918,354, respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred.

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

	Years
Land improvements	5-67
Buildings and building improvements	5-50
Interceptors and regulators	100
Mains	67
Services and meters	20-87
Improvements other than buildings	5-50
Machinery, equipment, and fixtures	3-20
Vehicles other than buses	3-10
Buses	12
Other infrastructure	7-60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained at cost or appreciate over time, and thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded. Further information regarding City-owned art can be found in Note V.

(j) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. On the government-wide Statement of Net Position, a deferred outflow has been recorded related to refundings of debt for the difference between the reacquisition price and the net carrying amount of the old debt. This deferred outflow will be amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from many sources: grants, special assessments, and various other sources. These amounts will be recognized as an inflow of resources in the period that the amounts become available. On the government-wide Statement of Net Position, a deferred inflow has been recorded related to the swap termination and refunding. The deferred amount results from amounts transferred plus tender and redemption premiums paid upon debt refunding. This amount is deferred and amortized over the shorter of the life of the refunded or refunded debt.

(k) Bond Premiums and Discounts

In the government-wide and proprietary fund financial statements, bond premiums and discounts are recorded as liabilities and amortized using the effective interest method.

In the governmental fund financial statements, bond premiums and discounts and gains are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

(l) Compensated Absences

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

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

(m) Property Taxes

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

The 2013 taxable valuation of the City totaled approximately \$8.3 billion (a portion of which is abated and a portion of which is captured by the LDFA, DDA, and DBRA), on which taxes consisted of 19.952 mills for operating purposes and 8.9952 mills for debt service. This resulted in approximately \$144.8 million for operations and approximately \$77.9 million for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

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

For accounting purposes, the transfer of delinquent property taxes receivable is recognized as a sale, with a corresponding liability recorded for the estimated amount that will be charged back to the City. During the year ended June 30, 2014, approximately \$158 million of delinquent property taxes receivable were transferred (sold) to the County, and \$106 million were charged back to the City from prior year sales. As of June 30, 2014, the City has recorded an approximate liability of \$79 million (\$17 million in the General Fund, \$19 million in the Non-Major Governmental Funds, and \$43 million in the Water and Sewage Disposal Funds) for the estimated amount of property tax receivables sold to the County that will be charged back in future years.

(n) Municipal Income Taxes

The City levies an annual income tax. The rate for the calendar year 2013 consists of an annualized tax of 2.40 percent on the income of resident individuals, 1.20 percent on income earned in the City by non-residents, and 2.00 percent for corporations. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City records municipal income tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessments receivable represent estimated additional taxes assessed as a result of tax return audits or failure to file a return.

(o) Fund Balances

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

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

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

(p) Net Position

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

- **Net Investment in Capital Assets** - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This consists of net position that is restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, generally it is the City's policy to use restricted resources first, and then unrestricted resources when they are needed.
- **Unrestricted** - This consists of net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

(q) Unbilled Revenue

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

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

(s) Upcoming Accounting Pronouncements

In December 2009, the GASB issued Statement No. 58, *Financial Reporting for Chapter 9 Bankruptcies*. This statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2015. As disclosed in Note XIII, the City of Detroit was engaged in bankruptcy proceedings during 2014. The recorded and disclosed balances contained within this report are subject to change pursuant to the confirmed City's plan of adjustment.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The City has evaluated the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2015. Implementation of Statement No. 68 for the fiscal year ended June 30, 2015 will result in the elimination of the net pension asset (\$1,206,321,236 as of June 20, 2014) and the recognition of the net pension liability.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

operations. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of the Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions (see above). The Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ending June 30, 2015.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement prescribes how state and local governments should define and measure fair value. It also prescribes which assets and liabilities should be measured at fair value, and expands disclosures related to fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's fiscal year ended June 30, 2016.

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

As a result of the implementation of GASB Statement No. 65 as noted in paragraph (u) and the change of presentation of the Public Lighting Authority, the beginning net position has been restated to apply the changes noted associated with the bond issuance costs and the change of presentation. The effect of this change is as follows.

Government activities:

Net deficit - As of 6/30/13	\$ (807,792,434)
Public Lighting Authority	(1,038,451)
Bond issuance costs	<u>(22,361,128)</u>
Net deficit - 7/1/13 - As restated	<u>\$ (831,192,013)</u>

Business-type activities:

Net position - As of 6/30/13	\$ 129,614,214
Public Lighting Authority	1,038,451
Bond issuance costs	<u>(42,918,386)</u>
Net position - 7/1/13 - As restated	<u>\$ 87,734,279</u>

Component units:

Net position - As of 6/30/13	\$ 194,664,121
Bond issuance costs	<u>(2,174,130)</u>
Net position - 7/1/13 - As restated	<u>\$ 192,489,991</u>

(u) New Accounting Pronouncements

During the year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities – an Amendment of GASB Statement No. 25*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB 65
Bond issuance costs - Governmental activities	\$ 22,361,128	Asset	Outflow of resources (restatement of prior year net position)
Bond issuance costs - Component units	2,174,130	Asset	Outflow of resources (restatement of prior year net position)
Bond issuance costs - Business- type activities:			
Sewage Disposal Fund	21,367,325	Asset	Outflow of resources (restatement of prior year net position)
Transportation Fund	4,319,037	Asset	Outflow of resources (restatement of prior year net position)
Water Fund	17,232,024	Asset	Outflow of resources (restatement of prior year net position)
Deferred amounts on debt refundings - Governmental activities	14,796,845	Adjustment to bonds payable	Deferred outflow of resources
Deferred amounts on debt refundings - Business-type activities			
Sewage Disposal Fund	214,536,819	Adjustment to bonds payable	Deferred outflow of resources
Transportation Fund	1,287,183	Adjustment to bonds payable	Deferred outflow of resources
Water Fund	115,748,493	Adjustment to bonds payable	Deferred outflow of resources
Deferred amounts on debt refundings - Component units	297,025	Adjustment to bonds payable	Deferred outflow of resources
Deferred amounts on swap termination - Governmental activities	28,219,511	Adjustment to bonds payable	Deferred inflow of resources
Deferred amounts on swap termination - Business-type activities			
Sewage Disposal Fund	3,738,739	Adjustment to bonds payable	Deferred inflow of resources
Transportation Fund	2,532,991	Adjustment to bonds payable	Deferred inflow of resources
Water Fund	13,463,426	Adjustment to bonds payable	Deferred inflow of resources
Deferred amounts on swap termination - Component units	585,365	Adjustment to bonds payable	Deferred inflow of resources
Grant resources earned but not received within 180 days of year end - Governmental activities	4,079,251	Liability	Deferred inflow of resources

During the fiscal year ended June 30, 2014, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote (Note IX) have changed considerably.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(v) Change in Accounting Principle

During the fiscal year ended June 30, 2014, the City changed accounting for highly liquid money market funds to be included in cash equivalents, pursuant to GASB 9. The money market accounts consist of funds deposited and immediately available and include daily and weekly transactions, for example, customer receipts and payments for trade payables. Cash and cash equivalents are reported on the Statement of Net Position, the Balance Sheet, and the Statement of Cash Flows. Previously, such funds had been classified as investments. Accordingly, the Funds adjusted the classification to report these funds as cash and cash equivalents. The adjustment had no impact on previously reported total current assets, total assets, working capital position, or cash flows from operating activities.

This change impacted the beginning of year cash and cash equivalents balance on the Statement of Cash Flows for the Enterprise Funds. The following table presents a summary of the significant effects of the change in accounting policy:

	As Previously		
	Reported	Adjustments	As Adjusted
Water Fund			
June 30, 2013:			
Total cash and cash equivalents	\$ 45,366,904	\$ 128,484,397	\$ 173,851,301
Total investments	336,667,686	(128,484,397)	208,183,289
Sewage Fund			
June 30, 2013:			
Total cash and cash equivalents	\$ 111,109,204	\$ 224,612,193	\$ 335,721,397
Total investments	355,482,764	(224,612,193)	130,870,571
Automobile Parking Fund			
June 30, 2013:			
Total cash and cash equivalents	\$ 759,509	\$ 18,271,199	\$ 19,030,708
Total investments	18,271,199	(18,271,199)	-

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(a) Liquidity Risk

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due. Over the past several decades, the City has experienced significant economic and social challenges that have negatively impacted employment, business conditions and quality of life. Three of the City's largest revenue streams — distributable state aid, property taxes, and municipal income taxes — are especially susceptible during times of major economic downturns and have declined in recent years due to high levels of unemployment. Population decline and home foreclosures have adversely impacted City property valuations and property and income tax collections. Further stressing the City's liquidity were legacy costs such as retiree health care and debt service. As the City's tax base and revenues declined, the legacy costs became an increasing percentage of the General Fund budget, which reduced funding available for essential services such as police and fire.

The City of Detroit was insolvent on June 30, 2013 as the General Fund liabilities exceeded its assets by \$73.0 million and cash and investments on hand totaling \$102.2 million were insufficient to meet obligations due. The City's accumulated unrestricted General Fund deficit was \$132.6 million on June 30, 2013. On July 18, 2013, due to the City's insolvency and inability to meet its obligations, the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case"). On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit. On or about February 18, 2015, after Judge Rhodes' retirement, Judge Thomas J. Tucker assumed oversight of the Bankruptcy Case (See Footnote XIII for more detail on the Bankruptcy Case).

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

After the Chapter 9 filing, the City's General Fund solvency improved for the year ended June 30, 2014 as assets exceeded liabilities by \$53.4 million and cash and investments on hand totaled \$381.3 million. However, much of the improvement was due to borrowing \$120.0 million for the City's reinvestment and revitalization initiatives program and defaulting on General Fund pension contributions totaling \$176.2 million, partially as a result of the bankruptcy filing.

The City's General Fund obligations that were defaulted on through the year ended June 30, 2014 included: (1) \$122.5 million in pension contributions due the Police and Fire Retirement System; (2) \$53.7 million in pension contributions due the General Retirement System; (3) \$85.6 million of Pension Obligation Certificate debt; and (4) \$51.8 million of Limited Tax General Obligation (LTGO) bond debt. Also, the General Fund owed to other funds, component units, and other governmental agencies property taxes that it had collected totaling \$102.1 million. The City's accumulated unrestricted General Fund deficit was \$145.9 million on June 30, 2014.

On November 12, 2014, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the City's Eighth Amended Plan of Adjustment ("Plan"). The Plan became effective in accordance with its terms on December 10, 2014 (the "Effective Date"), and the City exited bankruptcy.

Section 22(1) of Public Act 436 provides that if an emergency manager determines that the financial emergency he or she was appointed to manage has been rectified, the emergency manager is to inform the Governor and Treasurer of the State of Michigan of that determination. Accordingly, on December 8, 2014, the Emergency Manager submitted a letter to the Governor and Treasurer stating the following: "Over the past 16 months, the Chapter 9 process has allowed the City to take and implement critical steps towards restructuring its existing obligations and laying the foundation for substantial reinvestment in the City - that is, to correct in a sustainable fashion the financial conditions that prompted my appointment. This work required the assistance and cooperation of the State, the Mayor, the City Council and, ultimately, all of the City's major stakeholders, as well as the commitment of the bankruptcy judge and a skilled group of mediators. The key elements of this restructuring include the following:

- The elimination of approximately \$7 billion of debt obligations upon the occurrence of the Effective Date, including the significant reduction of the City's obligations relating to: (a) approximately \$1.4 billion in claims arising in connection with certain certificates of participation; (b) approximately \$550 million in claims arising in connection with general obligation debt; and (c) approximately \$7.4 billion in claims related to pension and retiree health obligations (discussed in further detail below);
- The establishment of a framework for the reinvestment of approximately \$1.7 billion in the City between the Effective Date and June 30, 2023 (the "Reinvestment Initiatives"). The Reinvestment Initiatives include, but are not limited to: (a) approximately \$450 million in funding earmarked for the remediation of blight throughout the City; (b) urgently needed resources for, and reforms of, the Detroit Police Department, the Detroit Fire Department and the City's emergency response services; (c) improvements to the City's transportation network; and (d) a comprehensive overhaul of the City's antiquated information technology systems. The Reinvestment Initiatives provide the City with the opportunity to: (a) arrest the long-entrenched and reinforcing trends of population loss, declining property values and declining revenues; (b) remedy the crippling service delivery insolvency characterized as "inhumane" by the Bankruptcy Court; and (c) provide a platform for residential and commercial growth within the City;
- The negotiation and implementation of the "Grand Bargain," which transferred certain artwork owned by the City (and managed by the Detroit Institute of Arts) to an irrevocable charitable trust - thus maintaining an irreplaceable resource for the perpetual benefit of the City and its surrounding communities - as part of a larger transaction providing for the contribution of \$816 million over the next 20 years by the State and certain charitable foundations for the benefit of the City's pensioners;
- The restructuring of the City's pension and retiree health legacy obligations, which consumed substantial (and escalating) percentages of the City's revenues at the time of the Chapter 9 filing. The proceeds to be directed to the City's General Retirement System and Police and Fire Retirement System (together, the "Retirement Systems") as a result of the Grand Bargain allowed the City to adequately fund the Retirement Systems going forward, while minimizing cuts to retirees' pension payments (thus maintaining a working relationship with the City's employees). The Chapter 9 process further allowed the City to eliminate billions

in unfunded retiree health obligations through the creation of two voluntary employee benefits associations (or VEBAs), which will be responsible for retiree health payments following the Effective Date;

- The entry into discrete development agreements with: (a) a wholly-owned subsidiary of Syncora Guarantee Inc. and Syncora Capital Assurance Inc.; and (b) Financial Guaranty Insurance Company (or its designee) that promise to provide for substantial reinvestment in, and rehabilitation of, City assets;
- The entry into a memorandum of understanding with the State of Michigan and Oakland, Wayne and Macomb Counties establishing a framework for the creation of a regional water and sewer/storm water authority to be called the Great Lakes Water Authority (the "GLWA"). As part of the GLWA transaction, the City will lease its regional water supply and sewer disposal system facilities to the GLWA for an initial 40-year term in exchange for an annual \$50 million payment that will fund local infrastructure improvements, debt service on bonds issued to finance such improvements or the City's share of the cost of common-to-all improvements;
- The negotiation and implementation of new collective bargaining agreements with approximately 40 unions, including: (a) all six of the unions representing public safety personnel in the City's Police and Fire Departments; (b) the substantial majority of the local unions affiliated with American Federation of State, County, and Municipal Employees (AFSCME) Council 25, the City's largest union; and (c) seven of the unions representing employees of the Detroit Water and Sewerage Department. The City's collective bargaining agreements, which generally will remain effective for five years, will promote good labor relations and provide for increased management flexibility to streamline operations. Additionally, the collective bargaining agreements provide for wage increases and restructured health care and pension benefits that will promote recruiting and retention while also providing financial stability; and
- The restructuring of various City departments - including the Finance Department, the Human Resources Department, the Planning and Development Department, the Information Technology Department and the Law Department - through, among other changes, the establishment of new divisions, modifications to reporting structures, reorganization of existing job titles and job functions and the creation of new job titles and new job functions. The comprehensive restructuring of these significant City departments should facilitate improvements in operating flexibility, productivity, efficiency and recruitment and retention."

The Governor in his "Notice of Termination" letter to the Emergency Manager dated December 9, 2014 stated: "When I authorized the placement of the City into bankruptcy, I noted that at that point, the City could not meet its basic obligation to its citizens, which had also resulted in an inability to meet obligations to its creditors. The bankruptcy process, combined with the budget that is now in place, means the financial emergency will be sustainably rectified." Furthermore, the Governor stated: "I conclude that the financial conditions of the City have been corrected in a sustainable fashion as provided in Act 436. Therefore, pursuant to Section 9(7) of the Act, I hereby remove the City of Detroit from receivership as of the Effective Date of the Plan for Adjustment, provided that this occurs prior to December 31, 2014, and do so without the imposition of any conditions permitted under the Act."

On December 10, 2014, and in accordance with the Plan, the City: (1) issued \$1.3 billion of debt of which \$1.1 billion was delivered to various classes of creditors in satisfaction of their claims; (2) paid \$110.1 million of cash including \$73.1 million to various classes of creditors in satisfaction of their claims, \$36.5 million to establish a Professional Fee Reserve account to pay the bankruptcy and restructuring professionals, and \$0.5 million to satisfy debt issuance costs; (3) assigned debt service payments on the remaining \$43.3 million of the original UTGO bonds primarily to the income stabilization funds for the General Retirement System (GRS) and Police and Fire Retirement System (PFRS); (4) issued settlement credits totaling \$25.0 million to the insurers of the POCs; and (5) irrevocably transferred the assets of the Detroit Institute of Arts (DIA) having a net book value of \$86.6 million to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within City limits, for the primary benefit of residents of the City and residents of the State.

Included in the \$1.3 billion of debt issued on December 10, 2014, were the City's Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014 A/B totaling \$275.0 million, which: (1) refunded the \$120.0 million of the Series 2014 Bonds issued in April 2014; (2) paid the \$38.0 million final installment of the POC

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

swap settlement claim; (3) provided an additional \$85.7 million for reinvestment and revitalization initiatives in the City; (4) funded \$27.5 million for a debt service reserve for the Series 2014 A/B Bonds; and (5) paid \$3.8 million for issuance and other costs related to the new bonds. Also, the City has remaining proceeds available for reinvestment and revitalization initiatives from the \$120.0 million of the 2014 Financial Recovery Bonds (Quality of Life) that were refunded with this new debt.

The City eliminated a net \$8.3 billion (\$9.6 billion of liabilities and deferred inflows less \$1.3 billion of assets and deferred charges) of its obligations, including: (1) \$7.0 billion of pension and retiree benefits (\$994.8 million of which is included in the Long-Term Obligations total of \$3.0 billion detailed in the table below) legacy costs, which were not recorded in the City's June 30, 2014 financial statements; (2) \$1.4 billion of POC long-term obligations; (3) \$302.5 million of the POC swaps; and (4) \$200.9 million of accrued but unpaid pension contributions. Also, as a result of the elimination of the POC long-term obligations, the City eliminated the related net pension asset totaling \$1.2 billion, which included the obligation for the unpaid pension contributions.

The bankruptcy exit and settlement and discharge of claims, under the Plan, provided the City a total of \$6.8 billion in aggregate debt relief. Detailed in the table below is a summary of: (1) the eliminated and restructured obligations; (2) cash and assets used and new or other obligations incurred; and (3) the net benefit of the Plan

Description	Primary Government						
	Assets & Obligations		Cash & Assets Used & New Obligations			Net Benefit	
	Eliminated	Applied or Assigned	Cash & Assets	New Debt Obligations	Other		
ASSETS							
Net Pension Asset	(1) \$	(1,206,321,236)	\$ -	\$ -	\$ -	\$ -	(1,206,321,236)
Capital Assets (Net Book Value)		-	(10)	86,568,800	-	-	(86,568,800)
Deferred Charges	(2)	(34,452,367)	-	-	-	-	(34,452,367)
Total Assets		(1,240,773,603)	-	86,568,800	-	-	(1,327,342,403)
DEFERRED OUTFLOWS OF RESOURCES	(3)	(17,682,877)					(17,682,877)
LIABILITIES							
Accounts Payable		-	(11)	36,461,114	-	-	(36,461,114)
Accrued Interest Payable		53,306,470	-	-	-	-	53,306,470
Derivative Instruments - Swap Liability		302,463,879	-	17,662,479	37,969,929	-	246,831,471
Defaulted Debt Due to Insurers	(4)	143,085,398	-	-	-	-	143,085,398
Other Defaulted Debt	(5)	25,000,000	-	-	-	-	25,000,000
Contingent Liabilities		-	-	-	-	25,000,000	(25,000,000)
Long-Term Obligations	(6)	2,961,435,753	43,349,210	56,003,944	1,244,985,027	43,349,210	1,660,446,782
Total Liabilities		3,485,291,500	43,349,210	110,127,537	1,282,954,956	68,349,210	2,067,209,007
DEFERRED INFLOWS OF RESOURCES	(7)	34,844,753	-	-	-	-	34,844,753
Total Net Position (Deficit)		2,261,679,773	43,349,210	196,696,337	1,282,954,956	68,349,210	757,028,480
Other Obligations Not In Financial Statements							
Long-Term Obligations - OPEB	(8)	4,723,511,843	-	-	-	-	4,723,511,843
Long-Term Obligations - Net Pension Liability	(9)	1,326,824,448	-	-	-	-	1,326,824,448
Total Other Obligations		6,050,336,291	-	-	-	-	6,050,336,291
Grand Total Net Position (Deficit)		\$ 8,312,016,064	\$ 43,349,210	\$ 196,696,337	\$ 1,282,954,956	\$ 68,349,210	\$ 6,807,364,771

- (1) Net Pension Asset eliminated with bankruptcy and GASB 67 and upcoming GASB 68 requirements
- (2) Prepaid insurance costs related to eliminated obligations
- (3) Deferred charges related to eliminated obligations
- (4) Principal and interest paid by insurers for defaulted debt including POC and LTGO debt
- (5) Uninsured LTGO (2008 A(2)) bonds principal defaulted on
- (6) Includes \$1.4 billion POC; \$994.8 million OPEB eliminated for year ended June 30, 2014; \$287.5 million restructured UTGO; and \$117.6 million LTGO obligations
- (7) Deferred Swap Termination Fees
- (8) Last OPEB valuation (June 11, 2011) \$5,718,286,228 less \$994,774,385 included in Long-Term Obligations
- (9) Net Pension Liability Reduction (\$2,918,025,938 pre-bankruptcy and \$1,591,201,490 post-bankruptcy)
- (10) DIA Assets transferred to DIA Trustee
- (11) Funding for Professional Fee Reserve

While the bankruptcy substantially reduced the City's obligations, especially legacy pension and retiree health costs, challenges and risks remain to secure the liquidity to fund the resources necessary to provide satisfactory City services such as public protection and transportation. The City's liquidity risk will continue until the changes adopted under the Plan of Adjustment are implemented effectively by the City over the long-term and other quality of life issues plaguing the City are also addressed satisfactorily. In addition, several appeals of the Confirmation Order have been filed and are currently pending before the United States District Court for the Eastern District of Michigan. These appeals request that some or all of the provisions of the Confirmation Order be reversed. If any of these appeals are successful, it could adversely impact the City's liquidity.

(b) Compliance with Finance Related Legal and Contractual Provisions

The Law requires the City to fund its minimally required pension contributions for the fiscal year ended June 30, 2014, prior to said date. Notwithstanding this requirement, the City failed to remit its complete contribution prior to June 30, 2014. Contributions due to the General Retirement and Police and Fire Retirement Systems totaled \$78.4 million and \$122.5 million, respectively, at June 30, 2014.

The City is required by the State of Michigan, Public Act 206 of 1893 and the General Property Tax Act, MCL 211.43 (3) (a), to deliver within 10 business days after the first and fifteenth of each month, the tax collections on hand to the County Treasurer and other tax assessing units such as Wayne County and the Detroit Public Schools. As of June 30, 2014, the City failed to remit approximately \$102.1 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, 2014 were subsequently remitted.

The City is required by the State of Michigan, Public Act 346 of 1966 to distribute payments received in lieu of taxes (PILOT) due to the other tax assessing units such as the State of Michigan and Detroit Public Schools for the year for which the distribution is calculated. The City was not in compliance with Public Act 346 of 1966 because it did not remit the 2013 distributions due the State of Michigan (\$2.3 million) and the Detroit Public Schools (\$3.1 million) PILOT until August 2014.

The City was not in compliance with State of Michigan Public Act 451, Part 115. The General (General Grants), and Employee Disability Income Protection Plan Funds borrowed \$2.9 million and \$0.1 million, respectively, from the Solid Waste Fund, which is a violation of Public Act 451, which restricts the use of funds for solid waste collection and disposal.

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

The City was not in compliance with the State of Michigan Public Act 2 of 1968, Uniform Budgeting and Accounting Act, Section 141.438 (3), which requires the City to not incur expenditures against an appropriation account in excess of the amount appropriated by the City Council. As noted in the footnote II (d), some of the City agency's actual expenditures exceeded their appropriations for the year ended June 30, 2014.

The City was not in compliance with the United States, Office of Management and Budget (OMB), Circular A-133, Section 300, which requires the City to: "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received." The City's general ledger records were not always accurate at the individual grant level, as required.

The City was not in compliance with State of Michigan Public Act 206 and the General Property Tax Act, MCL 211.43(3) (a), which requires the City to remit the Industrial Facilities Tax (IFT) collections within 10 business days after the 1st and 15th of each month. Also, the City was not in compliance with Public Act 198 of 1974 because it did not submit IFT Tax Form 170, as required to the State of Michigan by July 30th of each year. The City has not filed IFT Tax Form 170 since tax year 2010.

The City was not in compliance with Michigan Public Act 206 of 1893, MCL 211, related to Real Estate Exemptions. The City does not have adequate controls in place to maintain and update the listing of tax exempt properties. The City was unable to provide documentation supporting the tax exempt status for 17 of 65 properties selected by the auditors for review.

(c) Deficit Fund Equity

The General Fund had a deficit of unassigned fund balance of \$145,907,582 at June 30, 2014. Local Development Finance Authority (a Component Unit) (LDFA) had a deficit of unrestricted net position of \$45,189,411. Eastern Market Corporation (a Component Unit) had a deficit of unrestricted net position of \$145,199. The Downtown Development Authority (a Component Unit) (DDA) had a deficit of unrestricted net position of \$3,920,394. Detroit Employment Solutions Corporation (a Component Unit) (DESC) had a deficit of unrestricted net position of \$184,248. The City's Plan of Adjustment approved in the Bankruptcy Case is its deficit elimination plan. DDA and LDFA's plan for elimination of its deficit involves the continued collection

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

of incremental tax revenues and payment of its debt service requirements in the upcoming years. Eastern Market Corporation's plan for elimination of its deficit involves ongoing cost containment.

The Sewage Disposal Fund (an Enterprise Fund) had a deficit of unrestricted net position of \$172,555,324. The Transportation Fund (an Enterprise Fund) had a deficit of unrestricted net position of \$34,232,212. The Water Fund (an Enterprise Fund) had a deficit of unrestricted net position of \$72,559,999. The Parking Fund (an Enterprise Fund) had a deficit of unrestricted net position of \$11,539,044. The Airport Fund (an Other Enterprise Fund), had a deficit of unrestricted net position of \$1,724,579. As of the date of this report, the City has not yet filed deficit elimination plans with the State of Michigan related to the Transportation, Parking, and Airport Funds.

(d) Excess of Expenditures over General Fund Appropriations

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

The legal level of budget control is maintained at the appropriation level, which is more detailed than the budget in the Required Supplementary Information. Listed below are expenditures that exceeded their corresponding appropriation for the year ended June 30, 2014:

<u>Agency Description</u>	<u>Appropriation Description</u>	<u>YTD Budget Final</u>	<u>YTD Actual</u>	<u>Variance</u>
Building and Safety Engineer	Environmental Affairs Department	\$ 304,191	\$ 338,587	\$ (34,396)
	Administration and Licenses	(3,850)	(1,196)	(2,654)
Finance	Targeted Business Developments	(1,119)	-	(1,119)
Health and Wellness Promotions	Substance Abuse	(4,996)	1,463	(6,459)
Water	Executive Office	5,024,230	5,039,419	(15,189)
Mayor's Office	Citizen Radio Patrol	(1,127)	-	(1,127)
	Community Access Center	6,034	6,695	(661)
Non-Departmental	Greater Detroit Resource Recovery Authority	699	1,223	(524)
	Claims Fund(Insurance Premium)	19,426,000	33,056,500	(13,630,500)
	Downtown Development Authority Bonds 1997	-	1,369,400	(1,369,400)
	Adjustments and Undistributed Costs	-	45,599,110	(45,599,110)
	General Revenue - Non-Departmental	2,462,631	9,526,108	(7,063,477)
	Program Management Office	(80)	-	(80)
	800 MHZ Project Debt Service	-	34,953,272	(34,953,272)
Police	Restructuring Consolidation	116,780,832	139,099,663	(22,318,831)
	Civil Rights Integrity Bureau	13	56,649	(56,636)
	Professional Accountability Bureau	(328)	-	(328)
	Rape Counseling Unit	331,515	347,616	(16,101)
Planning & Development	Support Services Bureau	19,436,509	26,429,328	(6,992,819)
	Real Estate and GIS	979,123	4,501,968	(3,522,845)
Public Lighting	Administration	1,589,671	4,645,637	(3,055,966)
Recreation	Management	-	1,760	(1,760)
	Development and Support	(330)	(24)	(306)
	Recreation Management	640,189	738,325	(98,136)
	Belle Isle Operations	186,788	207,165	(20,377)
General Services Department	Ground Maintenance	5,227,094	5,551,592	(324,498)
	Facilities & Grounds Maintenance	11,451,334	12,440,119	(988,785)
	Fleet Management	21,101,492	21,923,907	(822,415)
Zoological Institute	Main Zoo Operations	(7,845)	-	(7,845)
	Belle Isle Activities	(35)	-	(35)
City Council	City Legislative Functions	3,143,686	3,304,288	(160,602)
	Council President Office	169,800	170,174	(374)
	Council Member Office 1	22,095	23,814	(1,719)
	Council Member Office 3	111,524	133,132	(21,608)
	Council Member Office 8	115,205	116,786	(1,581)
Emergency Manager	Emergency Manager	(132,935,370)	4,687,943	(137,623,313)
Total All Agencies		<u>\$ 75,555,575</u>	<u>\$ 354,270,423</u>	<u>\$ (278,714,848)</u>

NOTE III - DEPOSITS AND INVESTMENTS

(a) Governmental and Business-type Activities

A summary of deposits and investments of the governmental and business-type activities at June 30, 2014 is as follows:

	Governmental Activities	Business-type Activities	Total
Demand Deposits	\$ 534,206,367	\$ 579,470,142	\$ 1,113,676,509
U.S. Treasury Notes	7,293,827	—	7,293,827
U.S. Government Agency Securities	48,420,685	284,239,411	332,660,096
Money Market Funds	—	—	—
Governmental Investment Pools	—	52,349,183	52,349,183
Certificates of Deposit	—	10,532	10,532
Total	<u>\$ 589,920,879</u>	<u>\$ 916,069,268</u>	<u>\$ 1,505,990,147</u>

Deposits and investments of the governmental and business-type activities at June 30, 2014 are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 534,206,367	\$ 579,470,142	\$ 1,113,676,509
Investments	55,714,512	336,599,126	392,313,638
Total	<u>\$ 589,920,879</u>	<u>\$ 916,069,268</u>	<u>\$ 1,505,990,147</u>

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

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest in obligations of the U.S. government or its agencies, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, repurchase agreements, banker 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, 2014, the governmental and business-type activities had deposits of \$544,505,675 and \$562,409,612, respectively, of bank deposits (certificates of deposit, checking, and savings accounts) that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Interest Rate Risk

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The City (governmental and business-type activities) had the following debt investments and maturities at June 30, 2014:

	<u>Total 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>
Governmental Activities				
U.S. Government Agency Securities	\$ 48,420,685	\$ —	\$ 48,420,685	\$ —
U.S. Treasury Notes	7,293,827	7,293,827	—	—
Total Governmental Activities	<u>\$ 55,714,512</u>	<u>\$ 7,293,827</u>	<u>\$ 48,420,685</u>	<u>\$ —</u>
Business-type Activities				
U.S. Government Agency Securities	\$ 284,239,411	\$ —	\$ 284,239,411	\$ —
Governmental Investment Pools	52,349,183	52,349,183	—	—
Certificates of Deposit	10,532	—	10,532	—
Total Business-type Activities	<u>\$ 336,599,126</u>	<u>\$ 52,349,183</u>	<u>\$ 284,249,943</u>	<u>\$ —</u>

Credit Risk

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

The City's debt investments (governmental and business-type activities) have the following ratings at June 30, 2014 as rated by S&P or Moody's:

	<u>AAA</u>	<u>AAAm</u>	<u>AA+</u>	<u>A-1</u>	<u>Not Rated</u>	<u>Total</u>
Governmental Activities						
U.S. Government Agency Securities	\$ 48,420,685	\$ —	\$ —	\$ —	\$ —	\$ 48,420,685
U.S. Treasury Notes	7,293,827	—	—	—	—	7,293,827
Total Governmental Activities	<u>\$ 55,714,512</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,714,512</u>
Business-type Activities						
U.S. Government Agency Securities	\$ —	\$ —	\$ 284,239,411	\$ —	\$ —	\$ 284,239,411
Governmental Investment Pools	—	52,349,183	—	—	—	52,349,183
Certificates of Deposit	—	—	—	—	10,532	10,532
Total Business-type Activities	<u>\$ —</u>	<u>\$ 52,349,183</u>	<u>\$ 284,239,411</u>	<u>\$ —</u>	<u>\$ 10,532</u>	<u>\$ 336,599,126</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy specifies a number of limitations to minimize concentration of credit risk including prohibiting investing more than 5 percent of the portfolio in securities (excluding U.S. government securities) of any one issuer. More than 5 percent of the City's debt investments are in the following: Federal Home Loan Bank (14.9 percent), Federal Farm Credit Bank (16.0 percent), and Federal National Mortgage Association (50.1 percent).

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(b) Fiduciary Activities

The fiduciary activities consist of the Pension Funds (General Retirement System and Police and Fire Retirement System) and Other Employee Benefit and Agency Funds. A summary of cash and investments for fiduciary activities at June 30, 2014 is as follows:

	Pension and Other Employee Benefit Trust Funds				Agency Funds
	General Retirement System	Police & Fire Retirement System	Other Employee Benefits	Total	
Demand Deposits	\$ 25,742,786	\$ 52,165,913	\$ 7,290,502	\$ 85,199,201	\$ 21,643,703
Short-Term Investments	74,423,479	82,894,855	34,951,325	192,269,659	—
Stocks	1,058,090,820	1,295,157,265	6,912,333	2,360,160,418	—
Commingled Equity Funds	84,643,123	—	—	84,643,123	—
Bonds	116,409,457	697,555,113	—	813,964,570	—
Mortgage-Backed Securities	21,970,772	63,374,032	6,780	85,351,584	—
Governmental Investment Pools	7,870,265	380,018,039	—	387,888,304	—
Equity Interest in Real Estate	211,811,951	299,951,543	—	511,763,494	—
Private Placements	322,419,977	67,792,405	1,955,305	392,167,687	—
Mortgage and Construction Loans	99,652,517	122,456,980	—	222,109,497	—
Real Estate Investment Trusts Held by Custodian	—	176,517,750	—	176,517,750	—
Total	<u>\$ 2,023,035,147</u>	<u>\$ 3,237,883,895</u>	<u>\$ 51,116,245</u>	<u>\$ 5,312,035,287</u>	<u>\$ 21,643,703</u>

Cash and investments for fiduciary activities at June 30, 2014 are reported in the financial statements as follows:

	Pension and Other Employee Benefit Trust Funds				Agency Funds
	General Retirement System	Police & Fire Retirement System	Other Employee Benefits	Total	
Cash and Cash Equivalents	\$ 25,742,786	\$ 52,165,913	\$ 7,290,502	\$ 85,199,201	\$ 21,643,703
Investments	1,997,292,361	3,185,717,982	43,825,743	5,226,836,086	—
Total	<u>\$ 2,023,035,147</u>	<u>\$ 3,237,883,895</u>	<u>\$ 51,116,245</u>	<u>\$ 5,312,035,287</u>	<u>\$ 21,643,703</u>

Pension Funds

The Pension Funds are authorized by Michigan Public Act 347 of 2012 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board of trustees is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 347. The Pension Funds' deposits and investment policies are in accordance with this statutory authority.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Custodial Credit Risk of Bank Deposits

At June 30, 2014, the General Retirement System had approximately \$15.4 million in checking account balances that were uninsured and uncollateralized. At June 30, 2014, the Police and Fire Retirement System had approximately \$11.8 million in checking account balances that were uninsured and uncollateralized. The Pension Funds believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Pension Funds evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

The Pension Funds' investment policies do not restrict investment maturities. The Pension Funds had the following debt investments and maturities at June 30, 2014 (in \$000):

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
General Retirement System					
U.S. Government	\$ 37,579	\$ 1,521	\$ 5,121	\$ 8,683	\$ 22,254
Mortgage-Backed Securities	3,829	617	—	272	2,940
Treasuries	31,262	18,463	4,346	4,218	4,235
Corporate	19,000	2,155	10,043	4,816	1,986
Private Placement	20,855	5,449	3,773	2,676	8,957
State and Local Obligations	441	—	—	—	441
Commingled Bond Funds **	31,452	31,452	—	—	—
Commercial Mortgages	920	153	—	—	767
Mortgages	98,467	70,918	27,549	—	—
Construction Loans	1,186	—	1,186	—	—
Term Loans	2,974	922	191	1,861	—
Total	<u>\$ 247,965</u>	<u>\$ 131,650</u>	<u>\$ 52,209</u>	<u>\$ 22,526</u>	<u>\$ 41,580</u>
Police & Fire Retirement System					
U.S. Government	\$ 111,196	\$ 4,505	\$ 44,859	\$ 17,696	\$ 44,136
Government Assets and Mortgage-Backed Securities	62,414	1,579	3,192	3,130	54,513
Treasuries	(2)	—	(5)	26	(23)
Corporate **	308,719	10,701	104,948	151,024	42,046
Private Placement	136,703	4,203	37,472	85,403	9,625
Convertible Bonds	49,777	7,912	19,237	7,283	15,345
State and Local Obligations	6,626	—	510	5,539	577
Convertible Preferred Stock	3,662	3,662	—	—	—
Construction Loans	19,000	—	19,000	—	—
Mortgages	103,294	88,962	14,332	—	—
Total	<u>\$ 801,389</u>	<u>\$ 121,524</u>	<u>\$ 243,545</u>	<u>\$ 270,101</u>	<u>\$ 166,219</u>

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Pension Funds' investment policies do not further limit their investment choices. The General Retirement System and the Police and Fire Retirement System debt investments have the following ratings at June 30, 2014 as rated by S&P and Moody's, respectively (amounts presented in \$000):

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BAA</u>	<u>BA</u>	<u>B</u>	<u>CAA & Below</u>	<u>Not Rated</u>
General Retirement System								
U.S. Government	\$ 35,317	\$ 181	\$ 260	\$ —	\$ —	\$ —	\$ —	\$ 3,236
Treasuries	3,401	—	—	—	—	—	—	—
Corporate	5,347	8,148	9,025	15,452	2,846	623	866	43,941
Other Fixed Income	3,655	1,188	3,608	2,634	795	215	31	6,499
Commingled Bond Funds	—	—	—	—	—	—	—	78,435
Preferred Securities	—	—	364	658	191	—	—	—
Mortgages	—	—	—	—	—	—	—	98,467
Construction Loans	—	—	—	—	—	—	—	1,186
Total	<u>\$ 47,720</u>	<u>\$ 9,517</u>	<u>\$ 13,257</u>	<u>\$ 18,744</u>	<u>\$ 3,832</u>	<u>\$ 838</u>	<u>\$ 897</u>	<u>\$ 231,764</u>
Police & Fire Retirement System								
Government Fixed Income	\$ 144,220	\$ 3,170	\$ 404	\$ —	\$ —	\$ —	\$ —	\$ 9,632
Government Assets and Mortgage-Backed Securities								
Corporate Fixed Income	8,838	17,259	54,153	116,643	35,903	63,190	14,583	17,985
Private Placements	2,359	4,365	9,722	16,744	25,768	55,758	14,077	11,105
Convertible Bonds	—	—	3,270	3,567	706	1,893	—	23,481
Future Contracts	—	—	—	—	—	—	—	(1)
Convertible Preferred Stock	—	—	—	2,282	421	—	—	5,772
Preferred Securities	—	—	—	558	—	55	—	4,008
Convertible Private Placements	—	—	—	—	—	725	—	9,348
Mortgages	—	—	—	—	—	—	—	103,294
Construction Loans	—	—	—	—	—	—	—	19,000
Total	<u>\$ 155,417</u>	<u>\$ 24,794</u>	<u>\$ 67,549</u>	<u>\$ 139,794</u>	<u>\$ 62,798</u>	<u>\$ 121,621</u>	<u>\$ 28,660</u>	<u>\$ 203,624</u>

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the City's investment policy do not permit investments in foreign currency. However, the General Retirement System and Police and Fire Retirement System (Pension Funds) do not restrict the amount of investments in foreign currency.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The foreign currency risk for cash and investments of the Pension Funds at June 30, 2014 is as follows (in \$000):

	<u>General Retirement System</u>				<u>Police and Fire Retirement System</u>			
	<u>Fixed Income</u>	<u>Equity</u>	<u>Cash</u>	<u>Forward Contracts</u>	<u>Equity</u>	<u>Forward Contracts Unrealized Gain (Loss)</u>	<u>Cash</u>	<u>Net Other Investment Receivable/ (Payable)</u>
Australian Dollar	\$ 2,811	\$ —	\$ 7	\$ (1,365)	\$ 4,939	\$ 7,392	\$ 52	\$ (358)
Brazilian Real	617	—	—	472	539	—	3	—
British Pound Sterling	1,248	—	565	(214)	42,781	8,093	621	(198)
Canadian Dollar	107	—	1	(107)	10,157	3,214	54	—
Chilean Peso	—	—	—	2,147	—	—	—	—
Danish Krone	—	—	—	—	1,768	1,715	17	—
Euro Currency	4,022	—	(103)	(3,874)	82,233	(13,738)	2,350	(413)
Hong Kong Dollar	—	—	—	—	13,189	(1,212)	33	(203)
Hungarian Forint	1,072	—	—	—	—	—	—	—
Indian Rupee	—	—	—	1,117	1,159	—	—	—
Israeli Shekel	—	—	—	—	—	602	3	—
Japanese Yen	—	—	—	—	65,600	(19,084)	465	—
Malaysian Ringgit	561	—	—	—	300	—	—	—
Mexican Nuevo Peso	3,382	—	—	—	—	—	—	—
New Taiwan Dollar	—	—	—	—	546	—	—	—
New Turkish Lira	—	—	—	362	307	—	—	—
New Zealand Dollar	773	—	—	(704)	—	—	—	—
Norwegian Krone	—	—	—	—	7,092	(480)	51	47
Philippines Peso	—	—	—	—	—	—	8	—
Polish Zloty	1,277	—	15	(1,108)	—	—	—	—
Russian New Ruble	—	—	—	—	658	—	46	—
Singapore Dollar	—	—	—	—	269	1,704	14	—
South African Rand	740	—	—	—	1,054	—	9	—
South Korean Won	1,233	—	—	—	3,455	—	11	—
Swedish Krona	—	—	—	—	2,877	3,620	17	—
Swiss Franc	—	—	—	—	26,782	(3,267)	277	142
Total	\$ 17,843	\$ —	\$ 485	\$ (3,274)	\$ 265,705	\$ (11,441)	\$ 4,031	\$ (983)

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. At June 30, 2014, the collateral provided for the General Retirement System and the Police and Fire Retirement System was 102.00 percent and 102.17 percent of the market value of the loaned securities, respectively.

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The Pension Funds and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other lenders in an investment pool. The average duration of this investment pool at June 30, 2014 was five and six days for the General Retirement System and the Police and Fire Retirement System, respectively. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral.

The collateral held and the fair market value of the underlying securities on loan for the General Retirement System at June 30, 2014 was \$35,241,386 and \$34,458,938, respectively. The collateral held and the fair value of the underlying securities on loan for the Police and Fire Retirement System at June 30, 2014 was \$87,552,210 and \$85,691,007, respectively.

<u>Securities Lent</u>	<u>Underlying Securities</u>	
	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
U.S. Government and Agencies	\$ 5,327,272	\$ 1,642,663
U.S. Corporates	—	11,215,901
U.S. Equities	28,037,373	69,558,862
Non-U.S. Fixed Income	444,409	—
Non-U.S. Equities	649,884	3,273,581
Total	<u>\$ 34,458,938</u>	<u>\$ 85,691,007</u>

At June 30, 2014, the fair value of the collateral pool related to securities lending for the General Retirement System and the Police and Fire Retirement System was \$30,949,483 and \$79,546,235, respectively. The collateral was invested in agencies, asset-backed securities, notes (floating rate), money funds, repurchase agreements, and U.S. corporate securities (floating rate). Approximately 84 percent of the General Retirement System securities had a duration less than one year and 16 percent had a duration over 15 years. Approximately 88 percent of the Police and Fire Retirement System securities had a duration less than one year and 12 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2014 as rated by S&P are as follows:

<u>Ratings</u>	<u>General Retirement System</u>	<u>Police and Fire Retirement System</u>
B	\$ —	\$ 439,538
CCC	3,579,610	9,206,816
D	1,496,155	—
Not Rated	25,873,718	69,899,881
Total	<u>\$ 30,949,483</u>	<u>\$ 79,546,235</u>

Other Employee Benefits and Agency Trust Funds

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

Custodial Credit Risk of Bank Deposits

The City does not have a deposit policy for custodial credit risk. At June 30, 2014, the Other Employee Benefit and Agency Trust Funds had deposits of \$8,316,465 that were exposed to custodial credit risk as they were uninsured and uncollateralized.

Interest Rate Risk

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

The Other Employee Benefit Trust Fund had the following debt investments and maturities at June 30, 2014:

	Total	Investment Maturities in Years				
		Fair Value	Less Than			
			1 Year	1 – 5 Years	6 – 10 Years	> 10 Years
U.S. Government Agency Securities	\$ 6,780	\$ —	\$ —	\$ —	\$ 6,780	
Mutual Funds	20,455,994	—	—	18,018,045	2,437,949	
Total	<u>\$ 20,462,774</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,018,045</u>	<u>\$ 2,444,729</u>	

Credit Risk

The City's investment policy complies with State law that limits its investments in commercial paper, mutual funds, and external investment pools which purchase commercial paper to the top two rating classifications issued by two NRSROs.

The Other Employee Benefit and Agency Trust Funds' debt investments have the following credit quality ratings at June 30, 2014 as rated by S&P or Moody's:

	<u>Not Rated</u>
U.S. Government Agency Securities	\$ 6,780
Mutual Funds	<u>20,455,994</u>
Total	<u>\$ 20,462,774</u>

Concentration of Credit Risk

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

NOTE IV - INTERFUND BALANCES AND ACTIVITY

(a) Balances Due from/to Other Funds

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Interfund receivables and payables at June 30, 2014 are as follows:

Due To	Due From					
	General Fund	GRSSC Fund	PFRSSC Fund	Non-Major Governmental Funds	Sewage Disposal Fund	Transportation Fund
General Fund	\$ —	\$ —	\$ —	\$ 7,695,446	\$ —	\$ 303,985
GRSSC Fund	36,123,493	—	—	—	—	—
PFRSSC Fund	49,459,580	—	—	—	—	—
Non-Major Governmental Funds	74,559,524	—	—	2,043,446	—	2,272
Sewage Disposal Fund	7,435,471	—	—	—	—	—
Transportation Fund	12,182,487	—	—	—	—	—
Water Fund	931,698	—	—	—	22,743,136	—
Automobile Parking Fund	898,170	—	—	168,592	—	—
Non-Major Proprietary Fund	25,315	—	—	—	—	—
Fiduciary Funds (1)	32,167,402	—	—	204	1,365,525	1,032,831
Liabilities Total	\$ 213,783,140	\$ —	\$ —	\$ 9,907,688	\$ 24,108,661	\$ 1,339,088

	Due From				
	Water Fund	Automobile Parking Fund	Non-Major Proprietary Fund	Fiduciary Funds	Assets Total
General Fund	\$ —	\$ 2,100,338	\$ 629,451	\$ 2,538,863	\$ 13,268,083
GRSSC Fund	—	—	—	—	36,123,493
PFRSSC Fund	—	—	—	—	49,459,580
Other Governmental Funds	—	33,793	6,495	652,824	77,298,354
Sewage Disposal Fund	—	—	—	1,639,051	9,074,522
Transportation Fund	—	—	—	2,554,411	14,736,898
Water Fund	—	—	—	1,576,152	25,250,986
Automobile Parking Fund	—	—	50	34,314	1,101,126
Non-Major Proprietary Fund	—	—	—	—	25,315
Fiduciary Funds (1)	19,19,469	693,545	368,435	—	37,547,411
Liabilities Total	\$ 19,19,469	\$ 2,827,676	\$ 1,004,431	\$ 8,995,615	\$ 263,885,768

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

(b) Transfers

During the course of the fiscal year, transactions occur between the City's funds for operating subsidiaries. Related interfund receipts and disbursements are classified as "transfers in" and "transfers out" on the Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position. The transfers are routine and consistent with the activities of the fund. Transfers between funds during the year ended June 30, 2014 are as follows:

Transfers In	Transfers Out		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ —	\$ 9,010,944	\$ 9,010,944
General Retirement System Service Corporation	37,837,461	—	37,837,461
Police and Fire System Service Corporation	51,806,311	—	51,806,311
Non-Major Governmental Funds	—	11,115,472	11,115,472
Transportation Fund	57,209,128	—	57,209,128
Automobile Parking Fund	4,050,006	—	4,050,006
Non-Major Proprietary Fund	18,173,589	—	18,173,589
Total	\$ 169,076,495	\$ 20,126,416	\$ 189,202,911

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The General Fund transferred \$169.1 million to other funds. The largest transfer from the General Fund was made to the Transportation Fund for \$57.2 million to maintain bus operations. The General Fund also transferred a combined \$89.6 million to the City's Retirement System Service Corporations for interest payments on the Pension Obligation Certificates. Of the \$89.6 million, \$85.6 million has been recorded as an interfund receivable in these service funds as of June 30, 2014.

The Non-Major Governmental Funds transferred \$20.1 million to other funds; the Major Street Fund transferred \$8.1 million to the Local Street Fund and \$9.0 million to the General Fund.

NOTE V - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 412,818,037	\$ —	\$ —	\$ 412,818,037
Works of Art	29,804,733	—	—	29,804,733
Construction in Progress	<u>66,345,844</u>	<u>24,216,235</u>	<u>(66,191,804)</u>	<u>24,370,275</u>
Total Non-Depreciable Capital Assets	<u>508,968,614</u>	<u>24,216,235</u>	<u>(66,191,804)</u>	<u>466,993,045</u>
Depreciable Capital Assets:				
Buildings and Improvements	1,135,110,212	69,328,706	—	1,204,438,918
Machinery, Equipment, and Fixtures	601,395,082	4,596,292	(2,221,729)	603,769,645
Infrastructure	<u>1,097,998,327</u>	<u>49,379,874</u>	<u>—</u>	<u>1,147,378,201</u>
Total Depreciable Capital Assets	<u>2,834,503,621</u>	<u>123,304,872</u>	<u>(2,221,729)</u>	<u>2,955,586,764</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	508,222,334	29,143,080	—	537,365,414
Machinery, Equipment, and Fixtures	529,986,315	25,364,228	(1,862,506)	553,488,037
Infrastructure	<u>793,446,929</u>	<u>27,608,299</u>	<u>—</u>	<u>821,055,228</u>
Total Accumulated Depreciation	<u>1,831,655,578</u>	<u>82,115,607</u>	<u>(1,862,506)</u>	<u>1,911,908,679</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,511,816,657</u>	<u>\$ 65,405,500</u>	<u>\$ (66,551,027)</u>	<u>\$ 1,510,671,130</u>

Depreciation expense for governmental activities for the year ended June 30, 2014 was charged to functions as follows:

Public Protection	\$ 12,168,690
Health	500,222
Recreation and Culture	13,710,009
Economic Development	6,893,100
Housing Supply and Conditions	529,540
Physical Environment	12,513,038
Transportation Facilitation	21,426,323
Development and Management	<u>14,374,685</u>
Total	<u>\$ 82,115,607</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Business-type Activities				
<i>Sewage Disposal Fund:</i>				
Non-Depreciable Assets:				
Land and Land Rights	\$ 13,369,777	\$ 24,557,065	\$ —	\$ 37,926,842
Construction in Progress	<u>211,789,383</u>	<u>102,987,773</u>	<u>(62,853,650)</u>	<u>251,923,506</u>
Total Non-Depreciable Capital Assets	<u>225,159,160</u>	<u>127,544,838</u>	<u>(62,853,650)</u>	<u>289,850,348</u>
Depreciable Assets:				
Land Improvements	75,477,901	1,351,192	—	76,829,093
Buildings and Structures	2,104,024,856	35,430,375	(23,992,302)	2,115,462,929
Interceptors and Regulators	207,261,372	—	(1,511,511)	205,749,861
Machinery, Equipment, and Fixtures	<u>1,697,620,776</u>	<u>19,407,300</u>	<u>(4,123,732)</u>	<u>1,712,904,344</u>
Total Depreciable Capital Assets	<u>4,084,384,905</u>	<u>56,188,867</u>	<u>(29,627,545)</u>	<u>4,110,946,227</u>
Total Capital Assets	<u>4,309,544,065</u>	<u>183,733,705</u>	<u>(92,481,195)</u>	<u>4,400,796,575</u>
Less Accumulated Depreciation:				
Land Improvements	21,449,900	1,111,266	—	22,561,166
Buildings and Structures	615,834,356	43,511,517	—	659,345,873
Interceptors and Regulators	70,678,939	2,195,983	—	72,874,922
Machinery, Equipment, and Fixtures	<u>740,324,214</u>	<u>71,590,259</u>	<u>(3,894,699)</u>	<u>808,019,774</u>
Total Accumulated Depreciation	<u>1,448,287,409</u>	<u>118,409,025</u>	<u>(3,894,699)</u>	<u>1,562,801,735</u>
Total Sewage Disposal Fund Capital Assets, Net	<u>\$ 2,861,256,656</u>	<u>\$ 65,324,680</u>	<u>\$ (88,586,496)</u>	<u>\$ 2,837,994,840</u>
<i>Transportation Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 7,578,462	\$ —	\$ —	\$ 7,578,462
Construction in Progress	<u>1,316,641</u>	<u>1,057,624</u>	<u>(566,088)</u>	<u>1,808,177</u>
Total Non-Depreciable Capital Assets	<u>8,895,103</u>	<u>1,057,624</u>	<u>(566,088)</u>	<u>9,386,639</u>
Depreciable Capital Assets:				
Buildings and Structures	150,858,601	74,910	—	150,933,511
Vehicle and Buses	146,071,582	640,958	(7,688,550)	139,023,990
Machinery, Equipment, and Fixtures	<u>49,900,963</u>	<u>567,869</u>	<u>(169,274)</u>	<u>50,299,558</u>
Total Depreciable Capital Assets	<u>346,831,146</u>	<u>1,283,737</u>	<u>(7,857,824)</u>	<u>340,257,059</u>
Total Capital Assets	<u>355,726,249</u>	<u>2,341,361</u>	<u>(8,423,912)</u>	<u>349,643,698</u>
Less Accumulated Depreciation:				
Buildings and Structures	58,725,934	3,113,946	—	61,839,880
Vehicle and Buses	96,615,607	9,592,508	(6,430,384)	99,777,731
Machinery, Equipment, and Fixtures	<u>34,053,798</u>	<u>3,573,787</u>	<u>(167,622)</u>	<u>37,459,963</u>
Total Accumulated Depreciation	<u>189,395,339</u>	<u>16,280,241</u>	<u>(6,598,006)</u>	<u>199,077,574</u>
Total Transportation Fund Capital Assets, Net	<u>\$ 166,330,910</u>	<u>\$ (13,938,880)</u>	<u>\$ (1,825,906)</u>	<u>\$ 150,566,124</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Balance			Balance
	June 30, 2013	Additions	Retirements	June 30, 2014
Business-type Activities				
<i>Water Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 6,466,486	\$ 2,405,879	\$ —	\$ 8,872,365
Construction in Progress	159,078,519	40,039,627	(76,703,042)	122,415,104
Total Non-Depreciable Capital Assets	<u>165,545,005</u>	<u>42,445,506</u>	<u>(76,703,042)</u>	<u>131,287,469</u>
Depreciable Capital Assets:				
Land Improvements	101,297,526	—	—	101,297,526
Buildings and Structures	806,692,081	7,808,775	(2,522,818)	811,978,038
Mains	1,007,719,701	25,630,524	—	1,033,350,225
Services	51,838,576	—	—	51,838,576
Meters	123,838,698	975,650	—	124,814,348
Machinery, Equipment, and Fixtures	1,060,563,086	15,521,549	(3,625,242)	1,072,459,393
Total Depreciable Capital Assets	<u>3,151,949,668</u>	<u>49,936,498</u>	<u>(6,148,060)</u>	<u>3,195,738,106</u>
Total Capital Assets	<u>3,317,494,673</u>	<u>92,382,004</u>	<u>(82,851,102)</u>	<u>3,327,025,575</u>
Less Accumulated Depreciation:				
Land Improvements	18,078,621	1,449,486	—	19,528,107
Buildings and Structures	301,810,957	17,466,071	—	319,277,028
Mains	351,717,401	14,366,119	—	366,083,520
Services	27,478,328	625,924	—	28,104,252
Meters	49,809,346	5,042,224	—	54,851,570
Machinery, Equipment, and Fixtures	484,967,639	46,076,184	(3,506,715)	527,537,108
Total Accumulated Depreciation	<u>1,233,862,292</u>	<u>85,026,008</u>	<u>(3,506,715)</u>	<u>1,315,381,585</u>
Total Water Fund Capital Assets, Net	<u>\$ 2,083,632,381</u>	<u>\$ 7,355,996</u>	<u>\$ (79,344,387)</u>	<u>\$ 2,011,643,990</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Business-type Activities				
<i>Automobile Parking Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 4,967,313	\$ —	\$ —	\$ 4,967,313
Construction in Progress	445,679	898,524	(1,344,203)	—
Total Non-Depreciable Capital Assets	<u>5,412,992</u>	<u>898,524</u>	<u>(1,344,203)</u>	<u>4,967,313</u>
Depreciable Capital Assets:				
Land Improvements	214,908	—	—	214,908
Buildings and Structures	200,066,403	—	—	200,066,403
Vehicles and Buses	1,254,151	—	—	1,254,151
Machinery, Equipment, and Fixtures	3,608,421	1,344,203	—	4,952,624
Total Depreciable Capital Assets	<u>205,143,883</u>	<u>1,344,203</u>	<u>—</u>	<u>206,488,086</u>
Total Capital Assets	<u>210,556,875</u>	<u>2,242,727</u>	<u>(1,344,203)</u>	<u>211,455,399</u>
Less Accumulated Depreciation:				
Land Improvements	198,455	3,143	—	201,598
Buildings and Structures	135,403,815	2,807,914	—	138,211,729
Vehicles and Buses	1,182,093	35,473	—	1,217,566
Machinery, Equipment, and Fixtures	2,695,363	184,613	—	2,879,976
Total Accumulated Depreciation	<u>139,479,726</u>	<u>3,031,143</u>	<u>—</u>	<u>142,510,869</u>
Total Automobile Parking Fund Capital Assets, Net	<u>\$ 71,077,149</u>	<u>\$ (788,416)</u>	<u>\$ (1,344,203)</u>	<u>\$ 68,944,530</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-type Activities				
<i>Other Proprietary Funds:</i>				
<i>Airport Fund:</i>				
Non-Depreciable Capital Assets:				
Land and Land Rights	\$ 17,349,458	\$ —	\$ —	\$ 17,349,458
Construction in Progress	112,500	—	—	112,500
Total Non-Depreciable Capital Assets	<u>17,461,958</u>	<u>—</u>	<u>—</u>	<u>17,461,958</u>
Depreciable Capital Assets:				
Land Improvements	8,020,718	—	—	8,020,718
Buildings and Structures	5,853,773	—	—	5,853,773
Vehicle and Buses	1,326,693	—	—	1,326,693
Machinery, Equipment, and Fixtures	1,825,327	—	—	1,825,327
Total Depreciable Capital Assets	<u>17,026,511</u>	<u>—</u>	<u>—</u>	<u>17,026,511</u>
Total Capital Assets	<u>34,488,469</u>	<u>—</u>	<u>—</u>	<u>34,488,469</u>
Less Accumulated Depreciation:				
Land Improvements	7,720,718	40,000	—	7,760,718
Buildings and Structures	5,221,969	52,647	—	5,274,616
Vehicle and Buses	1,326,693	—	—	1,326,693
Machinery, Equipment, and Fixtures	1,550,762	37,605	—	1,588,367
Total Accumulated Depreciation	<u>15,820,142</u>	<u>130,252</u>	<u>—</u>	<u>15,950,394</u>
Total Airport Fund Capital Assets, Net	<u>\$ 18,668,327</u>	<u>\$ (130,252)</u>	<u>\$ —</u>	<u>\$ 18,538,075</u>
<i>Public Lighting Authority:</i>				
Non-Depreciable Capital Assets:				
Construction in Progress	\$ —	\$ 19,190,049	\$ —	\$ 19,190,049
Depreciable Capital Assets:				
Machinery, Equipment, and Fixtures	—	42,081	—	42,081
Less Accumulated Depreciation:				
Machinery, Equipment, and Fixtures	—	5,050	—	5,050
Total Public Lighting Authority Fund Capital Assets, Net	<u>—</u>	<u>19,227,080</u>	<u>—</u>	<u>19,227,080</u>
Total Other Proprietary Fund Capital Assets, Net	<u>\$ 18,668,327</u>	<u>\$ 19,096,828</u>	<u>\$ —</u>	<u>\$ 37,765,155</u>

In addition to the art capitalized above, as of June 30, 2014, the City of Detroit held title to a significant collection of art that has not been recorded as capital assets. The collection is held for public exhibition rather than financial gain. Currently, the Founders Society Detroit Institute of Arts (the "DIA") cares for and preserves the collection. Most of the items in the collection were donated to the City many years ago. The City has not allocated new funds for the acquisition of art in recent years. As part of the agreement between the City and the DIA, any funds received from disposition of works of art in the City art collection are used solely to purchase other works of art for the City art collection.

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

NOTE VI. SHORT-TERM OBLIGATIONS

As of June 30, 2014, short-term notes payable consisted of Local Government Loan Program Revenue Bonds, Series 2013D of \$60,000,000 issued by the PLA with a variable interest rate of the lesser of LIBOR, adjusted for a margin, or 12 percent. The bonds were used for purposes of conducting PLA's operations and financing the improvement of the City's public lighting system.

Changes in short-term debt for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>
Loan Program Revenue Bonds	\$ —	\$ 60,000,000	\$ —	\$ 60,000,000
Total	<u>\$ —</u>	<u>\$ 60,000,000</u>	<u>\$ —</u>	<u>\$ 60,000,000</u>

NOTE VII. LONG-TERM OBLIGATIONS

(a) Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 1,003,936,968	\$ 120,000,000	\$ (81,625,000)	\$ 1,042,311,968	\$ 72,674,422
Notes Payable	88,310,000	—	(3,126,000)	85,184,000	3,384,000
Loans Payable	<u>37,820,074</u>	<u>—</u>	<u>(1,126,910)</u>	<u>36,693,164</u>	<u>1,127,467</u>
Total Bonds, Notes, and Loans Payable	1,130,067,042	120,000,000	(85,877,910)	1,164,189,132	77,185,889
Add: Unamortized Premiums	<u>20,882,155</u>	<u>—</u>	<u>(2,231,146)</u>	<u>18,651,009</u>	<u>—</u>
Total Bonds, Notes, and Loans Payable, Net	<u>1,150,949,197</u>	<u>120,000,000</u>	<u>(88,109,056)</u>	<u>1,182,840,141</u>	<u>77,185,889</u>
Pension Obligation					
Certificates Payable	<u>1,161,502,719</u>	<u>—</u>	<u>(24,099,015)</u>	<u>1,137,403,704</u>	<u>27,049,913</u>
Total Pension Obligation Certificates Payable, Net	<u>1,161,502,719</u>	<u>—</u>	<u>(24,099,015)</u>	<u>1,137,403,704</u>	<u>27,049,913</u>
Other Long-Term Liabilities:					
Accrued Compensated					
Absences	66,500,292	31,839,087	(34,743,059)	63,596,320	34,743,059
Accrued Workers' Compensation	61,849,000	8,496,552	(1,169,552)	69,176,000	8,626,000
Claims and Judgments	54,499,463	628,806	(6,494,705)	48,633,564	628,806
Accrued Pollution Remediation	156,765	—	(105,500)	51,265	51,265
Accrued Other					
Postemployment Benefits	<u>766,985,393</u>	<u>80,904</u>	<u>(753,033,356)</u>	<u>14,032,941</u>	<u>13,082,859</u>
Total Other Long-Term Liabilities	<u>949,990,913</u>	<u>41,045,349</u>	<u>(795,546,172)</u>	<u>195,490,090</u>	<u>57,131,989</u>
Total Governmental Activities	<u>\$ 3,262,442,829</u>	<u>\$ 161,045,349</u>	<u>\$ (907,754,243)</u>	<u>\$ 2,515,733,935</u>	<u>\$ 161,367,791</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Amount Due Within One Year
Business-type Activities					
<i>Sewage Disposal Fund:</i>					
Revenue Bonds Payable	\$ 2,763,065,000	\$ —	\$ (34,755,000)	\$ 2,728,310,000	\$ 41,665,000
Capital Appreciation Bonds	80,250,000	—	(7,700,000)	72,550,000	8,395,000
Discount on Capital					
Appreciation Bonds	(18,820,684)	—	3,528,456	(15,292,228)	—
State Revolving Loans	<u>482,872,027</u>	<u>12,705,851</u>	<u>(35,790,000)</u>	<u>459,787,878</u>	<u>36,435,000</u>
Total Revenue					
Bonds Payable	3,307,366,343	12,705,851	(74,716,544)	3,245,355,650	86,495,000
Add: Unamortized Premiums	110,513,465	—	(10,057,289)	100,456,176	—
Less: Unamortized Discounts	<u>(2,579,971)</u>	<u>—</u>	<u>2,579,971</u>	<u>—</u>	<u>—</u>
Total Revenue Bonds					
Payable, Net	<u>3,415,299,837</u>	<u>12,705,851</u>	<u>(82,193,862)</u>	<u>3,345,811,826</u>	<u>86,495,000</u>
Pension Obligation					
Certificates Payable	87,662,151	—	(1,818,721)	85,843,430	2,041,421
Other Long-Term Liabilities:					
Accrued Compensated					
Absences	1,194,979	5,102,413	(1,553,449)	4,743,943	1,565,150
Accrued Workers' Compensation	3,293,000	990,029	(591,029)	3,692,000	507,000
Claims and Judgments	190,000	2,514,958	—	2,704,958	1,527,458
Other Accrued Liabilities	12,166,071	19,054,722	—	31,220,793	16,003,280
Accrued Other					
Postemployment Benefits	<u>70,445,095</u>	<u>17,437</u>	<u>(69,096,861)</u>	<u>1,365,671</u>	<u>1,111,555</u>
Total Other Long-Term Liabilities	<u>87,289,145</u>	<u>27,679,559</u>	<u>(71,241,339)</u>	<u>43,727,365</u>	<u>20,714,443</u>
Total Sewage Disposal Fund	<u>\$ 3,590,251,133</u>	<u>\$ 40,385,410</u>	<u>\$ (155,253,922)</u>	<u>\$ 3,475,382,621</u>	<u>\$ 109,250,864</u>
<i>Transportation Fund:</i>					
General Obligation Bonds	\$ 5,458,032	\$ —	\$ —	\$ 5,458,032	\$ 2,660,578
Pension Obligation					
Certificates Payable	102,281,745	—	(2,122,286)	100,159,459	2,382,157
Other Long-Term Liabilities:					
Capital Leases Payable	8,243,938	—	(8,243,938)	—	—
Accrued Compensated					
Absences	3,436,935	2,778,457	(3,013,426)	3,201,966	3,013,426
Accrued Workers' Compensation	4,302,693	519,562	(1,853,276)	2,968,979	786,262
Accrued Other					
Postemployment Benefits	<u>86,090,281</u>	<u>22,846</u>	<u>(84,309,404)</u>	<u>1,803,723</u>	<u>1,508,954</u>
Total Other Long-Term Liabilities	<u>102,073,847</u>	<u>3,320,865</u>	<u>(97,420,044)</u>	<u>7,974,668</u>	<u>5,308,642</u>
Total Transportation Fund	<u>\$ 209,813,624</u>	<u>\$ 3,320,865</u>	<u>\$ (99,542,330)</u>	<u>\$ 113,592,159</u>	<u>\$ 10,351,377</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type Activities					
<i>Water Fund:</i>					
Revenue Bonds Payable	\$ 2,524,775,000	\$ —	\$ (39,850,000)	\$ 2,484,925,000	\$ 51,785,000
State Revolving Loans	21,453,761	—	(1,330,000)	20,123,761	1,355,000
Total Revenue					
Bonds Payable	2,546,228,761	—	(41,180,000)	2,505,048,761	53,140,000
Add: Unamortized Premiums	55,083,232	—	(3,375,733)	51,707,499	—
Less: Unamortized Discounts	(3,632,420)	—	209,100	(3,423,320)	—
Total Revenue Bonds Payable, Net	<u>2,597,679,573</u>	<u>—</u>	<u>(44,346,633)</u>	<u>2,553,332,940</u>	<u>53,140,000</u>
Pension Obligation Certificates Payable	77,353,384	—	(1,604,980)	75,748,404	1,801,509
Other Long-Term Liabilities:					
Accrued Compensated Absences	10,622,865	1,315,988	(5,981,989)	5,956,864	1,965,415
Accrued Workers' Compensation	9,590,000	2,867,141	(1,761,141)	10,696,000	1,358,000
Claims and Judgments	243,986	1,749,573	(8,736)	1,984,823	1,129,823
Other Accrued Liabilities	8,175,986	8,166,309	—	16,342,295	9,820,504
Accrued Other Postemployment Benefits	70,552,075	25,524	(68,536,617)	2,040,982	1,782,195
Total Other Long-Term Liabilities	<u>99,184,912</u>	<u>14,124,535</u>	<u>(76,288,483)</u>	<u>37,020,964</u>	<u>16,055,937</u>
Total Water Fund	<u>\$ 2,774,217,869</u>	<u>\$ 14,124,535</u>	<u>\$ (122,240,096)</u>	<u>\$ 2,666,102,308</u>	<u>\$ 70,997,446</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type Activities					
<i>Automobile Parking Fund:</i>					
Revenue Bonds Payable	\$ 9,300,000	\$ —	\$ (9,300,000)	\$ —	\$ —
Less:					
Unamortized Discounts	<u>(175,226)</u>	<u>—</u>	<u>175,226</u>	<u>—</u>	<u>—</u>
Total Revenue Bonds Payable, Net	<u>9,124,774</u>	<u>—</u>	<u>(9,124,774)</u>	<u>—</u>	<u>—</u>
Other Long-Term Liabilities:					
Advances from Other Funds	4,050,006	—	(4,050,006)	—	—
Accrued Compensated Absences	179,633	367,771	(394,248)	153,156	76,578
Accrued Workers' Compensation	597,000	78,933	(8,933)	667,000	84,000
Claims and Judgments	113,997	60,000	(71,997)	102,000	—
Accrued Other Postemployment Benefits	<u>2,372,228</u>	<u>55,036</u>	<u>(2,372,229)</u>	<u>55,035</u>	<u>48,137</u>
Total Other Long-Term Liabilities	<u>7,312,864</u>	<u>561,740</u>	<u>(6,897,413)</u>	<u>977,191</u>	<u>208,715</u>
Total Automobile Parking Fund	<u>\$ 16,437,638</u>	<u>\$ 561,740</u>	<u>\$ (16,022,187)</u>	<u>\$ 977,191</u>	<u>\$ 208,715</u>
<i>Other Proprietary Fund:</i>					
Accrued Compensated Absences	\$ 17,349	\$ 15,967	\$ (14,238)	\$ 19,078	\$ 19,078
Accrued Workers' Compensation	81,000	7,000	—	88,000	88,000
Claims and Judgments	2,000	184,800	—	186,800	—
Accrued Other Postemployment Benefits	<u>48,276</u>	<u>117</u>	<u>(39,374)</u>	<u>9,019</u>	<u>6,967</u>
Total Other Proprietary Fund	<u>\$ 148,625</u>	<u>\$ 207,884</u>	<u>\$ (53,612)</u>	<u>\$ 302,897</u>	<u>\$ 114,045</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(b) General Obligation Bonds

Governmental Activities

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

On April 8, 2014, the City issued \$120.0 million of State of Michigan Financial Recovery Bonds, Series 2014. The proceeds are being used to enhance City services to improve the quality of life of the City's citizens. Planned uses include public safety improvements including purchasing new police cars, hiring new police officers, upgrading technology and equipment, and blight removal. The maturity date of the bonds was the earliest of (a) the date that is two years and six months after the closing date; (b) the effective date of the confirmed plan of adjustment filed in the Bankruptcy Case (i.e., December 10, 2014); (c) the acceleration of the bonds under the revised bond documents; and (d) dismissal of the Bankruptcy Case.

Schedule of General Obligation Bonds

The following is a schedule of general obligation bonds outstanding at June 30, 2014:

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2014
Governmental Activities					
General Obligation Bonds -					
Unlimited Tax:					
Series 1999-A	4-1-99	\$ 28,020,000	5.00 to 5.25%	4/1/15-19	\$ 15,765,000 b
Series 2001-A(1)	7-15-01	83,200,000	5.0 to 5.375	4/1/15-21	74,800,000 b
Series 2002	8-2-02	29,205,000	5.125	4/1/21-22	6,645,000 b
Series 2003-A	10-21-03	34,380,000	4.00 to 5.25	4/1/15-23	31,675,000 b
Series 2004-A(1)	9-9-04	39,270,000	4.25 to 5.25	4/1/19-24	39,270,000 b
Series 2004-B(1)	9-9-04	29,365,000	4.00 to 5.25	4/1/15-18	29,365,000 b
Series 2004-B(2)	9-9-04	17,270,000	5.24	4/1/15-18	575,000
Series 2005-B	12-1-05	13,840,000	5.00	4/1/15-16	4,695,000
Series 2005-B	12-1-05	37,920,000	4.30 to 5.00	4/1/17-25	37,920,000 b
Series 2005-C	12-1-05	20,010,000	5.00	4/1/15-16	4,730,000
Series 2005-C	12-1-05	10,795,000	4.30 to 5.25	4/1/17-20	10,795,000 b
Series 2008-A	6-9-08	15,120,000	4.00 to 5.00	4/1/15-18	12,385,000
Series 2008-A	6-9-08	43,510,000	5.00	4/1/19-28	43,510,000 b
Series 2008-B(1)	6-9-08	66,475,000	5.00	4/1/15-18	18,780,000
Series 2010-E	12-16-10	100,000,000	5.129 to 8.369	11/1/14-35	100,000,000 b
Total General Obligation Bonds - Unlimited Tax					<u>\$ 430,910,000</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2014
Governmental Activities (continued)					
General Obligation Bonds - Limited Tax:					
Self-Insurance Bonds:					
Series 2012C	8-23-12	129,520,000	3.00 to 5.00	11/1/14-32	\$ 129,520,000
General Obligation:					
Series 2005-A(1)	6-29-05	21,325,000	4.53	4/1/2015	3,950,000
Series 2005-A(1)	6-29-05	52,175,000	4.61 to 5.15	4/1/16-25	52,175,000 b
Series 2005-A(2)	6-29-05	4,055,000	4.00	4/1/2015	745,000
Series 2005-A(2)	6-29-05	9,475,000	4.00 to 5.00	4/1/16-25	9,475,000 b
Series 2005-B	6-29-05	4,845,000	5.00	4/1/2015	1,000,000
Series 2005-B	6-29-05	6,940,000	5.00	4/1/16-21	6,940,000 b
Series 2008-A(1)	6-9-08	43,443,278	5.00	4/1/15-16	37,806,968
Series 2014 - QOL Financial Recovery	4-8-14	120,000,000	LIBOR + 0.26	10/7/2016	120,000,000
Distributable State Aid 2010	3-18-10	249,790,000	4.25 to 5.25	11/1/14-35	<u>249,790,000</u>
Total General Obligation Bonds - Limited Tax					<u>611,401,968</u>
Total General Obligation Bonds					<u>\$ 1,042,311,968</u>

Business-type Activities

Transportation Fund:

General Obligation Bonds - Limited Tax:

Series 2008-A(1)	6-9-08	6,271,722	5.00%	4/1/15-16	\$ <u>5,458,032</u>
------------------	--------	-----------	-------	-----------	---------------------

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

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

(c) Revenue Bonds

Sewage Disposal Fund

The Sewage Disposal Fund has pledged specific revenue streams to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The bonds and loans are paid solely from the net revenues of the Sewage Disposal System. A summary of the pledged revenue and the applicable debt as of June 30, 2014 is as follows:

Bonds	Types of Revenue Pledged	General Purpose for Debt	Term of Pledged Commitment	Remaining Principal and Interest	Principal and Interest for the Year Ended June 30, 2014	Net Pledged Revenue Recognized for the Year Ended June 30, 2014	Proportion of Pledged Revenue Collected
Revenue Bonds and State of Michigan Revolving Fund Loans	All Sewage Disposal Fund operating revenue	Funding of various waste water treatment and collection capital improvements, refund certain sewage disposal revenue bonds, pay termination amounts for interest rate swap agreements, and funding reserve requirements.	Through 2040	\$ 5,488,185,412	\$ 229,611,135	\$ 273,877,114	119.3%

The fund has approximately \$292 million in restricted cash and investments related to various bond indentures as of June 30, 2014.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Water Fund

The Water Fund has pledged specific revenue streams to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The bonds and loans are paid solely from the net revenues of the Water Supply System. A summary of the pledged revenue and the applicable debt as of June 30, 2014 is as follows:

Bonds	Types of Revenue Pledged	General Purpose for Debt	Term of Pledged Commitment	Remaining Principal and Interest	Principal and Interest for the Year Ended June 30, 2014	Net Pledged Revenue Recognized for the Year Ended June 30, 2014	Proportion of Pledged Revenue Collected
Revenue Bonds and State of Michigan Revolving Fund Loans	All Water Fund operating revenue	Funding of various waste water treatment and collection capital improvements, refund certain water revenue bonds, pay termination amounts for interest rate swap agreements, and funding reserve requirements	Through 2042	\$ 4,510,976,358	\$ 182,464,867	\$ 212,022,819	116.2%

The fund has approximately \$311 million in restricted cash and investments related to various bond indentures as of June 30, 2014.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Schedule of Revenue Bonds

The following is a schedule of revenue bonds (including capital appreciation bonds and state revolving loans) outstanding at June 30, 2014:

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2014</u>	
Business-type Activities						
<i>Sewage Disposal Fund:</i>						
Sewage Disposal System Revenue Bonds:						
Series 1998-A	12-14-06	\$ 18,540,000	5.50 %	7/1/14-17	\$ 13,535,000	
Series 1998-A	12-14-06	49,075,000	5.25	7/1/18-23	49,075,000	b
Series 1998-B	12-14-06	18,750,000	5.50	7/1/14-17	13,395,000	
Series 1998-B	12-14-06	48,770,000	5.25	7/1/18-23	48,770,000	b
Series 1999-A (* *)	12-1-99	33,510,118	0.00	7/1/14-21	57,257,772	
Series 2001-B	9-15-01	110,550,000	5.50	7/1/23-29	110,550,000	
Series 2001-C (1)	6-17-09	6,360,000	5.25	7/1/14-19	3,865,000	
Series 2001-C (1)	6-17-09	148,510,000	6.50 to 7.00	7/1/20-27	148,510,000	b
Series 2001-C (2)	5-8-08	3,275,000	4.00	7/1/14-18	1,725,000	
Series 2001-C (2)	5-8-08	119,630,000	4.00 to 5.25	7/1/19-29	119,630,000	b
Series 2001-D	10-23-01	92,450,000	Variable (a)	7/1/32	21,300,000	b
Series 2001-E	5-7-08	136,150,000	5.75	7/1/24-31	136,150,000	b
Series 2003-A	5-22-03	55,395,000	3.50 to 5.50	7/1/14-18	55,395,000	
Series 2003-A	5-22-03	543,985,000	3.40 to 5.00	7/1/14-32	128,940,000	b
Series 2003-B	6-17-09	150,000,000	7.50	7/1/32-33	150,000,000	b
Series 2004-A	2-12-04	101,435,000	5.00 to 5.25	7/1/14-24	60,795,000	
Series 2005-A	3-17-05	3,765,000	3.50 to 3.70	7/1/14-15	1,115,000	
Series 2005-A	3-17-05	269,590,000	3.75 to 5.125	7/1/16-35	236,770,000	b
Series 2005-B	3-17-05	40,215,000	5.00 to 5.50	7/1/14-22	37,195,000	
Series 2005-C	4-5-05	22,065,000	5.00	7/1/14-15	8,485,000	
Series 2005-C	4-5-05	41,095,000	5.00	7/1/16-25	41,095,000	b
Series 2006-A	5-7-08	123,655,000	5.50	7/1/34-36	123,655,000	
Series 2006-B	8-10-06	11,850,000	4.00 to 5.00	7/1/14-16	5,090,000	
Series 2006-B	8-10-06	238,150,000	4.25 to 5.00	7/1/17-36	238,150,000	b
Series 2006-C	8-10-06	8,495,000	5.25	7/1/16	8,495,000	
Series 2006-C	8-10-06	18,065,000	5.00	7/1/17-18	18,065,000	b
Series 2006-D	12-14-06	370,000,000	Variable (a)	7/1/26-32	288,780,000	b
Series 2012-A	6-26-12	95,445,000	5.00	7/1/14-22	95,445,000	
Series 2012-A	6-26-12	564,335,000	5.00 to 5.50	7/1/23-39	564,335,000	b
Total Sewage Disposal System Revenue Bonds					<u>\$ 2,785,567,772</u>	

* * - Capital Appreciation Bonds

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

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2014</u>
Business-type Activities (continued)					
<i>Sewage Disposal Fund (continued):</i>					
State Revolving Loans:					
Series 1993-B-SRF	9-30-93	\$ 6,603,996	2.00	10/01/14	\$ 390,000
Series 1997-B-SRF	9-30-97	5,430,174	2.25	10/01/14-18	1,575,000
Series 1999-SRF-1	6-24-99	21,475,000	2.50	4/01/15-20	7,590,000
Series 1999-SRF-2	9-30-99	46,000,000	2.50	10/01/14-22	23,555,000
Series 1999-SRF-3	9-30-99	31,030,000	2.50	10/01/14-20	12,660,000
Series 1999-SRF-4	9-30-99	40,655,000	2.50	10/01/14-20	16,585,000
Series 2000-SRF-1	3-30-00	44,197,995	2.50	10/01/14-22	19,947,995
Series 2000-SRF-2	9-28-00	64,401,066	2.50	10/01/14-22	32,836,066
Series 2001-SRF-1	6-28-01	82,200,000	2.50	10/01/14-24	50,225,000
Series 2001-SRF-2	12-20-01	59,850,000	2.50	10/01/14-24	36,575,000
Series 2002-SRF-1	6-27-02	18,985,000	2.50	4/01/15-23	9,710,000
Series 2002-SRF-2	6-27-02	1,545,369	2.50	4/01/15-23	790,369
Series 2002-SRF-3	12-19-02	31,549,466	2.50	10/01/14-24	17,794,466
Series 2003-SRF-1	6-26-03	48,520,000	2.50	10/01/14-25	31,960,000
Series 2003-SRF-2	9-25-03	25,055,370	2.50	4/01/15-25	15,205,370
Series 2004-SRF-1	6-24-04	2,910,000	2.125	10/01/14-24	1,750,000
Series 2004-SRF-2	6-24-04	18,353,459	2.125	4/01/15-25	11,008,459
Series 2004-SRF-3	6-24-04	12,722,575	2.125	4/01/15-25	7,622,575
Series 2007-SRF-1	9-20-07	167,565,000	1.625	10/01/14-29	135,996,786
Series 2009-SRF-1	4-17-09	13,970,062	2.50	4/01/15-30	11,355,062
Series 2010-SRF-1	1-22-10	4,214,763	2.50	4/01/15-31	3,655,763
Series 2012-SRF-1	8-30-12	14,950,000	2.50	10/01/15-34	10,999,967
Total State Revolving Loans Payable					<u>\$ 459,787,878</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2014
Business-type Activities (continued)					
Water Fund:					
Water Supply System Revenue Bonds:					
Series 1993	10-15-93	\$ 38,225,000	6.50%	7/1/14-15	\$ 24,725,000
Series 1997-A	8-01-97	215,300,000	6.00	7/1/14-15	13,430,000
Series 2001-A	5-01-01	301,165,000	5.00	7/1/29-30	73,790,000 b
Series 2001-C	5-14-08	4,055,000	3.50 to 4.25	7/1/14-18	1,900,000
Series 2001-C	5-14-08	186,350,000	4.50 to 5.75	7/1/19-29	186,350,000 b
Series 2003-A	1-30-03	234,805,000	4.50 to 5.00	7/1/19-34	178,785,000 b
Series 2003-B	1-30-03	41,770,000	5.00	7/1/34	41,770,000 b
Series 2003-C	1-30-03	4,335,000	Variable (a)	7/1/14	2,330,000
Series 2003-C	1-30-03	25,325,000	4.25 to 5.25	7/1/15-22	25,325,000 b
Series 2003-D	9-1-06	3,180,000	4.00 to 4.20	7/1/14-16	1,010,000
Series 2003-D	9-1-06	139,575,000	4.25 to 5.00	7/1/17-33	139,575,000 b
Series 2004-A	8-16-06	17,600,000	4.125 to 5.25	7/1/14-16	13,435,000
Series 2004-A	8-16-06	55,165,000	4.50 to 5.25	7/1/17-25	55,165,000 b
Series 2004-B	8-16-06	52,840,000	4.00 to 5.00	7/1/14-16	13,720,000
Series 2004-B	8-16-06	100,990,000	4.25 to 5.00	7/1/17-23	100,990,000 b
Series 2005-A	3-23-05	20,965,000	3.60 to 5.00	7/1/14-15	4,350,000
Series 2005-A	3-23-05	84,035,000	3.90 to 5.00	7/1/16-35	84,035,000 b
Series 2005-B	5-14-08	19,070,000	4.00 to 5.50	7/1/14-18	11,505,000
Series 2005-B	5-14-08	175,830,000	4.75 to 5.50	7/1/19-35	175,830,000 b
Series 2005-C	3-23-05	36,405,000	5.00	7/1/14-15	19,005,000
Series 2005-C	3-23-05	90,200,000	5.00	7/1/16-22	90,200,000 b
Series 2006-A	8-16-06	42,795,000	5.00	7/1/14-16	22,965,000
Series 2006-A	8-16-06	237,205,000	5.00	7/1/17-34	237,205,000 b
Series 2006-B	4-01-09	900,000	3.30 to 5.00	7/1/14-19	600,000
Series 2006-B	4-01-09	119,100,000	5.50 to 7.00	7/1/20-36	119,100,000 b
Series 2006-C	8-16-06	12,585,000	4.00 to 5.00	7/1/14-16	8,620,000
Series 2006-C	8-16-06	208,060,000	5.00	7/1/17-33	208,060,000 b
Series 2006-D	8-16-06	4,430,000	4.00 to 4.20	7/1/14-16	45,000
Series 2006-D	8-16-06	142,160,000	4.25 to 5.00	7/1/17-32	142,160,000 b
Series 2011-A	12-22-11	37,880,000	5.00	7/1/14-21	29,100,000
Series 2011-A	12-22-11	341,710,000	5.00 to 5.75	7/1/22-41	341,710,000 b
Series 2011-B	12-22-11	7,455,000	2.496 to 5.00	7/1/14-21	5,730,000
Series 2011-B	12-22-11	9,740,000	6.00	7/1/22-33	9,740,000 b
Series 2011-C	12-22-11	3,925,000	5.00	7/1/21	2,700,000
Series 2011-C	12-22-11	99,965,000	4.50 to 5.25	7/1/23-41	99,965,000 b
Total Water Supply System Revenue Bonds					\$ <u>2,484,925,000</u>
State Revolving Loans:					
Series 2005 SRF-1	9-22-05	\$ 13,805,164	2.125%	10/1/14-26	\$ 9,335,164
Series 2005 SRF-2	9-22-05	8,891,730	2.125	10/1/14-26	5,851,730
Series 2006 SRF-1	9-21-06	5,180,926	2.125	10/1/14-26	3,480,926
Series 2008 SRF-1	9-29-08	2,590,941	2.500	10/1/14-28	1,455,941
Total State Revolving Loans Payable					\$ <u>20,123,761</u>

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

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

(d) Pension Obligation Certificates (POCs)

The Detroit Retirement Systems Funding Trust issued POCs for the purpose of funding certain unfunded accrued actuarial liabilities (UAAL) of the two retirement systems of the City, which include the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS). The GRS includes employees and retirees of certain governmental funds, proprietary funds (Sewage Disposal Fund, Transportation Fund, and Water Fund), and the Detroit Public Library, a discretely presented component unit.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

A trust was created by the General Retirement System Service Corporation (GRSSC) and the Police and Fire Retirement System Service Corporation (PFRSSC), both blended component units of the City. The City entered into service contracts with the GRSSC and PFRSSC to facilitate the transaction.

The following is a schedule of the Pension Obligation Certificates outstanding at June 30, 2014:

Pension Obligation Certificates	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance June 30, 2014
Series 2005 - A	6-2-05	\$ 640,000,000	4.00 to 4.95%	6/15/14-25	\$ 450,615,000
Series 2006 - A, B	6-12-06	948,540,000	Variable (a)	6/15/19-35	948,540,000
Total Pension Obligation Certificates					<u>\$ 1,399,155,000</u>

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

The POCs were allocated to the governmental activities and the Transportation, Sewage Disposal, and Water Funds based on those funds portion of the overall UAAL liquidated by the use of the POCs net proceeds. Because the Detroit Public Library is a discretely presented component unit, its prorated portion of the POCs liability assumed was included in the balance of the POCs obligation recorded in the governmental activities. The City has an advance to the Library for \$24,016,604 outstanding at June 30, 2014.

As of June 30, 2014, the City failed to remit the required principal and interest payments on the POCs totaling \$29,645,000 and \$36,838,505, respectively. The entire amount of the principal and \$6,024,864 of the interest was paid by the insurer subrogees. The City also failed to remit the required principal and interest payments totaling \$23,105,001 and \$17,873,917, respectively, as of June 30, 2013. The entire amount of the principal and \$4,407,810 of the interest was paid by the insurer subrogees. According to agreements between the City and subrogees, the City was to repay the subrogees and therefore a current obligation has been recorded totaling \$63,182,675. A current obligation was recorded for the remaining amount of unpaid interest totaling \$44,279,748.

The POC and service corporation contracts do not require immediate payment of the remaining POC debt balance (totaling approximately \$1.399 billion for the entire City and \$1.1 billion for the General Fund at June 30, 2014) upon a missed payment. No party to the POC and service corporation agreements has sought to exercise any right to immediate payment of the remaining POC debt balance subsequent to the missed payment. As a result, the POC debt was not immediately due and payable as of June 30, 2014, and the City continues to report it as a long-term obligation in its financial statements as of that date.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(e) Notes and Loans Payable

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

The following is a schedule of notes payable at June 30, 2014:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
<i>Non-Major Funds:</i>				
(All notes are secured by future Block Grant revenues)				
Ferry Street Project	06/12/08	4.14 to 4.62 %	08/01/14-18	\$ 1,635,000
Garfield Project	06/12/08	4.14 to 4.33	08/01/14-15	525,000
Stuberstone Project	06/12/08	4.14 to 4.48	08/01/14-16	90,000
Vernor Lawndale Project	09/14/06	5.07 to 5.74	08/01/14-25	1,340,000
New Amsterdam Project	08/01/02	5.43 to 6.12	08/01/14-22	7,750,000
Mexicantown Welcome Center Project	09/14/06	5.07 to 5.70	08/01/14-24	3,210,000
Book Cadillac Project	09/14/06	5.07 to 5.77	08/01/14-26	7,300,000
Book Cadillac Project Note II	06/12/08	4.14 to 5.38	08/01/14-27	9,984,000
Garfield II Note 1	09/14/06	4.14 to 5.30	08/01/14-25	6,372,000
Garfield II Note 2	09/14/06	5.07 to 5.77	08/01/14-26	2,058,000
Garfield II Note 3	09/16/09	LIBOR + 0.2	08/01/14-29	1,473,000
Garfield II Note 4	09/16/09	LIBOR + 0.2	08/01/17-29	6,697,000
Fort Shelby Project	06/12/08	4.14 to 5.34	08/01/14-26	17,750,000
Woodward Garden Project 1	06/12/08	4.48 to 5.05	08/01/16-21	7,050,000
Woodward Garden Project 2	07/21/10	2.66 to 4.35	08/01/16-28	6,197,000
Woodward Garden Project 2	04/20/12	LIBOR + 0.2	08/01/16-31	5,753,000
Total Notes Payable				<u>\$ 85,184,000</u>

The following is a schedule of loans payable at June 30, 2014:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
Downtown Development Authority	1991-1997	—	—	\$ 33,600,000
Loan Payable IBM Schedule - 001	11/20/12	12.03%	12/1/16	3,093,164
Total Loans Payable				<u>\$ 36,693,164</u>

The City entered into a \$33.6 million loan payable with the Downtown Development Authority, listed in the preceding table, a discretely presented component unit. The loan was used to cover costs related to the Cobo Hall Expansion Project and operations of the Downtown People Mover System. The loan is unsecured and bears no interest and was to be repaid by the City as general operating funds become available to the extent not otherwise adjusted and/or discharged pursuant to the Plan of adjustment confirmed in the Bankruptcy Case.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(f) Debt Service Requirements

As of June 30, 2014, debt service requirements of the City's debt (fixed-rate and variable-rate) are as follows. These amounts assume that current interest rates on variable-rate bonds will remain the same for their term. As these rates vary, interest payments on variable-rate bonds will vary.

	General Obligation Debt		Revenue Bonds and Other Indebtedness	
	Principal	Interest	Principal	Interest
Governmental Activities:				
2015	\$ 72,674,422	\$ 53,016,556	\$ 4,511,467	\$ 3,895,987
2016	71,352,546	49,421,537	4,923,872	3,595,470
2017	174,605,000	43,013,780	6,788,825	3,233,877
2018	56,245,000	38,737,330	5,517,000	2,953,151
2019	56,670,000	35,868,119	6,501,000	2,683,925
2020-2024	259,180,000	136,113,790	31,025,000	8,840,695
2025-2029	151,140,000	79,803,648	25,694,000	2,071,432
2030-2034	146,550,000	38,264,482	3,316,000	13,749
2035-2036	53,895,000	3,450,450	33,600,000	—
Total	\$ 1,042,311,968	\$ 477,689,692	\$ 121,877,164	\$ 27,288,286
Business-type Activities:				
<i>Sewage Disposal Fund</i>				
2015	\$ —	\$ —	\$ 86,495,000	\$ 143,116,135
2016	—	—	89,685,000	140,215,950
2017	—	—	92,005,000	137,085,906
2018	—	—	95,245,000	133,856,457
2019	—	—	98,680,000	130,495,440
2020-2024	—	—	531,714,430	597,192,595
2025-2029	—	—	658,340,870	473,615,592
2030-2034	—	—	759,417,578	329,999,044
2035-2039	—	—	730,435,000	135,776,140
2040-2044	—	—	118,630,000	6,184,275
Total	\$ —	\$ —	\$ 3,260,647,878	\$ 2,227,537,534

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>General Obligation Debt</u>		<u>Revenue Bonds and Other Indebtedness</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Business-type Activities (Continued)				
<i>Transportation Fund</i>				
2015	\$ 2,660,578	\$ 272,902	\$ —	\$ —
2016	2,797,454	139,873	—	—
Total	<u>\$ 5,458,032</u>	<u>\$ 412,775</u>	<u>\$ —</u>	<u>\$ —</u>
<i>Water Fund</i>				
2015	\$ —	\$ —	\$ 53,140,000	\$ 129,324,867
2016	—	—	58,450,000	126,508,048
2017	—	—	61,505,000	123,406,562
2018	—	—	64,460,000	120,418,686
2019	—	—	67,585,000	117,251,087
2020-2024	—	—	388,280,000	531,700,016
2025-2029	—	—	489,018,761	421,780,373
2030-2034	—	—	608,075,000	287,744,642
2035-2039	—	—	514,310,000	126,622,290
2040-2042	—	—	200,225,000	21,171,026
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,505,048,761</u>	<u>\$ 2,005,927,597</u>

The future principal payments for Sewage Disposal Fund revenue bonds exceed the bonds payable balance by \$15,292,228 at June 30, 2014 because the future principal payments on capital appreciation bonds are greater than the carrying value of those bonds. The balance of the capital appreciation bonds will increase each year, until maturity, through accretion.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The annual debt service requirements to maturity for pension obligation certificates at June 30, 2014 are as follows. Refer to Note VIII for information on derivative instruments.

	Pension Obligation Certificates		
	Principal	Interest	Investment Derivatives, Net
Governmental Activities:			
2015	\$ 27,049,913	\$ 64,654,664	\$ 37,645,862
2016	30,037,394	27,410,958	37,645,862
2017	33,301,268	25,965,258	37,645,862
2018	36,800,888	24,362,468	37,645,862
2019	37,121,179	22,591,241	37,645,862
2020-2024	216,929,328	90,940,030	178,762,043
2025-2029	282,766,094	52,901,113	150,482,797
2030-2034	382,116,298	42,101,427	60,472,999
2035	91,281,344	5,466,678	—
Total	<u>\$ 1,137,403,706</u>	<u>\$ 356,393,837</u>	<u>\$ 577,947,149</u>
Business-type Activities:			
<i>Sewage Disposal Fund</i>			
2015	\$ 2,041,421	\$ 4,879,402	\$ 2,841,084
2016	2,266,883	2,068,669	2,841,084
2017	2,513,203	1,959,564	2,841,084
2018	2,777,315	1,838,603	2,841,084
2019	2,801,486	1,704,931	2,841,084
2020-2024	16,371,370	6,863,124	13,490,936
2025-2029	21,339,984	3,992,377	11,356,737
2030-2034	28,837,812	3,177,338	4,563,816
2035	6,893,956	412,565	—
Total	<u>\$ 85,843,430</u>	<u>\$ 26,896,573</u>	<u>\$ 43,616,909</u>
<i>Transportation Fund</i>			
2015	\$ 2,382,157	\$ 5,693,829	\$ 3,315,292
2016	2,645,251	2,413,953	3,315,292
2017	2,932,684	2,286,637	3,315,292
2018	3,240,879	2,145,487	3,315,292
2019	3,269,086	1,989,503	3,315,292
2020-2024	19,103,935	8,008,657	15,742,723
2025-2029	24,901,866	4,658,749	13,252,305
2030-2034	33,651,167	3,707,673	5,325,570
2035	8,032,434	481,423	—
Total	<u>\$ 100,159,459</u>	<u>\$ 31,385,911</u>	<u>\$ 50,897,058</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Pension Obligation Certificates		
	Principal	Interest	Investment Derivatives, Net
Business-type Activities (Continued):			
<i>Water Fund</i>			
2015	\$ 1,801,509	\$ 4,305,963	\$ 2,507,193
2016	2,000,473	1,825,554	2,507,193
2017	2,217,845	1,729,271	2,507,193
2018	2,450,918	1,622,526	2,507,193
2019	2,472,249	1,504,564	2,507,193
2020-2024	14,447,368	6,056,553	11,905,449
2025-2029	18,832,057	3,523,184	10,022,067
2030-2034	25,448,723	2,803,930	4,027,464
2035	6,077,262	364,078	—
Total	\$ 75,748,404	\$ 23,735,623	\$ 38,490,945

(g) Debt Limit

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

(h) Refundings

The City defeased certain bonds in the prior and current years by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2014 was as follows:

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(i) Bonds Authorized and Unissued

The following is the schedule of bonds authorized and unissued at June 30, 2014:

	<u>Authority</u>	<u>Date</u>	<u>Authorized Amount</u>	<u>Unissued Amount</u>
General Obligation Bonds (Tax Supported):				
Sewer Construction	Electorate	8/2/1960	\$ 50,000,000	\$ 24,000,000
Public Safety	Electorate	11/2/2004	120,000,000	23,393,000
Municipal Facilities	Electorate	11/7/2000	18,000,000	120,000
Neighborhood/Economic Development	Electorate	11/2/2004	19,000,000	17,295,000
Public Lighting	Electorate	11/2/2004	22,000,000	7,735,000
Recreation, Zoo, Cultural	Electorate	11/7/2000	56,000,000	628,000
Recreation, Zoo, Cultural History	Electorate	11/2/2004	22,000,000	570,000
Historical Museum of African American History	Electorate	11/6/2011	20,000,000	17,200,000
Transportation	Electorate	4/29/2003	6,000,000	500,000
Public Lighting	Electorate	11/2/2004	32,000,000	17,310,000
Neighborhood/Economic	Electorate	2/24/2009	22,000,000	22,000,000
Museums, Libraries, Recreation, and Other	Electorate	2/24/2009	25,000,000	25,000,000
Transportation	Electorate	2/24/2009	97,000,000	89,770,000
Public Safety	Electorate	2/24/2009	12,000,000	12,000,000
			72,000,000	<u>59,379,000</u>
Total Bonds Authorized - Unissued				\$ <u><u>316,900,000</u></u>

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

Additionally, the City has State Revolving Loans in the Sewage Disposal Fund, which have been authorized but not issued. These amounted to \$3,950,033 at June 30, 2014.

(j) Debt Ratings

On July 18, 2013, Standard & Poor's downgraded the City's UGTO rating from "CC" to "C". On October 2, 2013, Standard & Poor's downgraded the City's UTGO rating from "C" to "D". On September 30, 2013, Fitch downgraded the City's UGTO and LGTO ratings from "C" to "D". On June 16, 2014, Fitch withdrew the 'D' ratings on the POCs, UGTO, and LGTO bonds due to the bankruptcy.

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

See Note XIV for any rating actions that occurred after June 30, 2014.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

NOTE VIII. DERIVATIVES

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

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental Activities					
Investment derivatives:					
Pay-fixed interest rate swaps	Investment loss	\$ (4,471,205)	Long-term liabilities	\$ (244,149,176)	\$ 650,336,000
Business-type Activities					
Investment derivatives:					
Pay-fixed interest rate swaps	Investment Loss	(1,503,930)	Long-term liabilities	(58,344,702)	149,664,000

Because the derivative instruments are classified as investment derivatives, the change in fair value of the swaps noted in the above table were reported within loss on investments for the year ended June 30, 2014.

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

(a) Objectives

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

(b) Terms

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

<u>Associated Financing Issue</u>	<u>Notional Amount (1)</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Rate Received</u>	<u>Fair Value</u>	<u>Swap Termination Date</u>	<u>Final Maturity of Bonds</u>
Investment Derivatives							
Investment Derivatives, Pay-fixed interest rate swaps							
Pension Obligation Certificates:							
Taxable Certification of Participation SBSFPC-0009	\$ 96,621,000	6/12/2006	6.36%	3 MONTH LIBOR + .34%	\$ (39,240,207)	6/15/2034	6/15/2034
Taxable Certification of Participation SBSFPC-0012	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(16,046,639)	6/15/2029	6/15/2029
Taxable Certification of Participation 37380341	96,621,000	6/12/2006	6.36	3 MONTH LIBOR + .34%	(39,231,534)	6/15/2034	6/15/2034
Taxable Certification of Participation 37380291	45,252,000	6/12/2006	6.32	3 MONTH LIBOR + .30%	(16,039,694)	6/15/2029	6/15/2029
Taxable Certification of Participation SBSFPC-0010	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(62,624,781)	6/15/2034	6/15/2034
Taxable Certification of Participation SBSFPC-0011	104,325,500	6/12/2006	6.32	3 MONTH LIBOR + .30%	(33,341,547)	6/15/2029	6/15/2029
Taxable Certification of Participation 37380313	153,801,500	6/12/2006	6.35	3 MONTH LIBOR + .34%	(62,610,295)	6/15/2034	6/15/2034
Taxable Certification of Participation 37380351	104,325,500	6/12/2006	6.32	3 MONTH LIBOR + .30%	(33,329,181)	6/15/2029	6/15/2029
Total	\$ 800,000,000				\$ (302,463,878)		

(1) Notional amount balance as of June 30, 2014

(c) Credit Risk

Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive market value, then the City is exposed to the actual risk that the counterparty will not fulfill its obligations. As of June 30, 2014, the City had no net exposure to actual credit risk on its investment derivatives (without regard to collateral or other security arrangements) for any of its counterparties. The table below shows the credit quality ratings of the counterparties to each swap. The City uses two different counterparties as one way of diversifying its credit risk. In addition, the swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below certain rating levels by Fitch Ratings, S&P, and/or Moody's. Collateral on all swaps was to be in the form of cash or U.S. government securities held by a third-party custodian. The City has not calculated theoretical credit exposure.

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

(d) Interest Rate Risk

All investment derivatives are pay-fixed, receive-variable interest rate swaps. The City believes it has significantly reduced interest rate risk by entering into the interest rate swaps, which are the subject of settlements with the swap counterparties described in Note II and the adjustment of the related POCs pursuant to the Plan of adjustment confirmed in the Bankruptcy Case, described in Note XIII.

(e) Basis Risk

The City is exposed to basis risk when the variable interest received on a swap is based on a different index than the variable interest rate to be paid on the associated variable rate debt obligation. At June 30, 2014, the associated POCs used the same index (based on LIBOR) in the table above. As a result, there was no significant exposure to basis risk as of June 30, 2014.

(f) Rollover Risk

The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated financings. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option, the City will not realize the synthetic rate offered by the swaps on the underlying issues. The City is exposed to rollover risk on the pension obligation swaps should they be terminated prior to the maturity of the associated financings (POCs).

(g) Foreign Currency Risk

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

(h) Market Access Risk

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

NOTE IX. PENSION PLANS

(a) Plan Administration

City of Detroit Retirement System consists of the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) (collectively, the “Systems”). Each system is a single employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries. Each plan is administered by its own board of trustees. Plan members include active employees, retirees, and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees’ collective bargaining units; amendments are subject to the same process. The Systems issue publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Ave., Suite 3000, Detroit, MI 48226 or obtained from Systems’ website (www.rscd.org).

The board of trustees of the General Retirement System consists of ten members - five elected employee members, one elected retired member, one mayor appointed citizen, and three ex-officio members. The board of trustees of the Police and Fire Retirement System consists of sixteen members – six elected employee members, two elected retired members, and eight ex-officio members.

(b) Plan Membership

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

	GRS	PFRS
Inactive plan members or beneficiaries currently receiving benefits	12,089	8,476
Inactive plan members entitled to but not yet receiving benefits	2,395	235
Active plan members	5,364	3,266

As of June 30, 2014, the plans have been frozen. As of that date, no new participants were allowed to enter the plan and no new benefit accruals were allowed for existing participants.

(c) Benefits Provided

The Systems provide retirement, disability, and death benefits. Benefit terms are established by negotiations between the City Council and the employees’ collective bargaining unit and may be amended by the City Council.

(d) Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Systems retain an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts and plan provisions. For the year ended June 30, 2014, the average active member contribution rate for the General Retirement System was between 0 percent and 7 percent, as the Plan allows the employees to elect to contribute (a) 0 percent, (b) 3 percent of annual compensation up to the Social Security wage base and 5 percent of any excess over that, (c) 5 percent, or (d) 7 percent toward annuity savings. The average active member contribution rate for the Police and Fire Retirement System was 5 percent of annual pay.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The City’s average contribution rate for fiscal year 2014 was 30.05 percent of annual payroll for the General Retirement System and 30.59 percent of annual payroll for the Police and Fire Retirement System. The City contributed only \$27,523,180 of the annual required contribution of \$68,025,576 for the General Retirement System and did not make any payments towards the required contribution of \$51,418,126 for the Police and Fire Retirement System.

(e) Deferred Retirement Option Program (“DROP”)

In lieu of terminating employment and accepting a retirement allowance under the Plan, any member of the Police and Fire Retirement System who is eligible for the DROP program may defer the receipt of his or her retirement allowance, continue services and be paid compensation. At the time of the DROP election, the member no longer accrues a benefit. The program credits the employee for benefit payments that would have been paid had they retired normally, by depositing 75 percent of the monthly payment with a third-party administrator in the member’s name. The remaining 25 percent of the monthly payments are retained in the trust for general purposes. The DROP allocations continue if the member continues to be actively employed, as a police officer or a firefighter, with the City. The member is eligible to withdraw the amounts deposited with the third-party administrator upon retirement and from that point on the retiree receives 100 percent of retirement benefits. There are no amounts held by the System at June 30, 2014 as all amounts due to the members pursuant to the DROP election are held by a third-party administrator.

(f) Investment Policy

The Systems policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the board of trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Systems investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board of trustees’ adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation	
	GRS	PFRS
Global asset allocation	12.0 %	0.0 %
Domestic Equity	23.0	19.0
International Equity	22.0	19.0
Domestic Fixed Income	16.0	17.5
International Fixed Income	3.0	0.0
Energy/MLPs	0.0	5.0
Real estate	8.0	13.0
Cash	0.0	1.0
High yield	0.0	8.0
Private mortgages	0.0	2.5
Private equity	6.0	10.0
Hedge funds	5.0	5.0
Commodities	5.0	0.0

(g) Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.3 percent for the General Retirement System and 19.8 percent for the Police and Fire Retirement System. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(h) Pension Plan Reserves

In accordance with State law, the following reserves are required to be set aside within the pension plan:

The retiree reserve is made up of two reserves – Annuity Reserve Fund and Pension Reserve Fund. The annuity reserve fund is an accumulation of transfers made from the annuity savings fund, when an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions. The pension reserve fund represents funded pension benefits available for retired members and is funded by actuarially determined transfers from the pension accumulation fund.

The employee reserve (Annuity Savings Fund) is credited as employee contributions are received throughout the year; the Systems maintain a record of the amount contributed by each employee, and credits interest annually at a rate approved by the board of trustees. The City Council adopted an Ordinance limiting the interest rate on the General Retirement System’s net investment rate of return, with a cap of 7.9 percent and a floor of 0 percent. During fiscal year 2014, the board of trustees approved the interest rate at 0 percent. The interest rate for the Police and Fire Retirement System is based on the recognized rate of return per the previous actuarial valuation. During fiscal year 2014 the board of trustees approved the interest rate at 3.8 percent. Members are eligible to withdraw if they left the City for any reason (retire, laid-off, quit, disability, death), and have 25 years of service (or 20 for DPOA or Fire equivalents). Eligible active members may elect to withdraw their accumulated (annuity) contributions plus investment earnings. Upon retirement, a member can elect to annuitize or receive a lump sum of their accumulated contribution and interest earnings. Members of the Police and Fire Retirement System are also eligible to withdraw upon conversion from disability or have an eligible domestic relations order (EDRO). When an employee retires, becomes disabled, or if a surviving spouse elects an annuity rather than a lump-sum payout of accumulated employee contributions, the balance is transferred to the annuity reserve fund.

The balances of the reserve accounts as of June 30, 2014 for the Systems are as follows:

	GRS	PFRS
Reserved for employee contributions	\$ 267,783,724	\$ 155,258,272
Reserved for retired contributions	2,350,833,869	2,883,228,305

(i) Net Pension Liability of the City, as Required by GASB Statement No. 67

The net pension liability of the City has been measured as of June 30, 2014 based on benefits in force as of that date and is composed of the following:

	GRS	PFRS
Total pension liability	\$ 3,801,649,071	\$ 4,407,788,045
Plan fiduciary net position	2,015,207,879	3,276,203,299
City's net pension liability	\$ 1,786,441,192	\$ 1,131,584,746

Plan fiduciary net position as a percentage of the total pension liability	53.0 %	74.3 %
--	--------	--------

Attribution period: As of June 30, 2014, the plan was frozen such that no new benefit accruals were allowed and no new members could join. Starting July 1, 2014, the participants in this legacy plan will now be earning benefits under a newly created defined benefit plan. GASB 67 requires that the service costs of all pensions be attributed through all assumed exit ages, through retirement. Neither GASB 67 nor any other GASB standard has set forth guidance specifically related to frozen plans with successor plans in place. Absent any guidance to the contrary, due to the status as a frozen plan combined with the fact that individuals are now earning service in a new defined benefit pension plan, the retirement date for purposes of attribution was assumed to be June 30, 2014 for all members. Therefore, the total pension liability at June 30, 2014 is equal to the present value of projected benefit payments.

(j) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, which were different between the beginning of the year (July 1, 2013) and the end of the year (June 30, 2014) due to the plan freeze and changing assumptions.

To calculate the June 30, 2013 total pension liability before the rollforward, the following significant assumptions were made:

	GRS	PFRS
Inflation	4.0 %	4.0 %
Salary increases	4.0-8.9 %	5.0-9.2 %
Investment rate of return	7.9 %	8.0 %

For the General Retirement System, mortality rates were based on 110 percent of the RP-2000 Combined Table for males and 110 percent of the RP-2000 Combined Table set back two years for females. For the Police and Fire Retirement System, mortality rates were based on 95 percent of the RP-2000 Combined Table for males and 100 percent of the RP-Combined Table set back two years for females.

To calculate the end of year total pension liability, the following significant assumptions were made:

- For the Systems, due to the plan freeze, pay was not assumed to increase in the future and no inflation assumption was utilized. The investment rate of return (net of pension plan investment expense, including inflation) applied to the end of year pension liability was 7.2 percent.
- To calculate the total pension liability as of June 30, 2014, the mortality assumption was changed to the RP-2014 Blue Collar Mortality Tables, Employees and Health Annuitants for males and females with fully generational mortality projections using the 2-dimensional Mortality Improvement Scale MP-2014. For the General Retirement System, the table was set forward one year for males and females.
- The actuarial assumptions used in the June 30, 2013 valuation to calculate the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013.
- Cost of living adjustments: For both the beginning and end of year calculations of the total pension liability, for certain active members, depending upon bargaining group, benefits are increased annually by 2.25 percent of the original pension amounts at retirement.

(k) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2014 was 7.2 percent for both Systems; however, the single discount rate used at the beginning of the year was 5.88 percent for the General Retirement System and 8.0 percent for the Police and Fire Retirement System. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

(l) Projected Cash Flows

For the General Retirement System, for purposes of the calculation of the total pension liability at the beginning of the year, based on the above beginning of year assumptions, the System's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate used to calculate the total pension liability as of June 30, 2013 incorporated a municipal bond rate, which was 4.27 percent as of June 30, 2013. The source of that bond rate was the Federal Reserve. The long-term expected rate of return was applied to projected benefit payments from 2015 through 2035 and the municipal bond rate was applied to the remaining periods.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

However, as of June 30, 2014, due primarily to the plan freeze which lowered the future benefit payments, based on the above end of year assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the Police and Fire Retirement System, based on the above assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees both at the beginning of the year as well as at the end of the year. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

	Long-term Expected Real Rate of Return	
	GRS	PFRS
Global asset allocation/risk parity	4.62 %	0.00 %
Domestic equity	5.01	4.49
International equity	6.13	4.68
Domestic fixed income	1.88	1.61
International fixed income	3.87	0.00
Energy/MLPs	0.00	7.02
Real Estate - General	3.90	0.00
Real Estate - Private	0.00	3.95
Real Estate - Public	0.00	3.32
Cash	0.00	(0.24)
High yield	0.00	3.41
Private mortgages	0.00	3.41
Private equity	6.83	6.98
Hedge Funds	4.15	4.10
Commodities	3.17	0.00

(m) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.2 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Net pension liability of the Plan			
GRS	\$ 2,170,235,520	\$ 1,786,441,192	\$ 1,466,150,791
PFRS	1,644,647,869	1,131,584,746	707,632,759

(n) Annual Pension Costs and Net Pension Asset, as Required by GASB Statement No. 27

GASB Statement No. 68, which determines how employers and nonemployer contributing entities will report their pension liabilities on their financial statements, is effective for years beginning after June 15, 2014. Until that statement is implemented, the Fund continues to report its annual pension cost and net pension asset in accordance with GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers*.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The annual pension costs and net pension assets for the City (primary government) as of June 30, 2014 are as follows:

	GRS					
	Business-type Activities					Total Primary Government
	PFRS Governmental Activities	Governmental Activities	Sewage Disposal Fund	Transportation Fund	Water Fund	
Annual required contributions (ARC)	\$ 51,418,126	\$ 29,509,073	\$ 8,476,369	\$ 13,648,269	\$ 16,391,865	\$ 119,443,702
Interest on net pension asset	(42,853,862)	(36,633,249)	(6,813,629)	(8,242,080)	(7,604,684)	(102,147,504)
Adjustment to ARC	47,994,237	26,033,540	4,842,128	5,857,262	5,404,294	90,131,461
Annual pension cost	56,558,501	18,909,364	6,504,868	11,263,451	14,191,475	107,427,659
Contributions made (employer)*	-	222,090	10,400,618	-	16,900,472	27,523,180
Changes in net pension asset	(56,558,501)	(18,687,274)	3,895,750	(11,263,451)	2,708,997	(79,904,479)
Net pension asset, beginning of year	535,673,281	463,712,015	86,248,463	104,330,131	96,261,825	1,286,225,715
Net pension asset, end of year	\$ 479,114,780	\$ 445,024,741	\$ 90,144,213	\$ 93,066,680	\$ 98,970,822	\$ 1,206,321,236

* Includes payments subsequent to year-end for Sewage and Water Funds of \$1,358,792 and \$1,847,723, respectively, and overpayments from fiscal year ended June 30, 2013 for Sewage and Water Funds of \$1,119,946 and \$1,483,608, respectively

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

	Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Asset
GRS	June 30, 2014	\$ 50,869,158	\$ 27,523,180	54.1 %	\$ 727,206,456
	June 30, 2013	43,258,554	37,794,407	87.4	750,552,434
	June 30, 2012	32,614,342	34,461,252	105.7	756,016,581
PFRS	June 30, 2014	56,558,501	-	0.0	479,114,780
	June 30, 2013	49,017,402	(29,026,800)	-59.2	535,673,281
	June 30, 2012	53,722,030	49,760,229	92.6	613,717,483

(o) Funding Status and Funding Progress

The funded status of each plan, as of June 30, 2013, based on actuarial assumptions of the Retirement Systems, respectively is as follows:

	GRS	PFRS
Actuarial value of assets	\$ 2,524,863,146	\$ 3,474,538,021
Actuarial accrued liability (AAL)	\$ 3,609,073,858	\$ 3,890,143,341
Unfunded AAL (UAAL)	\$ 1,084,210,712	\$ 415,605,320
Funded ratio	70.0%	89.3%
Covered payroll	\$ 213,291,083	\$ 186,694,166
Ratio of UAAL/covered payroll	508.3%	222.6%

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(p) Actuarial Methods and Assumptions

Significant actuarial assumptions used to determine the annual required contribution for the year ended June 30, 2014 are as follows:

	<u>GRS</u>	<u>PFRS</u>
Valuation Date	June 30, 2012	June 30, 2012
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level dollar, Closed
Remaining Amortization Period	30 years, Open	29 years, Closed
Asset Valuation Method	7-year Smoothed Market	7-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	8.0%
Projected Salary Increases	4.0%-8.9%	5.0%-9.2%
Inflation Rate	4.00%	0% for three years; 4% thereafter
Cost-of-Living Adjustments	2.25%	2.25%

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

NOTE X. OTHER POSTEMPLOYMENT BENEFITS

(a) Plan Description

The Employee Health and Life Insurance Benefit Plan (Benefit Plan) was a single-employer defined benefit plan administered by the City and Retirement Systems and was accounted for in the Other Post-employment Benefits Fund. The Plan does not issue a separate stand-alone statement. The Benefit Plan provided hospitalization, dental care, vision care, and life insurance to all officers and employees of the City who were employed on the day preceding the effective date of the Benefit Plan and who continue in the employ of the City on and after the effective date of the Benefit Plan. Retirees were allowed to enroll in any of the group plans offered by the City to active employees. The City provided healthcare coverage for substantially all retirees in accordance with terms set forth in union contracts or provisions found in Section 13, Article 8 of the Code of Ordinances. Effective March 1, 2014, the City changed the health insurance coverage offered to retirees which is described in more detail below. Additional changes have occurred due to the effectiveness of the Plan as confirmed by the Bankruptcy Court.

The following paragraphs describe the healthcare benefits provided to employees prior to March 1, 2014:

The healthcare benefit eligibility conditions for General City employees hired before 1995 are 30 years of creditable service or 25 years of creditable service for an EMS member or age 60 and 10 years of creditable service or age 65 and 8 years of creditable service. The healthcare benefit eligibility conditions for General City employees hired on or after 1995 are age 55 and 30 years of creditable services, or age 60 and 10 years of creditable service or age 65 and 8 years of creditable service. Prior to March 1, 2014, the City provided full healthcare coverage to General City employees who retired prior to January 1, 1984, except for the Master Medical benefit that was added on to the coverage after that date. The City paid up to 90 percent of healthcare coverage if retired after January 1, 1984; however, for employees who retired between January 1, 1984 and June 30, 1994, the retiree share has been reduced by 50 percent by appropriations from City Council. The City also paid health coverage for the spouse, under the same formulas noted above, as long as the spouse continued to receive a pension. The City did not pay health coverage for a new non-City retiree spouse. Dental and vision coverage was provided for the retiree and the spouse.

The healthcare benefit eligibility conditions for Police and Fire were any age with 25 years of creditable service, or any age with 20 years of service for Detroit Police Officers Association (DPOA) members, effective March 8, 2007 and Allied Detroit Fire Fighters Association (DFFA) members, effective March 8, 2008. Prior to March 1, 2014, the City paid up to 90 percent of healthcare coverage for the retiree and the spouse. The City paid up to 90 percent of healthcare coverage for the spouse as long as the spouse continues to receive a pension.

The City did not pay for healthcare coverage for a new non-City retiree spouse. Spouses (widows or widowers) of Straight Life Option retirees who retired prior to July 1, 1987 continued to receive hospitalization coverage. Dental and vision coverage was provided for the retiree and the spouse.

The City provided healthcare coverage to General City and Police and Fire employees that opt for early retirement. For General City employees hired before 1995, the healthcare benefit eligibility conditions are 25 years of creditable service and employees hired after 1995 is age 55 and 25 years of creditable service. The coverage begins when the retiree would have been eligible for normal retirement. Prior to March 1, 2014, the City paid up to 90 percent of healthcare coverage for the retiree and the spouse. The City paid up to 90 percent of healthcare coverage for the spouse as long as the spouse continued to receive a pension. The City did not pay for healthcare coverage for a new non-City retiree spouse. For Police and Fire employees, the healthcare coverage begins when the retiree reaches the date they would have attained 25 years of creditable service or when the retiree would have attained 20 years of creditable service for DPOA member and Allied DFFA members, effective March 8, 2007. Prior to March 1, 2014, the City paid up to 90 percent of healthcare coverage for the retiree and the spouse. The City paid up to 90 percent of healthcare coverage for the spouse as long as the spouse continued to receive a pension. The City did not pay for healthcare coverage for a new non-City retiree spouse. Spouses (widows or widowers) of Straight Life Option retirees who retired prior to July 1, 1987 continued to receive hospitalization coverage. Dental and vision coverage was provided for the retiree and the spouse.

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

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

The following paragraphs describe the healthcare benefits provided to employees effective March 1, 2014:

As noted above, the City changed the health insurance coverage offered to retirees effective March 1, 2014. The health benefits a retiree receives from the City effective with this change depends upon whether the retiree is "Medicare eligible." Generally, a retiree is Medicare eligible if he or she is age 65 or older and has worked to earn Medicare coverage or has eligibility through a spouse. In addition, the City provided certain other benefits, effective as of March 1, 2014 through the remainder of the 2014 calendar year pursuant to the Retiree Health Care Settlement Agreement (the "Retiree Settlement Agreement") between the City, the Retiree Committee, the Detroit Retired City Employees Association, the Retired Detroit Police and Fire Fighters Association, and AFSCME Sub-Chapter 98, City of Detroit Retirees. The revised coverages provided by the City will be in effect until December 31, 2014.

Medicare eligible retirees were able to select one of three Medicare Advantage insurance plans that included health and drug benefits for which the City pays most or all of the premium. These new options were available to all City retirees who were Medicare eligible.

Pursuant to the Retiree Settlement Agreement, Medicare-eligible retirees who opted out of a City-sponsored Medicare Advantage Plan on or prior to February 7, 2014 were automatically enrolled in a City-sponsored Health Reimbursement Arrangement ("HRA"). The City provided each enrolled retiree with a vested \$115 monthly contribution credit to his or her HRA during the remainder of 2014, which will carry forward until used by the retiree or otherwise forfeited under terms negotiated by the parties to the Retiree Settlement

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Agreement. In addition, the retirees were provided an additional opportunity to opt out of a City-sponsored Medicare Advantage Plan after February 7, 2014 and by June 20, 2014 and receive an HRA with credits for the months they were not covered under the City-sponsored Medicare Advantage Plan.

Non-Medicare eligible retirees were required to obtain their own health insurance coverage (for themselves, their spouses or their dependent family members). Non-Medicare eligible retirees who were enrolled in City retiree health benefits on February 28, 2014 (or as a spouse on a City health benefit) or who transitioned from active City benefits to retiree City benefits on or after November 1, 2013 were eligible for a monthly stipend beginning with the later of the month of March 2014 or the first month for which they were no longer eligible for active City benefits. Eligible retirees, surviving spouses, and surviving dependent children may use this taxable stipend for any purpose, including to defray the cost of premiums for health insurance coverage acquired through a Health Insurance Marketplace, through the retiree's or the retiree's spouse's employer or through other available health insurance premiums.

Pursuant to the Retiree Settlement Agreement, the City agreed to provide several additional benefits to non-Medicare eligible retirees which included additional taxable stipends based on various eligibility conditions.

The City ceased to subsidize dental and vision coverage effective March 1, 2014 for any retirees. All retirees, regardless of age or Medicare eligibility, who wanted dental and vision coverage were required to pay the full cost of such coverages.

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

The Benefit and Supplemental Plans do not issue separate financial statements.

Under the City's plan of adjustment approved in the Bankruptcy Case, the City restructured retiree health benefits through the creation of two voluntary employee beneficiary associations (or VEBAs). See Note XIII for further detail regarding the VEBAs. As a result of the restructuring, a special item totaling \$994,774,385 was recorded which represented the reduction of the net other postemployment benefit liability for the Employee Health and Life Insurance Benefit Plan. The Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014.

(b) Funding Policy

Employee Health and Life Insurance Benefit Plan – The cost of benefits for the benefit plan for the year ended June 30, 2014, is as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$ 124,383,248	\$ 16,298,533	\$ 140,681,781
Dental	6,196,144	1,984,411	8,180,555
Vision	845,446	186,909	1,032,355
Life Insurance	128,739	36,077	164,816
	<u>\$ 131,553,577</u>	<u>\$ 18,505,930</u>	<u>\$ 150,059,507</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Supplemental Death Benefit Plan – The cost of benefits for the supplemental plan, which is a pre-funded plan, with the funds held in the City of Detroit Employee Benefit Trust for the year ended June 30, 2014, is as follows:

Benefit	City Cost	Retiree Cost	Total Cost
Supplemental Death Benefit	\$ 99,776	\$ —	\$ 99,776

The City of Detroit Employee Benefit Trust paid death benefits in the amounts of \$997,047 for General City retirees and \$584,877 for Police and Fire retirees for the year ended June 30, 2014.

(c) Annual OPEB Costs and Net OPEB Obligation

Employee Health and Life Insurance Benefit Plan - Prior to the City changing the health insurance coverage offered to retirees and the Plan of adjustment approval, the City had a net OPEB obligation of \$994,774,385 as of June 30, 2013. Given the significant changes to the Plan, and ultimately the elimination of the Plan as a result of the creation of the VEBAs, the City has recorded a special item to reduce the OPEB obligation as of June 30, 2014. The net OPEB obligation as of June 30, 2014 was eliminated and a contractual liability was created equal to the fiscal year 2015 benefit payments of \$17,540,667.

	Total Governmental Activities	Business-type Activities					Total Primary Government
		Sewage Disposal Fund	Transportation Fund	Water Fund	Automobile Parking Fund	Non-Major Proprietary Fund	
Employee Health and Life Insurance Benefit Plan							
Net OPEB Obligation, beginning of year	\$ 766,046,174	\$ 70,201,066	\$ 85,808,452	\$ 70,306,819	\$ 2,365,557	\$ 46,317	\$ 994,774,385
Special Item - Plan Termination	(766,046,174)	(70,201,066)	(85,808,452)	(70,306,819)	(2,365,557)	(46,317)	(994,774,385)
Net OPEB Obligation, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Postemployment Benefit Contractual Liability	\$ 13,082,859	\$ 1,111,555	\$ 1,508,954	\$ 1,782,195	\$ 48,137	\$ 6,967	\$ 17,540,667

Supplemental Death Benefit Plan - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the Employee Supplemental Death Benefit Plan, and changes in the City's net OPEB obligation for the Benefit Plan:

	Total Governmental Activities	Business-type Activities					Total Primary Government
		Sewage Disposal Fund	Transportation Fund	Water Fund	Automobile Parking Fund	Non-Major Proprietary Fund	
Supplemental Death Benefit Plan							
Annual Required Contributions (ARC)	\$ 65,250	\$ 13,370	\$ 18,149	\$ 21,436	\$ 579	\$ 84	\$ 118,868
Interest on Net OPEB Obligation	46,961	12,201	14,091	12,263	334	98	85,948
Adjustment to ARC	(31,307)	(8,134)	(9,394)	(8,175)	(222)	(65)	(57,297)
Annual OPEB Cost (Expense)	80,904	17,437	22,846	25,524	691	117	147,519
Contributions Made	(70,040)	(7,350)	(9,906)	(11,992)	(464)	(23)	(99,775)
Changes in Net OPEB Obligation	10,864	10,087	12,940	13,532	227	94	47,744
Net OPEB Obligation, beginning of year	939,219	244,029	281,829	245,255	6,671	1,959	1,718,962
Net OPEB Obligation, end of year	\$ 950,083	\$ 254,116	\$ 294,769	\$ 258,787	\$ 6,898	\$ 2,053	\$ 1,766,706

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Supplemental and Death Benefit Plan	June 30, 2014	\$ 147,519	\$ 99,776	67.6 %	\$ 1,766,705
	June 30, 2013	615,816	114,292	18.6	1,718,963
	June 30, 2012	609,001	200,751	33.0	1,217,448

(d) Funded Status and Funding Progress

Employee Health and Life Insurance Benefit Plan – As mentioned above, the City made significant changes to the Plan, and ultimately eliminated the Plan as a result of the creation of the VEBAs. Therefore for the fiscal year, the funded status and funding progress was not applicable.

Supplemental Death Benefit Plan – As of June 30, 2013, the most recent actuarial valuation date for the Supplemental Plan, the actuarial accrued liability for benefits related to all City employees was \$32,445,878 and the actuarial value of assets was \$31,264,848, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,181,030. The covered payroll (annual payroll of all active City employees covered by the Plan) was \$396,950,077 and the ratio of the UAAL to the covered payroll was 0.3 percent.

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

Actuarial Methods and Assumptions

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The actuarial methods and significant assumptions used to determine the annual required contributions for the year ended June 30, 2014 were as follows:

	Employee Health and Life Insurance Benefit Plan	Supplemental Death Benefit Plan
Valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Aggregate actuarial cost method	Individual entry-age
Amortization method	Level dollar	Level dollar
Amortization period for unfunded actuarial accrued liabilities	1.5 years	30 years, open
Asset valuation method	N/A	3 year smoothed market
Actuarial assumptions:		
Investment rate of return	0.0%	5.0%
Projected salary increases	N/A	N/A
Healthcare cost trend rate	N/A	N/A

In the June 30, 2013 actuarial valuation for the Supplemental Death Benefit Plan, the mortality tables used by the City's plan to evaluate death benefits to be paid for General, EMS, and Department of Transportation (D.O.T.) retirees was 120 percent of the RP 2000 Combined Male and 120 percent of the RP 2000 Combined Female table setback two years. For police and fire retirees, the City's plan used 105 percent of the RP 2000 Combined Male and 110 percent of the RP 2000 Combined Female table setback two years. The City's plan used an annual rate of retirement of 50 percent, initially, reduced to an ultimate rate of 20 percent after age 70 for General City. The City's plan used an annual rate of retirement of 25 percent, initially, increased to an ultimate rate of 100 percent after age 70 for police and 100 percent for fire for all ages.

NOTE XI. RISK MANAGEMENT

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

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

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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

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

The City currently reports the risk management activities (excluding health and dental) of non-Enterprise Funds and the Transportation Fund (an Enterprise Fund) in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Because the Transportation Fund is included in the General Fund's risk management activities, it does not record a liability in its financial statements. Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. The Detroit Public Library (Library), a discretely presented component unit, reimburses the City for all costs incurred related to workers' compensation. The Library records the liability in its financial statements.

The liability for self-insured health and dental benefits is reported with accrued liabilities for each of the applicable funds. The liability for workers' compensation current year claims are based on estimates and payments are based on actuals.

Changes in the reported liabilities for workers' compensation, legal, disability benefits, and vehicular liabilities for the years ended June 30, 2014 and 2013, respectively, are as follows:

	Governmental Activities		Business-type Activities	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Balance at beginning of year	\$ 116,348,463	\$ 128,234,257	\$ 18,413,676	\$ 22,140,309
Current year claims and changes				
in estimates	9,125,358	6,333,033	8,971,996	6,668,691
Claims payments	<u>(7,664,257)</u>	<u>(18,218,827)</u>	<u>(4,295,112)</u>	<u>(10,395,324)</u>
Balance at end of year	<u>\$ 117,809,564</u>	<u>\$ 116,348,463</u>	<u>\$ 23,090,560</u>	<u>\$ 18,413,676</u>

Changes in the accrued liabilities for health and dental claims for the years ended June 30, 2014 and 2013, respectively, are as follows:

	Governmental Activities		Business-type Activities	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Balance at beginning of year	\$ 31,098,837	\$ 26,942,025	\$ 1,317,216	\$ 1,133,760
Current year claims and changes				
in estimates	100,958,945	132,834,132	28,265,624	34,947,355
Claims payments	<u>(110,852,673)</u>	<u>(128,677,320)</u>	<u>(32,729,058)</u>	<u>(34,763,899)</u>
Balance at end of year	<u>\$ 21,205,109</u>	<u>\$ 31,098,837</u>	<u>\$ (3,146,218)</u>	<u>\$ 1,317,216</u>

The General Fund reported committed fund balance of \$79.3 million at June 30, 2014 for the purpose of funding future claim liabilities.

NOTE XII. COMMITMENTS AND CONTINGENCIES

(a) Lawsuits and Claims

The City is a defendant in numerous lawsuits and is also subject to other claims, including claims for workers' compensation payments. The City uses in-house and, where necessary, outside counsel to adjudicate lawsuits. Each case is initially rated by the City supervising or senior attorney handling or overseeing the case with respect to its viability for success against the City. Only cases rated 'probable' for recovery from the City are reported for financial statement purposes. The dollar value reserved for any eventual payout on any said case is based upon the facts of the case, industry standards relative to the type of injury or damage involved, and the experience of the Supervising or Senior attorney. The legal reserve as of June 30, 2014 is a product of this analysis. The City used a third party actuary to perform a workers' compensation reserve analysis (estimated loss reserve) as June 30, 2014. The actuary used a general approach that relied upon actual loss development patterns for the City of Detroit to the extent they are available, and is augmented with industry benchmark loss development patterns based on insurance industry sources and patterns to project ultimate losses. While it is not possible to project the final outcome of these lawsuits and claims, the City and its legal department have estimated that the liability for all such litigation and claims totaled approximately \$140.9 million for the primary government as of June 30, 2014. In addition, these lawsuits and claims may be compromised and/or discharged pursuant to a plan of adjustment confirmed in the Bankruptcy Case.

(b) Grant Audits

Several of the City's funds participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2014 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, 2014. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

(c) Rate Matters

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

(d) Block Grant Funds

Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government. As of June 30, 2014, future Block Grant Funds of \$85,184,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended.

(e) Other Contingencies

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

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

(f) Construction Commitments

The City has commitments for future construction contracts. Construction to date and remaining commitments at June 30, 2014 were as follows:

	Spent as of June 30, 2014	Remaining
Public Protection	\$ 12,409,411	\$ 15,451,476
Municipal Facilities	5,880,409	939,470
Recreation and Culture	—	133,043
Municipal Services	671,073	1,454,772
Development and Management	494,077	112,123
Transportation Facilitation	—	2,000,000
Total	\$ 19,454,970	\$ 20,090,884

The Sewage Disposal Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (Sewage Program). The total cost of this Sewage Program is anticipated to be approximately \$553 million through fiscal year 2019. The Sewage Program is being financed primarily from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2014 was approximately \$737.2 million.

The Water Fund is engaged in a variety of projects that are a part of its five-year Capital Improvement Program (Water Program). The total cost of this Water Program is anticipated to be approximately \$504 million through fiscal year 2019. The Water Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds. The total amount of construction contract commitments outstanding at June 30, 2014 was approximately \$130.9 million.

(g) Operating Leases

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

Fiscal Year Ending:		
2015	\$	11,283,949
2016		10,028,603
2017		8,488,039
2018		8,275,531
2019		8,062,819
2020-2024		35,894,227
2025-2028		25,072,804
Total Minimum Payments	\$	107,105,972

Rental expense for all operating leases approximated \$15.3 million for the year ended June 30, 2014.

(h) Revenue Bond Indentures

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

(i) Pollution Remediation

The City is subject to various governmental laws and regulations. GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* established accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure, and post closure care. At June 30, 2014, the City has recorded an estimated pollution remediation obligation of \$51,265 as follows:

	Total Governmental Activities
Accrued Pollution Remediation	\$ 51,265

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

(j) Joe Louis Arena and Joe Louis Arena Parking Facility – Lease Agreement

On March 31, 2014, the Detroit City Council approved a lease between the City, Olympia Entertainment and the Detroit Red Wings for the rental of the Joe Louis Arena and the Joe Louis Arena Parking Facility, effective as of July 2, 2010 and ending on June 30, 2015. The agreement may be extended for up to five more years. The agreement also includes a \$5.2 million settlement payable to the City in six equal installments over a three year period for all claims that all parties may have against the other related to the original lease (effective from August 16, 1978 to June 30, 2010) and the original parking agreement, and the new lease and the new parking agreement up through their dates of execution (July 1, 2010 through April 1, 2014). A payment of \$1,293,750 was received by the City upon execution of the lease. Accordingly, the City has recognized \$3.9 million accounts receivable and \$3.9 million deferred inflows on the General Fund balance sheet. In addition, the General Fund reduced the Parking Fund Advance of \$4,050,006 to zero due to the uncertainty of collection.

NOTE XIII. BANKRUPTCY

On July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under Chapter 9 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), which case is captioned *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case"). On July 19, 2013, Bankruptcy Judge Steven W. Rhodes was assigned to the Bankruptcy Case by the Chief Judge of the United States Court of Appeals for the Sixth Circuit. On or about February 18, 2015, after Judge Rhodes' retirement, Judge Thomas J. Tucker assumed oversight of the Bankruptcy Case.

Under Chapter 9 of the Bankruptcy Code, actions by creditors to collect indebtedness the City owed prior to the Petition Date were stayed, and certain other pre-petition contractual obligations could not be enforced against the City. The Chapter 9 filing enabled the City to continue to operate and provide services to its residents and "froze" pre-petition debts, which generally would be treated and resolved under a plan of adjustment. Obligations of the City incurred, owing or attributable to the period prior to July 18, 2013, were subject to compromise in the bankruptcy process. The City paid certain pre-petition liabilities, including certain employee salaries, wages, benefits, and other obligations, during the Bankruptcy Case. The City stopped making payments related to unsecured funded debt and legacy liabilities, with the exception of retiree healthcare benefits (which were modified during the Bankruptcy Case) and certain vendors providing essential goods and services.

On December 3, 2013, the Bankruptcy Court issued a bench decision determining that the City was insolvent and eligible to be a Chapter 9 debtor (the "Bench Decision"). On December 5, 2013, the Bankruptcy Court entered: (1) its Opinion Regarding Eligibility memorializing and further elucidating the Bench Decision; and (2) an Order for Relief under Chapter 9 of the Bankruptcy Code that permitted the City to be a debtor under Chapter 9 of the Bankruptcy Code.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. Accordingly, on February 21, 2014, the City filed its first plan of adjustment and a related disclosure statement. On May 5, 2014, following additional negotiations and mediations with its creditors, the City filed its fourth amended plan of adjustment and fourth amended disclosure statement. Also, on May 5, 2014, the Bankruptcy Court entered an order approving the fourth amended disclosure statement as containing adequate information with which creditors could determine whether to vote to accept or reject the Plan, and established July 11, 2014 as the deadline for creditors to cast votes to accept or reject the Plan. Thereafter, the City through its claims and balloting agent, Kurtzman Carson Consultants LLC ("KCC"), sent the Plan, the disclosure statement, ballots, and other materials that had been approved by the Bankruptcy Court to creditors entitled to vote on the Plan.

After voting was completed, on July 21, 2014, KCC filed its first declaration regarding the solicitation and tabulation of votes on, and the results of voting with respect to, the fourth amended plan of adjustment. Impaired classes that voted to accept the Plan included classes comprising PFRS pension claims, GRS pension claims, OPEB claims, Pension Obligation Certificate (POC) Swap claims and Unlimited Tax General Obligation (UTGO) Bond claims. Impaired classes that voted to reject the Plan included the classes comprising general unsecured claims, POC claims, Limited Tax General Obligation (LTGO) Bond claims, and certain classes of DWSD debt.

Thereafter, the City continued to negotiate and mediate with its creditors who had either not settled their disputes with the City or voted to reject the Plan in an attempt to reach full consensus on the City's plan of adjustment. Those further discussions were successful, and the City filed successive amended versions of the Plan of adjustment that reflected new settlements as they were achieved. On October 22, 2014, the City filed its eighth (and final) amended plan of adjustment (the "Plan").

The hearing on confirmation of the Plan lasted 24 days between September 2, 2014 and October 27, 2014. On November 12, 2014, the Bankruptcy Court entered an order confirming the Plan (the "Confirmation Order"). On December 10, 2014 (the "Effective Date"), the transactions contemplated by the Plan closed, and the Plan became effective pursuant to its terms. On December 31, 2014, the Bankruptcy Court issued a Supplemental Opinion supporting the Confirmation Order.

Eight timely appeals of the Confirmation Order were filed and docketed in the United States District Court for the Eastern District of Michigan (one of which has been dismissed on procedural grounds). Seven appeals remain pending. Six of the pending appeals of the Confirmation Order arise from the Plan's treatment of Pension and OPEB Claims and the ASF Recoupment program and are identified by the following case numbers: (1) No. 14-14872; (2) No. 14 14910; (3) No. 14-14917; (4) No. 14-14920; (5) No. 15-10036; and (6) No. 14-14899. The seventh pending appeal (No. 14-14919) concerns the unrelated issue of the Plan's treatment of claims arising under 42 U.S.C. § 1983.

On December 10, 2014, and in accordance with the Plan, the City: (1) issued \$1.3 billion of debt of which \$1.1 billion was delivered to various classes of creditors in satisfaction of their claims; (2) paid \$110.1 million of cash including \$73.1 million to various classes of creditors in satisfaction of their claims, \$36.5 million to establish a Professional Fee Reserve account to pay the bankruptcy and restructuring professionals, and \$0.5 million to satisfy debt issuance costs; (3) assigned debt service payments on the remaining \$43.3 million of the original UTGO bonds primarily to the income stabilization funds for the General Retirement System (GRS) and Police and Fire Retirement System (PFRS); (4) issued settlement credits totaling \$25.0 million to the insurers of the POCs; and (5) irrevocably transferred the assets of the Detroit Institute of Arts (DIA) having a net book value of \$86.6 million to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

with applicable national ethical standards for museums, and within City limits, for the primary benefit of residents of the City and residents of the State. The table below describes the Plan creditor claims settlements and other requirements and the sources and amounts for the settlements made on or around December 10, 2014.

Description of Plan Creditor Claims and Other Requirements	Source	Settlement Amount
Limited Tax General Obligation (LTGO) Bond Debt	Cash	\$ 54,999,940
Professional Fee Reserve	Cash	36,461,114
POC Swap Settlement	Casino Holdback Funds	12,662,479
Syncora POC Swap Settlement	Cash	5,000,000
Debt Issuance Costs	Cash	521,147
36th District Court Settlement	Cash	482,857
	Total Cash	<u>110,127,537</u>
Unlimited Tax General Obligation (UTGO) Bond Debt to Holders	2014 A1 - K1 UTGO Bonds	279,618,950
Police Fire Retiree Health Care Trust (VEBA)	2014 B(1) & B(2) Bonds	253,900,999
General Retiree Health Care Trust (VEBA)	2014 B(1) & B(2) Bonds	238,780,159
Refund Series 2014 Financial Recovery Bonds Issued In April 2014	2014 A/B Income Tax Bonds	120,105,000
POC Settlement FGIC/Syncora	2014 B(1)	97,692,788
POC Settlement FGIC/Syncora	2014 C Bonds	88,430,021
Funds for Revitalization and Reinvestment Initiatives (RRI)	2014 A/B Income Tax Bonds	85,684,724
POC Swap Settlement	2014 A/B Income Tax Bonds	37,969,929
Debt Service Set-Aside on 2014 A/B Bonds	2014 A/B Income Tax Bonds	27,500,000
Class 14 Unsecured Claims	2014 B(1) & B(2) Bonds	20,596,747
LTGO Class 9 Settlement (POC Claims)	2014 B(1) & B(2) Bonds	17,301,861
Unlimited Tax General Obligation (UTGO) Bond Debt to Insurers	2014 A2 - K2 UTGO Bonds	7,941,840
Downtown Development Authority Class 13 Claim Assigned to FGIC	2014 B(1) & B(2) Bonds	3,691,591
Debt Issuance and Other Costs	2014 A/B Income Tax Bonds	3,740,347
	Total Bonds	<u>1,282,954,956</u>
Income Stabilization Fund for Two Pension Funds	Original UTGO Bonds	43,349,210
Settlement Credits	Non-Cash	25,000,000
	Total Other Sources	<u>68,349,210</u>
Transfer of Detroit Institute of Arts (DIA) Assets to DIA Trustee	DIA Assets (Book Value)	<u>86,568,800</u>
	Grand Total	<u>\$ 1,548,000,503</u>

Included in the \$1.3 billion of debt issued on December 10, 2014, were the City's Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014 A/B totaling \$275.0 million which: (1) refunded the \$120.0 million of the 2014 Financial Recovery Bonds issued in April 2014; (2) paid the \$38.0 million final installment of the POC swap settlement claim; (3) provided an additional \$85.7 million for reinvestment and revitalization initiatives in the City; (4) funded \$27.5 million for a debt service reserve for the Series 2014 A/B Bonds; and (5) paid \$3.8 million for issuance and other costs related to the new bonds. Also, the City has remaining proceeds available for reinvestment and revitalization initiatives from the \$120.0 million of the 2014 Financial Recovery Bonds (Quality of Life) that were refunded with this new debt.

The City eliminated a net \$8.3 billion (\$9.6 billion of liabilities and deferred inflows less \$1.3 billion of assets and deferred charges) of its obligations including: (1) \$7.0 billion of pension and retiree benefits (\$994.8 million included in the Long-Term Obligations total of \$3.0 billion detailed in the table below) legacy costs which were not recorded in the City's June 30, 2014 financial statements; (2) \$1.4 billion of POC long-term obligations; (3) \$302.5 million of the POC swaps; and (4) \$200.9 million of accrued but unpaid pension contributions. Also, as a result of the elimination of the POC long-term obligations the City eliminated the related net pension asset totaling \$1.2 billion, which included the obligation for the unpaid pension contributions.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The bankruptcy exit and settlement and discharge of claims under the Plan provided the City a total of \$6.8 billion in aggregate debt relief. Detailed in the table below is a summary of: (1) the eliminated and restructured obligations; (2) cash and assets used and new or other obligations incurred; and (3) the net benefit of the Plan.

Description	Primary Government						Net Benefit
	Assets & Obligations		Cash & Assets Used & New Obligations				
	Eliminated	Applied or Assigned	Cash & Assets	New Debt Obligations	Other		
ASSETS							
Net Pension Asset	(1) \$ (1,206,321,236)	\$ -	\$ -	\$ -	\$ -	\$ -	(1,206,321,236)
Capital Assets (Net Book Value)	-	(10)	86,568,800	-	-	-	(86,568,800)
Deferred Charges	(2) (34,452,367)	-	-	-	-	-	(34,452,367)
Total Assets	(1,240,773,603)	-	86,568,800	-	-	-	(1,327,342,403)
DEFERRED OUTFLOWS OF RESOURCES	(3)	(17,682,877)					(17,682,877)
LIABILITIES							
Accounts Payable	-	(11)	36,461,114	-	-	-	(36,461,114)
Accrued Interest Payable	53,306,470	-	-	-	-	-	53,306,470
Derivative Instruments - Swap Liability	302,463,879	-	17,662,479	37,969,929	-	-	246,831,471
Defaulted Debt Due to Insurers	(4) 143,085,398	-	-	-	-	-	143,085,398
Other Defaulted Debt	(5) 25,000,000	-	-	-	-	-	25,000,000
Contingent Liabilities	-	-	-	-	25,000,000	-	(25,000,000)
Long-Term Obligations	(6) 2,961,435,753	43,349,210	56,003,944	1,244,985,027	43,349,210	-	1,660,446,782
Total Liabilities	3,485,291,500	43,349,210	110,127,537	1,282,954,956	68,349,210	-	2,067,209,007
DEFERRED INFLOWS OF RESOURCES	(7)	34,844,753					34,844,753
Total Net Position (Deficit)	2,261,679,773	43,349,210	196,696,337	1,282,954,956	68,349,210	-	757,028,480
Other Obligations Not In Financial Statements							
Long-Term Obligations - OPEB	(8) 4,723,511,843	-	-	-	-	-	4,723,511,843
Long-Term Obligations - Net Pension Liability	(9) 1,326,824,448	-	-	-	-	-	1,326,824,448
Total Other Obligations	6,050,336,291	-	-	-	-	-	6,050,336,291
Grand Total Net Position (Deficit)	\$ 8,312,016,064	\$ 43,349,210	\$ 196,696,337	\$ 1,282,954,956	\$ 68,349,210	\$ -	\$ 6,807,364,771

- (1) Net Pension Asset eliminated with bankruptcy and GASB 67 and upcoming GASB 68 requirements
- (2) Prepaid insurance costs related to eliminated obligations
- (3) Deferred charges related to eliminated obligations
- (4) Principal and interest paid by insurers for defaulted debt including POC and LTGO debt
- (5) Uninsured LTGO (2008 A(2)) bonds principal defaulted on
- (6) Includes \$1.4 billion POC; \$994.8 million OPEB eliminated for year ended June 30, 2014; \$287.5 million restructured UTGO; and \$117.6 million LTGO obligations
- (7) Deferred Swap Termination Fees
- (8) Last OPEB valuation (June 11, 2011) \$5,718,286,228 less \$994,774,385 included in Long-Term Obligations
- (9) Net Pension Liability Reduction (\$2,918,025,938 pre-bankruptcy and \$1,591,201,490 post-bankruptcy)
- (10) DIA Assets transferred to DIA Trustee
- (11) Funding for Professional Fee Reserve

The City entered into various settlement agreements and other resolutions as set forth in the Plan, including the following: (1) UTGO Settlement Agreement (Sections II.B.3.o and IV.C of the Plan and Exhibit I.A.360 to the Plan); (2) LTGO Settlement Agreement (Sections II.B.3.n and IV.H of the Plan and Exhibit I.A.237 to the Plan); (3) OPEB Benefits Settlement (Sections II.B.3.s, IV.G and IV.P of the Plan and Exhibits I.A.108 and I.A.112 to the Plan) and the Retiree Health Care Settlement Agreement (Exhibit I.A.298 to the Plan); (4) DIA Settlement (Section IV.E of the Plan and Exhibits I.A.126 and I.A.127 to the Plan); (5) State Contribution Agreement (Section IV.D of the Plan and Exhibit I.A.332 to the Plan); (6) General Retirement System (GRS) and Police and Fire Retirement System settlements (Sections II.B.3.q, II.B.3.r and IV.F of the Plan and Exhibits I.A.250.a-b, I.A.254.a-b, I.A.280, I.A.281, I.A.292, II.B.3.q.ii.A, II.B.3.q.ii.C, II.B.3.r.ii.A and II.B.3.r.ii.C to the Plan); (7) matters relating to the DWSD Authority (Great Lakes Water Authority – Section IV.A.3 of the Plan); (8) Syncora Settlement, including the Syncora Development Agreement and the other Syncora Settlement Documents (Sections II.B.3.p and IV.I of the Plan and Exhibits I.A.66, I.A.133, I.A.248, I.A.249, I.A.340 and I.A.344 to the Plan); (9) FGIC/POC Settlement, including the FGIC Development Agreement and the other FGIC/POC Settlement Documents (Sections II.B.3.p and IV.J of the Plan and Exhibits I.A.66, I.A.132, I.A.197, I.A.198, I.A.248 and I.A.249 to the Plan); (10) POC Swap Settlement Agreement (Section II.B.3.l of the Plan and Exhibit I.A.88 of the Plan); and (11) all other compromises and settlements included in, incorporated into or related to the Plan of Adjustment.

Certain of the primary activities in the Bankruptcy Case are summarized below:

UTGO Settlement

On April 9, 2014, the City and three bond insurers agreed to a settlement in principle regarding the unlimited tax general obligation bonds (UTGO) that they insure, which UTGO bonds had a total principal value of \$330.9 million at June 30, 2014. The settlement resolved certain litigation pending in the Bankruptcy Court regarding the UTGO bonds. Pursuant to the settlement, holders of UTGO bonds receive a pro-rata share of Restructured UTGO Bonds in the principal amount of \$279.6 million (2014 A1-K1 Bonds issued December 10, 2014). The insurers of the prior UTGO bonds received \$7.9 million of the Restructured UTGO Bonds. The Restructured UTGO Bonds are secured by the City's pledge of UTGO bond ad valorem tax levy and distributable state aid (DSA) that the City is entitled to receive. The Plan reinstated the remaining Stub UTGO Bonds in the principal amount of \$43.3 million, which were not discharged or exchanged for the Restructured Bonds. Pursuant to the Plan, the proceeds of ad valorem taxes pledged and collected to pay the remaining principal (\$43.3 million) and the related interest of the reinstated Stub UTGO bonds are primarily to support the income stabilization funds for the City's two pension plans for additional distributions to those retirees who meet certain income eligibility criteria. The insurers remain responsible for the debt service to the bondholders on the remaining \$43.3 million Stub UTGO bonds.

LTGO Settlement

The City, the LTGO (Limited Tax General Obligation) bond insurer and Black Rock Financial Management reached a settlement related to the treatment of allowed LTGO Bond Claims, which is described in Exhibit I.A.237 and elsewhere in the Plan. On December 10, 2014, in accordance with the Plan, the City eliminated \$161.0 million of Limited Tax General Obligation Bonds and paid to the holders of allowed LTGO Bond Claims \$55.0 million in cash from the General Fund. Holders of allowed LTGO Bond Claims also received \$17.3 million of the 2014 B(1) and B(2) Bonds issued by the City on that day.

Retiree Health Benefits

The Plan restructures the City's retiree health legacy obligations, which consumed substantial (and escalating) percentages of the City's revenues at the time of the Chapter 9 filing. The Plan allowed the City to eliminate billions in unfunded retiree health obligations through the creation of two voluntary employee beneficiary associations (or VEBAs), which will be exclusively responsible for retiree health programs and payments for City employees who retired prior to January 1, 2015. A total of \$492.7 million (2014 B(1) and B(2) bonds issued on December 10, 2014), plus an additional amount of approximately \$5.0 million (paid over time) from private foundations, will be used to fund the VEBAs.

The Plan provides for the establishment of two VEBAs in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, that would provide health care, life or other permissible welfare benefits to beneficiaries and certain of their dependents. The "Detroit Police and Fire VEBA" (PFRHC Trust), funded largely with the \$253.9 million of the \$492.7 million in 2014 B(1) and B(2) bonds, has been established for retired police and fire uniform employees, and the "Detroit General VEBA" (GRHC Trust), funded largely with the remaining \$238.8 million of the \$492.7 million in 2014 B(1) and B(2) bonds, has been established for general retirees. The two VEBAs will each be governed by a board of trustees, which will be responsible for: (1) management of the assets held by the VEBA; (2) administration; and (3) determination of the level of distribution of benefits to the beneficiaries. From and after January 1, 2015, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits to City employees who retired prior to that date.

The two VEBA trusts, acting through their trustees, will be responsible for funding of retiree health coverage benefits on and after January 1, 2015, but the City has worked to facilitate a smooth transition for the take-over of retiree health benefits by continuing the 2014 program of stipends and Medicare Advantage insurance for the months of January through March 2015. The Trusts will reimburse the City for such payments.

In addition to the receipt of 2014 B(1) and B(2) bonds and certain foundation funds as noted above, and in order to provide liquidity to the two Trusts to make the reimbursement payments to the City and address other cash needs during the first half of 2015, the Governing Board of the City of Detroit Employee Benefits Plan (the "Detroit Benefits Board") will provide grants as well as a loan from rate stabilization reserve to the Trusts.

Detroit Institute of Arts (DIA) Settlement ("Grand Bargain")

Pursuant to the DIA Settlement: (1) certain charitable foundations and funders of the non-profit corporation ("DIA") that operates the Detroit Institute of Arts (collectively with DIA, the "DIA Funding Parties") have committed to assist in the funding of the City's restructured legacy pension obligations; and (2) the City has agreed to enter into certain transactions that will cause the DIA assets to remain in the City in perpetuity, subject to dispositions in accordance with applicable national ethical standards for museums, and to otherwise make the DIA assets available for the benefit of the residents on the City and State of Michigan (see below). The DIA Settlement will be funded over a 20-year period as follows: (1) an irrevocable commitment of \$366 million by the charitable foundations payable in equal annual installments over the 20-year period; and (2) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA to raise at least \$100 million from its donors, the payment of which \$100 million will be guaranteed by the DIA payable in equal annual installments over the 20-year period, which DIA payments are subject to a present value discount if paid in advance of the 20-year schedule of payments. Upon the closing of the DIA Settlement transaction on December 10, 2014, the City irrevocably transferred the DIA assets, having a net book value of \$86.6 million, to the DIA, as trustee, to be held in perpetual charitable trust, subject to dispositions in accordance with applicable national ethical standards for museums, and within the City limits, for the primary benefit of the residents of the City and citizens of the State.

In addition, related to the DIA Settlement, the State of Michigan, per the State Contribution Agreement (Exhibit I.A.332 of the Plan), committed to make a contribution equal to the net present value of \$350.0 million payable over 20 years using a discount rate of 6.75% to GRS (\$98.8 million) and PFRS (\$96.0 million) in support of the Plan. The State Contribution Agreement requires that the Plan provide for release of the State and certain other entities related to the State by each holder of a pension claim from all liabilities arising from or related to the City and the Bankruptcy Case.

In accordance with the Plan of Adjustment, on the closing of the DIA Settlement transaction on December 10, 2014, the City, the DIA, and the Foundation for Detroit's Future ("FDF") delivered the following agreements to effectuate the DIA Settlement: (1) the Omnibus Transaction Agreement (Exhibit I.A.127 of the Plan) by and among the City, the DIA and the FDF; (2) the Settlement Conveyance and Charitable Trust Agreement by and between the City and the DIA (the "Conveyance Agreement"); (3) the Quit Claim Deed from the City to the DIA granting the DIA the City's interest in the cultural center garage (the "Garage Deed"); (4) the Quit Claim Deed from the City to the DIA granting the DIA the City's interest in the real property of the Detroit Institute of Arts (the "DIA Deed"); (5) the Bill of Sale by and between the City and the DIA (the "Bill of Sale"); and (6) the Intellectual Property Transfer Agreement by and between the City and the DIA.

On December 10, 2014 the Foundation for Detroit's Future made the first payments totaling \$23.3 million in accordance with the DIA Settlement Agreement to the GRS (\$5.0 million) and PFRS (\$18.3 million). On February 9, 2015, the State paid the GRS \$98.8 million and the PFRS \$96.0 million in accordance with the State Contribution Agreement.

Pension Settlements

On the Effective Date (December 10, 2014) of the Plan, the City assumed the obligations related to the already accrued benefits under the GRS pension plan and the PFRS pension plan as those benefits were modified in the Plan. The old GRS and old PFRS plans (which were frozen on July 1, 2014) are closed to new participants, and vested active employees have not accrued additional pension benefits under the terms and conditions of those plans since that date. As of the Effective Date, the City retained the responsibility to fund all amounts necessary to provide the adjusted (reduced) pension benefits to its employees and retirees who accrued benefits in either of the old, frozen GRS or PFRS pension plans, although the City's contributions will be fixed during the period ending June 30, 2023. Thereafter, the City will be required to contribute all amounts necessary to fund the modified accrued pensions. Although, pursuant to the Plan, the City will provide necessary funding to support the reduced pension benefit levels, the level of funding necessary to support those reduced pension benefits will depend upon, among other things, future actuarial assumptions, changes in retiree mortality and investment returns.

To ensure that pension funding obligations do not impair the Plan objective of assuring that the City will have sufficient funds to operate and to improve infrastructure and public safety, the City developed the following pension restructuring assumptions and objectives: (1) the City has set a goal of achieving a 70% and 75% funded status for GRS and PFRS, respectively, based upon an assumed investment rate of return of 6.75%, by June 30, 2023 and based further on the market value of assets, not a smoothed value of assets; and (2) the City has determined the cash contributions it can reasonably afford to make to each pension plan during the period ending June 30, 2023. Based on these parameters, which were chosen to achieve predictable pension contributions over the long term and sufficient pension funding to provide benefits as modified, and to align the City's required future cash contributions to the plans with its reasonably projected revenues, the City determined what pension benefit cuts are necessary from the participants in each pension plan.

Under the Plan, claims against the City are divided into different classes. Claims related to PFRS pensions are in Class 10. Claims related to GRS pensions are in Class 11. Specifically, the calculation of the amounts of the allowed PFRS pension claims in Class 10 and the allowed GRS pension claims in Class 11 utilized, among other assumptions, a 6.75% discount rate to value liabilities and a 6.75% investment return rate for future growth rate of assets. This investment return rate is less than: (a) the net 8% investment return rate historically utilized by PFRS in calculating the actual underfunding of the PFRS pension plan; and (b) the net 7.9% investment return rate historically utilized by GRS in calculating the actuarial underfunding of the GRS pension plan. In both cases the City utilized the lower assumed rate as a measure to ensure that more conservative investment policies. Such policies would concomitantly reduce the risk of unexpected loss, which better ensures that the plan beneficiaries will receive their adjusted benefits and that the City is not confronted with unforeseen and unbudgeted increases in required future pension contributions that could cause the City to experience budget deficits in the future.

With respect to PFRS pension claims, the Plan does not reduce monthly pension payments for holders of PFRS pension claims, but it does reduce annual cost-of-living adjustments ("COLAs" or "escalators") by 55%.

Similarly, with respect to GRS pension claims, the Plan provides for reduction of pension benefits by 4.5% and eliminates COLAs. Holders of GRS pension claims who participated in the Annuity Savings Fund during the period July 1, 2003 to June 30, 2013, also are subject to the recoupment into the GRS trust of a portion of the excess interest credited to Annuity Savings Funds accounts during that period, either by a single lump sum payment, or over time through reductions in their monthly checks.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The table below details the anticipated pension contributions to the GRS and PFRS from December 10, 2014 through June 30, 2023.

Source of Pension Contributions	Required or Paid FY 2015	Contributions Through June 30, 2023	Beneficiary
Detroit Water and Sewerage Department	\$ 65,400,000	\$ 428,500,000	GRS
State Contribution	98,800,000	98,800,000	GRS
DIA	5,000,000	45,000,000	GRS
General Fund	12,100,000	92,100,000	GRS
Library	2,500,000	22,500,000	GRS
Stub UTGO Bond Millage Assignment to Income Stabilization Fund	4,400,000	31,700,000	GRS
Total GRS Contributions Through June 30, 2023	<u>\$ 188,200,000</u>	<u>\$ 718,600,000</u>	
Foundation For Detroit's Future	\$ 18,300,000	\$ 164,700,000	PFRS
State Contribution	96,000,000	96,000,000	PFRS
Total PFRS Contributions Through June 30, 2023	<u>\$ 114,300,000</u>	<u>\$ 260,700,000</u>	

The latest actuarial reports “GASB Statement No. 67 Plan Reporting and Accounting Schedules” for the GRS and PFRS estimated that the pre-bankruptcy exit net pension liability at June 30, 2014 was \$1,786,441,192 and \$1,131,584,746 respectively (See Note IX Pension Plans). Also, as part of their analysis, the actuary projected that the net pension liability at June 30, 2014 for the GRS and PFRS as a result of the benefit changes in the Plan were \$999,849,016 and \$591,352,474, respectively. The net pension liability for both retirement systems decreased \$1,326,824,448 (\$786,592,176 GRS and \$540,232,272 PFRS) because of the pension settlements.

Great Lakes Water Authority

On September 9, 2014, as a result of the mediation in bankruptcy and pursuant to Section 12(l)(r) of PA 436, the Emergency Manager, the Mayor, the County Executives of Wayne, Oakland and Macomb Counties and the Governor executed a Memorandum of Understanding detailing the framework and parameters for establishing a regional authority under Michigan Public Act 233 of 1955, as amended (“Act 233”), to be called the Great Lakes Water Authority (the “Authority”), to operate and manage the regional assets of the Detroit Water Supply System and Sewage Disposal System (“Detroit Systems”) owned by the City of Detroit and presently operated by the Detroit Water and Sewerage Department (DWSD) and the proposed Articles of Incorporation therefor including the lease of the Detroit Systems (other than the Detroit infrastructure serving residents, businesses and other customers within the City). On September 9, 2014, the Emergency Manager issued order number 34, approving the Articles of Incorporation of the Great Lakes Water Authority and related transactions. The Articles of Incorporation and Memorandum of Understanding include the following:

- The City retains control and ownership of the Detroit Systems.
- The Authority is incorporated for the purpose of acquiring, owning, leasing, improving, enlarging, extending, financing, refinancing and operating a water supply system and a sewage disposal system, including a storm water collection and treatment system, or a combination of such systems, and for exercising any of the powers of the Authority under these Articles and for purposes authorized under Article 7, Section 28 of the Michigan Constitution and other Michigan law.
- The City shall lease the Detroit Systems (except the Detroit local system infrastructure) to the authority for an initial term of 40 years, extendable to at least match the term of any outstanding bonds of the Authority.
- Consideration for the Lease shall be a \$50 million charge per year to be held by the Authority and used at the City’s discretion to fund any or a combination of the following: Detroit local system infrastructure improvements, debt service associated with such improvements or the City’s share of the cost of common-to-all improvements. Initially, 45% of the charge shall be allocated to Water Supply System customers and 55% shall be allocated to Sewage Disposal System customers. The City is forbidden to use the charge to support the General Fund.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

- The State shall allow the Authority to use the Michigan Finance Authority to issue bonds on behalf of the Authority.
- The Authority will contribute \$4.5 million in fiscal year 2014-15 and 0.5% of base operating revenues of the Authority per year to a Water Residential Affordability Program Fund to assist customers who are financially unable to afford water or sewer service and agree to undertake conservation measures.
- The existing recognitions of the City's ownership and system support in the water and sewer system rate structures (return on equity for water and per settlement for sewer) will be frozen and continue at \$26.216 million per year (\$20,700,000 as the rate of return for the water system and \$5,516,600 pursuant to settlements for the sewer system) during the term of the Authority.
- The transfer of the Detroit Systems to the Authority shall not cause impairment of tax treatment of outstanding DWSD bonds. New debt and refunding bonds shall be issued pursuant to the Revenue Bond Act (PA 94 of 1933) or other statutory authority.
- The financial analysis undertaken by the parties to the Memorandum of Understanding assumes that the Authority will issue bonds to prepay its Pension Liability or identify other savings should such financing prove infeasible and the Pension Liability is paid over the schedule provided in the Plan of Adjustment. Within 90 days after the establishment of the Authority, the Authority working with the City and Investment Committee of the GRS, shall develop a process to reach agreement on the dollar amount which the Authority would need to deposit with the GRS as a one-time payment in lieu of the Pension Liability payments payable at \$42.9 million per year (not including the \$2.5 million in annual administrative expenses or the one-time restructuring cost payment of \$20 million in fiscal year 2014-15) over nine years pursuant to the Plan of Adjustment.
- The GRS will continue to: (a) track DWSD retirees, deferred retirees, active vested members, pension benefits paid and actuarial accrued liabilities separately from other GRS members; and b) shall allocate to the DWSD/Authority an undivided interest in GRS administrative expenses and in each investment and class of investment in the GRS, to enable the Authority to verify the appropriateness of allocations to the Authority.
- Each Detroit System is assumed to experience revenue requirement increases of not more than 4% for each of the first 10 years under the Authority management.
- The City and each wholesale customer shall retain responsibility for all obligations associated with their individual revenue requirements.
- The City has the right to continue to operate and retain employees to operate, maintain, repair and improve the local system in Detroit, including capital improvements and repairs, billing and collection services, and any other services.
- The City shall continue to develop the capital improvement program for the Detroit local system infrastructure and may elect to administer the maintenance and improvements to that system, and in any event, will direct the expenditure of all funds dedicated for those purposes.
- The Authority will finance Detroit local system improvements through the issuance of Authority bonds under the Revenue Bond Act, with the debt service to be allocated solely to Detroit local subsystem ratepayers.
- The Authority may provide services and issue bonds to finance improvements for other local systems within its service areas.
- The State agrees to identify ways to facilitate access and eligibility for the Authority to the Clean Water State Revolving Fund and Drinking Water State Revolving Fund (SRF) grants and other sources of State funding to mitigate the cost of improvements for the Detroit Systems and local system improvements.

- The City will assign all customer and vendor contracts to the Authority.
- The Authority shall be a successor employer to DWSD for those employees transferring to the Authority, and will assume and honor DWSD's collective bargaining agreements for those employees.
- The Authority shall, in connection with its assumption of or substitution for outstanding DWSD bonds, covenant to:
 - A. Maintain compliance with DWSD's three-part combined coverage requirements for senior lien, second lien, and SRF junior lien indebtedness for both, additional bonds test and rate covenant purposes;
 - B. Maintain, pursuant to such ordinances or indentures, a flow of funds consistent with Act 94, on the following order of priority required by Act 94: (x) operation and maintenance expenses of the related Detroit System, and (y) debt service on all bonds payable from net revenues of the related Detroit System before making deposits to other accounts in the flow of funds; and
 - C. Comply with the provisions of the Bankruptcy Court Order dated August 25, 2014 approving the DWSD tender and new money financing, including but not limited to paragraph 24 thereof (requiring the method of making pension payments to the frozen defined GRS plan).
- The Authority shall also have received: (a) an opinion of a nationally recognized bond counsel to the effect that the transfer of the Detroit Systems to the Authority and assumption of the outstanding DWSD bonds, in and of themselves, will not materially impair the tax-exempt status of the interest on such bonds; and (b) confirmation from one or more recognized rating agencies that the bonds, after assumption or substitution by the Authority are rated not less than the then-current rating on the bonds.

On June 12, 2015, the Authority's Board of Directors voted in favor of a resolution approving the lease of the Detroit Systems to the Authority for an initial term of 40 years.

The Syncora Settlement

Syncora owned and was an insurer of certain of the City's POC debt (Insurer of \$351.9 million pre-petition balance). In addition, Syncora insured certain interest rate swap agreements and UTGO debt (\$34.4 million pre-petition balance). Also, Syncora, through its wholly-owned subsidiaries, owns the company that currently leases and operates the City of Detroit's side of the Tunnel.

The City and Syncora reached a Settlement Agreement (Exhibit I.A.340 of the Plan) effecting a global resolution of all matters and litigation between the parties related to the Bankruptcy Case, as set forth in the Syncora Settlement Documents (Exhibit I.A.344 of the Plan). Pursuant to the Syncora Settlement, and in accordance with the Plan: (1) the City, pursuant to Section II.D.1 of the Plan, assumed the Tunnel Lease and extended and amended Syncora's lease an additional 20 years to December 2040; (2) the parties entered into the Syncora Development Agreement and the Syncora Option Agreement; (3) the parties dismissed the Syncora litigation as set forth in the Syncora Settlement Agreement; (4) Syncora supported confirmation of the Plan; and (5) the City paid \$5 million (on December 10, 2014) to Syncora in full satisfaction of all of Claims filed or asserted against the City by Syncora relating to the POC Swap Agreements and any agreements related thereto, including the POC Syncora Swap Insurance Policies and the POC Swap Collateral Agreement.

In accordance with the Syncora Development Agreement, Syncora was granted options of 4, 5, and 7 years to acquire certain properties owned by the City including the former Police Headquarters located at 1300 Beaubien. If Syncora exercises the option on any of those properties, it would have 15 months to commence development of such property into parking facilities, residential housing, commercial retail space or any other suitable use that is consistent with the City's urban planning policies and comprehensive development plan. If Syncora does not begin development of the property within 15 months after the option is exercised, ownership of the property will revert to the City. Syncora must also complete construction within three years and three months of exercising the option. Syncora may exercise its option with respect to individual properties and is not required to exercise its option on all of those properties.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The Syncora Option Agreement includes a one-year option, exercisable from the Effective Date of the Plan for Syncora to enter into a 30 year concession with respect to the parking garage located under Grand Circus Park. If Syncora exercises the option, it will have the right to operate the garage and will also be obligated to invest at least \$13.5 million in capital expenditures within the first five years of assuming garage operations. The Syncora Option Agreement contemplates that Syncora will retain all revenues from the parking garage until it has recouped 140% of its initial capital expenditures of \$13.5 million. After that, Syncora will be required to pay the City 25% of the free cash flow of the garage.

On December 10, 2014, in accordance with the Plan, the City paid cash, issued bonds, and gave options and credits in settlement of all Syncora’s claims against the City as detailed in the table below.

Source	Amount	Description
2014 A1 - K2 Bonds	\$ 26,765,375	Restructure UTGO 2003 A Bonds totaling \$31,675,000
2014 A2 - K2 Bonds	47,479	UTGO Bonds Delivered to Syncora
2014 B(1) Bonds	23,500,000	POC Settlement (2005A \$52,750,000 & 2006B \$299,155,000)
2014 C Bonds	21,271,804	POC Settlement
General Fund Cash	5,000,000	Settle all remaining Syncora claims against the City
Settlement Credits	6,013,750	Development Agreements
Total Syncora Settlement	<u>\$ 82,598,408</u>	

FGIC/COP Settlement

The Financial Guaranty Insurance Company (“FGIC”) was an insurer of certain of the City’s POC debt (\$1.1 billion pre-petition balance). The City and FGIC reached a settlement agreement effecting a global resolution of all matters and litigation between the parties related to the Bankruptcy Case, as set forth in the FGIC/POC settlement documents (Exhibits I.A.197 and 198 of the Plan). Pursuant to the FGIC/POC settlement, and in accordance with the Plan: (1) the City and the Developer, for the benefit of FGIC and the FGIC POC Holders, entered into the FGIC Development Agreement (Exhibit I.A.198 of the Plan); (2) FGIC, on behalf of the FGIC POC Holders, became a settling POC claimant with respect to all POCs and POC claims associated with POCs originally insured by FGIC; (3) the parties dismissed the FGIC/POC Litigation as set forth in the FGIC/POC settlement documents; (4) except for excluded actions, FGIC waived any claims it may have had against any other party related to the dismissed FGIC/POC Litigation as set forth in the FGIC/POC settlement documents; and (5) in full satisfaction and discharge of FGIC’s claims against the City related to FGIC’s swap insurance policies: (a) FGIC received an Allowed Class 14 Claim in the amount of \$6.15 million, entitling FGIC to receive the Distributions provided pursuant to Section II.B.3.u.i; and (b) the DDA assigned to FGIC all of its right, title, and interest to the 2014 B (1) Bonds distributed to the DDA pursuant to Section II.B.3.t.ii.

Per the settlement agreement, FGIC and the POCs Holders will divide the consideration provided under the class 9 settlement (POCs claims) option under terms agreed upon between them. As part of the settlement, the parties agreed to dismiss the POCs litigation. FGIC also agreed to waive any and all claims it may have had against any other party, including the GRS and the PFRS related to the POCs litigation.

In addition to FGIC’s share of the class 9 settlement option, FGIC and the City entered into a development agreement for the Joe Louis Arena site. Under this agreement, an entity to be formed and controlled by FGIC and the POCs Holders will have the option to acquire and develop the land upon which the Joe Louis Arena and its garage currently sit. The City will demolish the structures on the land and perform any necessary environmental remediation pursuant to the terms of the development agreement.

Within 36 months after executing the development agreement, the new entity must prepare a comprehensive development plan for the site. If the City approves the development plan, the City and the new entity must close on the sale of the parcels within two years of that approval, or within six months of completion of the demolition of the structures located on the property, whichever is later. The State has agreed to reimburse the new entity for eligible project costs and tax increment financing incentives. The City has also agreed to zone the property such that a mixed-use development would be permitted and assist the new entity in obtaining certain tax abatements. The new entity is required to have the development substantially completed within 36 months after closing on the sale of the property.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

FGIC also had asserted claims against the City relating to the swap agreements. In settlement of those claims, FGIC has an allowed Class 14 claim for \$6.15 million to share pro rata with other Class 14 creditors in the \$20.4 million of 2014 B(1) bonds and \$0.2 million of 2014 B(2) bonds issued December 10, 2014. In addition, the Downtown Development Authority assigned to FGIC its right, title and interest to its distribution of 2014 B (1) Bonds under the plan on account of its \$33.6 million Class 13 Claim.

On December 10, 2014, in accordance with the Plan, the City paid cash, issued bonds, and gave options and credits in settlement of all FGIC's claims against the City as detailed in the table below.

Source	Amount	Description
2014 B(1) Bonds	\$ 74,192,788	POC Settlement (2005A \$450,615,000; 2006A \$148,540,000 & 2006B \$500,845,000)
2014 C Bonds	67,158,217	POC Settlement
2014 B(1) Bonds	3,691,591	DDA settlement amount
2014 B(1) and B(2) Bonds (1)	TBD	Pro-rata share of \$20.6 M Class 14 Claims Amount Unknown at time of this report
Settlement Credits	18,986,250	Development Agreements
Total FGIC Settlement	<u>\$ 164,028,846</u>	

(1) Class 14 Claims (general unsecured creditors) remain unsatisfied pending determination of the allowed claim for each member of the class. A total of \$20,596,747 of 2014B(1) and 2014 B(2) Bonds are being held by a disbursing agent for distribution to claimants as such time as the allowed claims have been determined, and are the sole source of payment of Class 14 Claims.

Swap Settlement

The City reached a settlement agreement with the counterparties to the City's interest rate swap agreements (the "Swap Counterparties") that allowed the City to terminate its obligations related to the swap agreements in exchange for approximately \$85.0 million, less certain payments, in full satisfaction of the claims between the parties (the "Plan Support Agreement"). The POC Swap agreements are detailed in Exhibit I.A.88 of the Plan. On June 30, 2014, the fair value of the interest rate swaps obligation to the City was \$302.5 million (\$244.1 million to the Governmental Activities). On December 12, 2014, the City used \$37,969,929 of bond proceeds (Series 2014 B Bonds) and \$12,662,479 of Casino holdback funds to pay the remaining balance owed the Swap counterparties in accordance with the Plan of adjustment.

Financial Review Commission

Michigan Public Act 181 of 2014, M.C.L. §§ 141.1631, *et seq.*, established the Detroit Financial Review Commission (the "Commission), to monitor the City's compliance with the Plan of Adjustment and Public Act 181 and provide oversight of the City's financial activities. On December 10, 2014, the Commission became operational. The Commission has broad authority (as of the Effective Date) to obtain and review the City's financial records on an ongoing basis, approve budgets and contracts and conduct financial audits of the City. Michigan Public Act 182 of 2014, M.C.L. 117.4s-t, further imposes requirements including the City adopt a multi-year financial plan and appoint a chief financial officer (CFO).

Liabilities Subject to Compromise

Unsecured obligations owed or incurred by the City as of, or relating to the period prior to, July 18, 2013 were subject to compromise in the Bankruptcy Case. As of June 30, 2014, the City had made significant progress in achieving settlements with the major creditors. On December 10, 2014, the City exited bankruptcy with settlements with substantially all its major creditor groups. As a result, the City was able to reduce a large amount of obligations owed to creditors. The table below details the City's Primary Government obligations at June 30, 2014, and the bankruptcy compromise/settlement impact on those obligations. In addition, the table shows the additional debt incurred pursuant to the Plan to satisfy claims in accordance with the Plan of Adjustment and to provide funding for restructuring initiatives.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Total Primary Government	Bankruptcy Compromise	Debt Added Effective Date	Proforma Balance
Long-Term Obligations Subject to Compromise				
Net Pension Liability GRS (Note IX (i))	\$ 1,786,441,192	\$ (786,592,176)	\$ -	\$ 999,849,016
Net Pension Liability PFRS (Note IX (i))	1,131,584,746	(540,232,272)	-	591,352,474
OPEB Employee Health and Life Insurance Benefit Plan	5,718,286,228	(5,718,286,228)	-	-
General Obligation Bonds Unlimited Tax (Note VII (b))	330,910,000	(287,560,790)	-	43,349,210
General Obligation Bonds Limited Tax (Note VII (b))	117,550,000	(117,550,000)	-	-
General Obligation Financial Recovery Bonds (Note VII (b))	120,000,000	(120,000,000)	-	-
Revenue Bonds (Note VII (c))	-	-	-	-
POC (Note VII (d))	1,399,155,000	(1,399,155,000)	-	-
Premium On UTGO and LTGO Bonds	8,795,578	(8,795,578)	-	-
2014 A1-K2 Bonds (Restructured UTGO)	-	-	287,560,790	287,560,790
2014 A Income Tax Bonds	-	-	134,725,000	134,725,000
2014 B Income Tax Bonds	-	-	140,275,000	140,275,000
2014 B(1) Bonds	-	-	616,560,047	616,560,047
2014 B(2) Bonds	-	-	15,404,098	15,404,098
2014 C Bonds	-	-	88,430,021	88,430,021
Notes & Loans Payable (Note VII (a) and (e))	33,600,000	(33,600,000)	-	-
Claims and Judgements (Note VII (a))	53,612,145 (1)	TBD	-	53,612,145
Total Long-Term Obligations Subject to Compromise	\$ 10,699,934,889	\$ (9,011,772,044)	\$ 1,282,954,956	\$ 2,971,117,801
Current Obligations Subject to Compromise				
Accounts Payable	\$ 16,329,862 (1)	\$ TBD	\$ -	\$ 16,329,862
Accrued Interest Payable	53,306,471	(53,306,471)	-	-
Pension Contributions Due Retirement Systems	200,858,070	(200,858,070)	-	-
Swap Liability	302,463,879	(302,463,879)	-	-
LTGO P&I due Insurer	22,953,172	(22,953,172)	-	-
UTGO P&I Due Insurer	56,949,551	(56,949,551)	-	-
POC P&I Due Insurer	63,182,675	(63,182,675)	-	-
Other Unpaid Defaulted Debt (2008 A(2) Uninsured LTGO Bonds)	25,000,000	(25,000,000)	-	-
Deferred Inflows of Resources	34,844,753	(34,844,753)	-	-
Total Current Obligations Subject to Compromise	\$ 775,888,433	\$ (759,558,571)	\$ -	\$ 16,329,862

(1) Class 14 Claims (general unsecured creditors) remain unsatisfied pending determination of the allowed claim for each member of the class. A total of \$20,596,747 of 2014B(1) and 2014 B(2) Bonds are being held by a disbursing agent for distribution to claimants as such time as the allowed claims have been determined, and are the sole source of payment of Class 14 Claims.

The largest settlements were with the City's current employees and retirees. The City reduced its OPEB (Other post-employment benefits) obligations by \$5.7 billion and net pension liabilities by \$1.3 billion. In addition, the City's unpaid pension contributions required for FY 12 through FY 14, totaling \$200.9 million, were discharged in the bankruptcy.

Other significant reductions were for the: (1) POC settlement of \$1.4 billion; (2) Unsecured LTGO bonds of \$142.6 million including the \$25.0 million of the uninsured 2008 A(2) LTGO bonds; (3) Swap/derivative liability of \$302.5 million; and (4) insurer subrogation for defaulted debt totaling \$143.1 million.

The City issued \$1.3 billion of new debt under the Plan. Major applications of the new debt include: (1) \$492.7 million to fund the VEBAs for retiree health benefits; (2) \$287.6 million to restructure a portion of the original UTGO debt; (3) \$203.4 million to satisfy POC claims; (4) \$120.1 million to refund the 2014 Financial Recovery Bonds (Quality of Life financing issued in April 2014); and (5) \$85.7 million for restructuring initiatives.

Pro-Forma General Fund Balance Sheet

Due to the timing of the City's CAFR, the June 30, 2014 financial statements do not represent the impact of the settlements reached in bankruptcy and the Plan of Adjustment, which became effective on December 10, 2014 when the City exited bankruptcy. In accordance with Generally Accepted Accounting Principles, the financial statements record the City's Assets, Liabilities (obligations), and Fund Balances as of June 30, 2014 when the bankruptcy was still pending. At June 30, 2014, the City was still obligated to its creditors for its pre-petition debt.

The following Pro-Forma General Fund Balance Sheet at June 30, 2014 has been restated for the impact of the occurrence of the Effective Date. As of the date of this report, there are unresolved claims and obligations of the City that are not included in the Pro-Forma General Fund Balance Sheet.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

<u>GENERAL FUND</u>	<u>Balance</u>	<u>Bankruptcy</u>	<u>Pro-Forma</u>
ASSETS	<u>June 30, 2014</u>	<u>Compromise</u>	<u>Balance</u>
			<u>June 30, 2014</u>
Cash and Cash Equivalents	\$ 376,272,685	\$ -	\$ 376,272,685
Investments	5,009,151	-	5,009,151
Accounts and Contracts Receivable:			
Estimated Withheld Income Taxes Receivable	24,694,559	-	24,694,559
Utility Users' Taxes Receivable	2,505,618	-	2,505,618
Property Taxes Receivable	260,081,217	-	260,081,217
Income Tax Assessments	58,485,008	-	58,485,008
Special Assessments	24,669,919	-	24,669,919
Trade Receivables	<u>211,692,008</u>	<u>-</u>	<u>211,692,008</u>
Total Accounts and Contracts Receivable	582,128,329	-	582,128,329
Allowance for Uncollectible Accounts	<u>(513,781,842)</u>	<u>-</u>	<u>(513,781,842)</u>
Total Accounts and Contracts Receivable - Net	68,346,487	-	68,346,487
Due from Other Funds	10,729,220	-	10,729,220
Due from Fiduciary Funds	2,538,863	-	2,538,863
Due from Component Units	1,808,025	-	1,808,025
Due from Other Governmental Agencies	156,927,661	-	156,927,661
Other Advances	805,485	-	805,485
Other Assets	<u>348,865</u>	<u>-</u>	<u>348,865</u>
Total Assets	<u>622,786,442</u>	<u>-</u>	<u>622,786,442</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 622,786,442</u>	<u>\$ -</u>	<u>\$ 622,786,442</u>
LIABILITIES			
Accounts and Contracts Payable	\$ 50,239,629	\$ -	\$ 50,239,629
Accrued Liabilities	68,690,505	-	68,690,505
Accrued Salaries and Wages	17,141,508	-	17,141,508
Due to Other Funds	181,615,738	(138,359,015)	43,256,723
Due to Fiduciary Funds	32,167,402	-	32,167,402
Due to Other Governmental Agencies	87,700,587	-	87,700,587
Due to Component Units	9,295,244	-	9,295,244
Income Tax Refunds Payable	3,862,477	-	3,862,477
Deposits from Vendors and Customers	5,440,699	-	5,440,699
Unearned Revenue	5,051,341	-	5,051,341
Defaulted Debt Due to Insurer	22,953,172	(22,953,172)	-
Other Defaulted Debt	25,000,000	(25,000,000)	-
Other Liabilities	14,639,129	-	14,639,129
Accrued Interest Payable	3,890,348	(3,890,348)	-
Claims and Judgments	<u>628,806</u>	<u>-</u>	<u>628,806</u>
Total Liabilities	<u>528,316,585</u>	<u>(190,202,535)</u>	<u>338,114,050</u>
DEFERRED INFLOWS OF RESOURCES	<u>41,063,488</u>	<u>-</u>	<u>41,063,488</u>
FUND BALANCES (DEFICIT)			
Restricted for:			
Capital Acquisitions	42,000,000	-	42,000,000
Unspent Bond Proceeds	979,826	-	979,826
Committed for:			
Risk Management Operations	79,267,054	-	79,267,054
Quality of Life Program	77,067,071	-	77,067,071
Unassigned:			
General Fund (Deficit)	<u>(145,907,582)</u>	<u>190,202,535</u>	<u>44,294,953</u>
Total Fund Balances (Deficit)	<u>53,406,369</u>	<u>190,202,535</u>	<u>243,608,904</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 622,786,442</u>	<u>\$ -</u>	<u>\$ 622,786,442</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The bankruptcy settlements in the Plan eliminated \$190.2 million or 36.0% of the City's General Fund liabilities at June 30, 2014. This includes: (1) \$85.6 million owed to the service corporations for the POC debt that the City defaulted on; (2) \$52.8 million of the UTGO debt service millage owed to the Debt Service Fund; and (3) \$51.8 million due to bondholders and insurers for principal and interest the City defaulted on for LTGO debt. The City's General Fund deficit would have been eliminated in fiscal year 2014 if the City's Plan had been confirmed and it had exited bankruptcy on June 30, 2014.

Long-Term Debt Compromised in Bankruptcy

The following schedule details the City's Primary Government long-term obligations at June 30, 2014, the impact of the settlements approved by the Plan, and the new debt issued on December 10, 2014, the Effective Date.

	Balance June 30, 2014	Discharged or Refunded	Effective Date Financing	Balance December 10, 2014
Limited Tax General Obligation Bonds				
Self Insurance 2012C	\$ 129,520,000	\$ -	\$ -	\$ 129,520,000
Subtotal	129,520,000	-	-	129,520,000
Series 2005-A(1)	3,950,000	(3,950,000)	-	-
Series 2005-A(1)	52,175,000	(52,175,000)	-	-
Series 2005-A(2)	745,000	(745,000)	-	-
Series 2005-A(2)	9,475,000	(9,475,000)	-	-
Series 2005-B	1,000,000	(1,000,000)	-	-
Series 2005-B	6,940,000	(6,940,000)	-	-
Series 2008-A(1)	43,265,000	(43,265,000)	-	-
Subtotal	117,550,000	(117,550,000)	-	-
Distributable State Aid 2010	249,790,000	-	-	249,790,000
2014 A Income Tax Bonds	-	-	134,725,000	134,725,000
2014 B Income Tax Bonds	-	-	140,275,000	140,275,000
2014 B(1) Bonds	-	-	616,560,047	616,560,047
2014 B(2) Bonds	-	-	15,404,098	15,404,098
2014 C Bonds	-	-	88,430,021	88,430,021
Series 2014 - QOL Financial Recovery Bonds	120,000,000	(120,000,000)	-	-
Total Limited Tax General Obligation Bonds	616,860,000	(237,550,000)	995,394,166	1,374,704,166
Unlimited Tax General Obligation Bonds				
Series 1999-A	15,765,000	(13,699,785)	-	2,065,215
Series 2001-A (1)	74,800,000	(65,001,200)	-	9,798,800
Series 2002	6,645,000	(5,774,505)	-	870,495
Series 2003-A	31,675,000	(27,525,575)	-	4,149,425
Series 2004-A(1)	39,270,000	(34,125,630)	-	5,144,370
Series 2004-B(1)	29,365,000	(25,518,185)	-	3,846,815
Series 2004-B(2)	575,000	(499,675)	-	75,325
Series 2005-B	4,695,000	(4,079,955)	-	615,045
Series 2005-B	37,920,000	(32,952,480)	-	4,967,520
Series 2005-C	4,730,000	(4,110,370)	-	619,630
Series 2005-C	10,795,000	(9,380,855)	-	1,414,145
Series 2008-A	12,385,000	(10,762,565)	-	1,622,435
Series 2008-A	43,510,000	(37,810,190)	-	5,699,810
Series 2008-B(1)	18,780,000	(16,319,820)	-	2,460,180
Series 2014 A1 - K2	-	-	13,321,425	13,321,425
Series 2014 A1 - K2	-	-	63,206,000	63,206,000
Series 2014 A1 - K2	-	-	5,615,025	5,615,025
Series 2014 A1 - K2	-	-	26,765,375	26,765,375
Series 2014 A1 - K2	-	-	33,183,150	33,183,150
Series 2014 A1 - K2	-	-	24,813,425	24,813,425
Series 2014 A1 - K2	-	-	485,875	485,875
Series 2014 A1 - K2	-	-	36,009,675	36,009,675
Series 2014 A1 - K2	-	-	13,118,625	13,118,625
Series 2014 A1 - K2	-	-	47,231,275	47,231,275
Series 2014 A1 - K2	-	-	15,869,100	15,869,100
Series 2014 A1 - K2	-	-	378,360	378,360
Series 2014 A1 - K2	-	-	1,795,200	1,795,200
Series 2014 A1 - K2	-	-	159,480	159,480
Series 2014 A1 - K2	-	-	760,200	760,200
Series 2014 A1 - K2	-	-	942,480	942,480
Series 2014 A1 - K2	-	-	704,760	704,760
Series 2014 A1 - K2	-	-	13,800	13,800
Series 2014 A1 - K2	-	-	1,022,760	1,022,760
Series 2014 A1 - K2	-	-	372,600	372,600
Series 2014 A1 - K2	-	-	1,341,480	1,341,480
Series 2014 A1 - K2	-	-	450,720	450,720
Subtotal	330,910,000	(287,560,790)	287,560,790	330,910,000
Series 2010-E	100,000,000	-	-	100,000,000
Total General Obligation Unlimited Tax Bonds	\$ 430,910,000	\$ (287,560,790)	\$ 287,560,790	\$ 430,910,000

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	<u>Balance</u> <u>June 30, 2014</u>	<u>Discharged or</u> <u>Refunded</u>	<u>Effective Date</u> <u>Financing</u>	<u>Balance</u> <u>December 10, 2014</u>
Revenue Bonds				
Sewer Revenue Bonds	\$ 2,785,567,772	\$ -	\$ -	\$ 2,785,567,772
Water Revenue Bonds	2,484,925,000	-	-	2,484,925,000
Total Revenue Bonds	5,270,492,772	-	-	5,270,492,772
State Revolving Loans				
Sewer Revolving Loans	459,787,878	-	-	459,787,878
Water Revolving Loans	20,123,761	-	-	20,123,761
Total State Revolving Loans	479,911,639	-	-	479,911,639
PLAD Bonds	60,000,000	-	-	60,000,000
Governmental Notes Payable				
Federal Note — Ferry Project	1,635,000	-	-	1,635,000
Federal Note — Garfield Project	525,000	-	-	525,000
Federal Note — Stuberstone Project	90,000	-	-	90,000
Federal Note — New Amsterdam Project	7,750,000	-	-	7,750,000
Federal Note — Mexicantown Welcome Center	3,210,000	-	-	3,210,000
Federal Note — Vernor Lawndale Project	1,340,000	-	-	1,340,000
Federal Note — Book Cadillac	7,300,000	-	-	7,300,000
Federal Note — Garfield II Note 1	6,372,000	-	-	6,372,000
Federal Note — Garfield II Note 2	2,058,000	-	-	2,058,000
Federal Note — Fort Shelby	17,750,000	-	-	17,750,000
Federal Note — Book Cadillac II	9,984,000	-	-	9,984,000
Federal Note — Woodward Garden	7,050,000	-	-	7,050,000
Federal Note — Woodward Garden Note 2	6,197,000	-	-	6,197,000
Federal Note — Garfield II Note 3	6,697,000	-	-	6,697,000
Federal Note — Garfield II Note 4 (interim)	1,473,000	-	-	1,473,000
Federal Note — Woodward Garden Note 3	5,753,000	-	-	5,753,000
Total Governmental Notes Payable	85,184,000	-	-	85,184,000
Loan Payable to Downtown				
Development Authority	33,600,000	(33,600,000)	-	-
Loans Payable-IBM - Schedule-001	3,093,164	-	-	3,093,164
Total Governmental Loans Payable	36,693,164	(33,600,000)	-	3,093,164
Pension Obligation Certificates				
Series 2005A	450,615,000	(450,615,000)	-	-
Series 2006A and 2006B	948,540,000	(948,540,000)	-	-
Total Pension Obligation Certificates	1,399,155,000	(1,399,155,000)	-	-
Unamortized Premiums & Discounts	167,391,362	(8,795,578)	-	158,595,784
Total Other Financing Costs	167,391,362	(8,795,578)	-	158,595,784
OPEB Obligation	19,307,371	-	-	19,307,371
Pollution Remediation	51,265	-	-	51,265
Accrued Compensated Absences	77,671,327	-	-	77,671,327
Claims & Judgments	53,612,145	-	-	53,612,145
Other	47,563,087	-	-	47,563,087
Workers Compensation	87,287,979	-	-	87,287,979
Total Other Long-Term Debt	285,493,174	-	-	285,493,174
Grand Total Long-Term Debt	8,832,091,111	(1,966,661,368)	1,282,954,956	8,148,384,699
Defaulted Debt	168,085,398	(168,085,398)	-	-
Total Primary Government	\$ 9,000,176,509	\$ (2,134,746,766)	\$ 1,282,954,956	\$ 8,148,384,699

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The Primary Government long-term obligations, as of June 30, 2014, discharged or refinanced in bankruptcy totaled \$2.0 billion. This includes: (1) \$1.4 billion of POC debt; and (2) \$237.6 million of LTGO debt including the cost of refunding the \$120.0 million 2014 Financial Recovery Bonds (Quality of Life) issued in April 2014. In addition, the City's OPEB obligations totaling \$1.0 billion at June 30, 2013 were eliminated during the year ended June 30, 2014 because the Employee Health and Life Insurance Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014 in accordance with the Plan of Adjustment and settlements reached with retirees in the Bankruptcy Case. The City's only OPEB obligations to retirees were the \$19.3 million (\$17.5 million Health Plan and \$1.8 million Death Benefit Plan) included in the City's long-term obligations at June 30, 2014, which were payable through December 31, 2014 in accordance with the Plan (the "Retiree Health Care Settlement Agreement"). In addition, \$168.1 million of defaulted debt owed to the insurers as subrogees and bond holders including the \$25.0 million of uninsured LTGO bonds was discharged. The obligations that were discharged or refinanced in the Plan were satisfied in part by the issuance and distribution, on the Effective Date, of \$1.3 billion of new debt. The net Plan impact was a \$1.7 billion (\$1.0 billion OPEB and \$0.7 billion other Long-Term debt) reduction in the Primary Government long-term obligations at June 30, 2014.

Pro-Forma Statement of Net Position (Government-Wide)

The following Primary Government Pro-Forma Statement of Net Position at June 30, 2014 has been restated for the impact of the occurrence of the Effective Date on December 10, 2014. As of the date of this report, there are unresolved claims and obligations of the City that are not included in the Pro-Forma Statement of Net Position.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

	Primary Government			
	June 30, 2014 Balance	Bankruptcy Compromise	Added Bankruptcy	Pro-Forma Primary Government
ASSETS				
Cash and Cash Equivalents	\$ 1,113,676,509	\$ -	\$ (110,127,537)	\$ 1,003,548,972
Investments	392,313,638	-	-	392,313,638
Accounts and Contracts Receivable - Net	288,158,532	-	-	288,158,532
Due from Component Units	3,592,899	-	-	3,592,899
Due from Other Governmental Agencies	178,184,774	-	-	178,184,774
Inventory	19,816,345	-	-	19,816,345
Prepaid Expenses	1,051,783	-	-	1,051,783
Prepaid Insurance on Debt	73,173,163	(34,452,367)	-	38,720,796
Long-Term Receivable	10,219,051	-	-	10,219,051
Advance to Component Unit/Library	24,016,604	-	-	24,016,604
Other Assets	2,059,941	-	-	2,059,941
Net Pension Asset	1,206,321,236	(1,206,321,236)	-	-
Capital Assets:				
Non-Depreciable	939,136,821	-	(10,800)	939,126,021
Depreciable, Net	5,678,448,948	-	(86,568,800)	5,591,890,948
Total Capital Assets - Net	<u>6,617,585,769</u>	<u>-</u>	<u>(86,568,800)</u>	<u>6,531,016,969</u>
Total Assets	<u>9,930,170,244</u>	<u>(1,240,773,603)</u>	<u>(196,696,337)</u>	<u>8,492,700,304</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>346,369,340</u>	<u>(17,682,877)</u>	<u>-</u>	<u>328,686,463</u>
LIABILITIES				
Accounts and Contracts Payable	230,753,975	-	-	230,753,975
Accrued Liabilities	89,850,714	-	-	89,850,714
Accrued Salaries and Wages	21,183,213	-	-	21,183,213
Accrued Interest Payable	197,216,027	(53,306,471)	-	143,909,556
Due to Other Governmental Agencies	134,026,126	-	-	134,026,126
Due to Component Units	13,069,229	-	-	13,069,229
Deposits and Refunds	10,102,587	-	-	10,102,587
Unearned Revenue	17,983,338	-	-	17,983,338
Derivative Instruments - Swap Liability	302,463,879	(302,463,879)	-	-
Defaulted Debt Due to Insurers	143,085,398	(143,085,398)	-	-
Other Defaulted Debt	25,000,000	(25,000,000)	-	-
Other Liabilities	19,286,339	-	25,000,000	44,286,339
Long-Term Obligations:				
Due within one year	412,290,238	-	-	412,290,238
Due in more than one year	8,419,800,873	(1,966,661,368)	1,282,954,956	7,736,094,461
Total Liabilities	<u>10,036,111,936</u>	<u>(2,490,517,116)</u>	<u>1,307,954,956</u>	<u>8,853,549,776</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>52,033,918</u>	<u>(34,844,753)</u>	<u>-</u>	<u>17,189,165</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	940,478,218	-	-	940,478,218
Restricted for:				
Highway and Street Improvement	48,941,150	-	-	48,941,150
Endowments and Trust (Expendable)	765,245	-	-	765,245
Endowments and Trust (Non-Expendable)	937,861	-	-	937,861
Capital Projects and Acquisitions	187,742,180	-	-	187,742,180
Donations	1,135,691	-	-	1,135,691
Debt Service	335,582,345	-	-	335,582,345
Unrestricted (Deficit)	(1,327,188,960)	1,266,905,389	(1,504,651,293)	(1,564,934,864)
Total Net Position (Deficit) \$	<u>188,393,730</u>	<u>1,266,905,389</u>	<u>(1,504,651,293)</u>	<u>(49,352,174)</u>

The Primary Government Pro-forma Statement of Net Position includes \$2.5 billion reduction in liabilities resulting from the settlements reached in bankruptcy. The liability reductions include \$2.0 billion of long-term obligations including \$1.4 billion of POC debt. Also, \$302.5 million of swaps were eliminated. In addition, the Pro-Forma Statement of Net Position includes the \$1.3 billion of new debt issued and the transfer of \$86.6 million of the DIA assets pursuant to the Plan.

In addition, the City's OPEB obligations totaling \$994.8 million at June 30, 2013 were eliminated during the year ended June 30, 2014 because the Employee Health and Life Insurance Benefit Plan was significantly reduced on March 1, 2014 and terminated on December 31, 2014 in accordance with the Plan of Adjustment and settlements reached with retirees in the Bankruptcy Case. As a result, the City's Long-Term Obligations were reduced by \$994.8 million for the year ended June 30, 2014, and this was the primary reason for the \$866.6 million increase from the June 30, 2013 Net Position Deficit of \$678.2 million to the \$188.4 million Net Position at June 30, 2014.

The net impact of the occurrence of the Effective Date on the June 30, 2014 Primary Government Statement of Net Position is a \$237.8 million increase in the Unrestricted Deficit and a \$49.4 million deficit Net Position, a \$237.8 million decrease from the \$188.4 million Net Position at June 30, 2014.

The actual net impact on the City's Net Position from the Plan is a \$628.8 million decrease (\$866.6 million less \$237.8 million) from the Net Position Deficit of \$678.2 million at June 30, 2013 to a \$49.4 million Net Position Deficit.

NOTE XIV. SUBSEQUENT EVENTS

a. Bankruptcy Exit

On November 12, 2014, the Bankruptcy Court entered an order confirming the Plan (the "Confirmation Order"). The Effective Date of the Plan occurred on December 10, 2014, and the City exited bankruptcy. On December 31, 2014 the Bankruptcy Court issued a Supplemental Opinion supporting the Confirmation Order.

Major Plan implementation activities subsequent to the Effective Date are detailed below.

Retiree Health Benefits

Pursuant to the comprehensive settlement of pension, healthcare and other labor-related issues that the City entered into with employee and retiree representatives that is set forth in the Plan (the "Global Retiree Settlement"), two voluntary employee beneficiary associations ("VEBAs") have been established to assume the responsibility for providing healthcare benefits to City retirees who retired on or before December 31, 2014. The trustees of the VEBAs assumed day-to-day responsibility for providing benefits beginning on April 1, 2015 and are currently: (1) working with vendors to monetize the new 2014 B(1) and B(2) bonds distributed to the VEBAs under the Plan; (2) negotiating contracts with insurers; and (3) designing benefits plans.

On the Effective Date, the Foundation for Detroit's Future transferred \$3,632,857 to an escrow account held in the name of the City to partially fund the two voluntary employee beneficiary associations established pursuant to Section II.B.3.s.ii of the Plan. On that same date, as required pursuant to the escrow agreement governing such escrow account, the City caused such funds to be disbursed to the Detroit General Retiree Health Care Trust (for the Detroit General VEBA) and the City of Detroit Police and Fire Retiree Health Care Trust (for the Detroit Police and Fire VEBA).

Pension Plans

The Retirement Systems have commenced implementation of pension plan modifications required by the Plan, including implementation of: (a) pension benefit and COLA reductions; (b) ASF Recoupment; and (c) income stabilization benefits for eligible applicants. The Retirement Systems have represented that they have taken steps so that the modifications were reflected in the pension payments distributed by the Retirement Systems on March 1, 2015. Pursuant to the DIA Settlement and the State Contribution Agreement, both of the Retirement Systems adopted new governance and financial oversight mechanisms.

Pursuant to the Global Retiree Settlement, on January 2, 2015, excess interest totaling, in the aggregate, approximately \$55.4 million was debited from the annuity savings fund (“ASF”) accounts of substantially all current account holders. Each annuity savings fund participant who previously received a distribution of the contents of his or her account has been provided the opportunity to elect to return excess interest in the form of a lump-sum payment, and the election period closed on January 21, 2015. Reductions in pension payments to ASF participants who declined to make a lump-sum payment commenced on March 1, 2015. For each ASF participant who elected to make a lump-sum payment but fails to timely remit the ASF Recoupment Cash Payment, deductions of annuitized excess amounts will begin after May 1, 2015.

Syncora Settlement

Pursuant to the Syncora Settlement set forth in the Plan: (a) the options to purchase certain land provided to Syncora were executed on the Effective Date, and memoranda thereof were recorded on December 11, 2014; (b) on the Effective Date, the lease of the Detroit Windsor Tunnel was amended and extended for approximately 20 years; and (c) the City paid \$5.0 million to Syncora in satisfaction of claims relating to the POC Swap Agreements and certain related agreements.

FGIC Settlement

On the Effective Date, pursuant to the FGIC/POC Settlement set forth in the Plan, the City executed the Development Agreement associated with the properties related to such settlement (specifically the property commonly referred to as the Joe Louis Arena and its parking structure). As part of this transaction, the City has also entered into a Memorandum of Understanding transferring property to Wayne County Community College District to obtain clean title on the Joe Louis Arena Garage.

Settlement Credits

On the Effective Date, pursuant to the Syncora Settlement and the FGIC/POC Settlement, the City transferred settlement credits to a trustee (on behalf of Syncora and FGIC) in the aggregate amount of \$25.0 million that may be applied to the purchase price of certain eligible City assets, subject to the terms and conditions of those settlement credits.

DIA Assets

On the Effective Date, pursuant to the DIA Settlement set forth in the Plan, the City irrevocably transferred all of its right, title and interest in the DIA Assets to a perpetual charitable trust, including: (a) the DIA Collection; and (b) the real property located at 5200 Woodward Avenue, Detroit, Michigan (the site of the DIA); and associated parking lots and garages.

Implementation of Reinvestment Initiatives

The City began implementation of the \$1.7 billion program of reinvestment and revitalization initiatives contemplated in, and made possible by confirmation of, the Plan. The reinvestment and revitalization initiatives provide funds for (a) public safety equipment, facilities and services; (b) blight remediation; (c) upgrades to City infrastructure, operations, and information technology; and (d) public transportation improvements.

Budget Implementation

Pursuant to Section 21(1) of PA 436, the City implemented a two-year budget, which includes contractual agreements assumed pursuant to the Plan and employment terms negotiated during the pendency of the Bankruptcy Case (including the implementation of new collective bargaining agreements negotiated with approximately 40 unions and incorporated into the Plan) and reflects the debt relief provided by the Plan.

For more details on the Bankruptcy Case, see Footnote XIII.

b. Restoration of Mayor and City Council Authority

On September 25, 2014, in accordance with Section 9(6)(c) of PA 436, the City Council voted unanimously to remove the Emergency Manager (EM) as of the Effective Date (the period from the appointment of the EM through such removal, the “EM Tenure”). By a letter to the Governor, the Mayor approved of the City Council’s vote on the same day. On September 25, 2014, the EM issued his Order No. 42. Order No. 42 restored the authority of the Mayor and the City Council over day-to-day operations and activities effective immediately as permitted by PA 436. The EM continued to exercise his powers for the management of the Bankruptcy Case and related bankruptcy proceedings and the implementation of the Plan of Adjustment until the City’s exit from bankruptcy on December 10, 2014. On December 9, 2014, pursuant to PA 436 of 2012, the Local Financial Stability and Choice Act, M.C.L. §§ 141.1541, *et seq.* (“PA 436”), the Governor of Michigan, Richard D. Snyder, approved the termination of: (a) the City’s financial emergency status and; (b) the Emergency Manager’s contract, in both cases upon the occurrence of the Effective Date. On December 9, 2014, pursuant to Section 9(7) of PA 436, Governor Snyder determined that the financial condition of the City would be corrected in a sustainable fashion so as to justify removing the City from receivership upon the occurrence of the Effective Date. Upon the occurrence of the Effective Date, the EM resigned, thereby fully restoring day-to-day management of the City to the Mayor and City Council.

c. Financial Review Commission

On the December 10, 2014 Effective Date, the Financial Review Commission (the “Commission”) became operational and began its oversight responsibilities. Michigan Public Act 181 of 2014, M.C.L. §§ 141.1631, *et seq.*, established the Commission to monitor the City’s compliance with the Plan of Adjustment and Public Act 181, and provide oversight of the City’s financial activities. The Commission has broad authority (as of the Effective Date) to obtain and review the City’s financial records on an ongoing basis, approve budgets and contracts, and conduct financial audits of the City. Public Act 182 of 2014, M.C.L. 117.4s-t, further imposes requirements including that the City adopt a multi-year financial plan and appoint a chief financial officer (CFO).

Compliance with Public Act 181 includes the following:

- Providing to the Commission any documents, records or other information requested of City officials by the Commission or its staff, including any documents, records or other information specifically required by PA 181.
- Appearing before the Commission to provide testimony, documents, records or other information as and when requested by the Commission or its staff.
- Providing to the Commission upon its request verification of compliance by the City with all of the following consistent with the requirements of Section 6(3) of PA 181:
 - A. Section 8 of Michigan Public Act 152 of 2011, the Publicly Funded Health Insurance Contribution Act;
 - B. Sections 4i, 4p, 4s, and 4t of Michigan Public Act 279 of 1909, the Home Rule City Act;

- C. Michigan Public Act 34 of 2001, the Revised Municipal Finance Act; and
- D. Michigan Public Act 2 of 1968, the Uniform Budgeting and Accounting Act;
- Providing to the Commission a 4-year financial plan for review by March 23 of each year (100 days prior to the beginning of the fiscal year). Section 6 (4) of PA 181 states- *"During the period of oversight, the commission shall review and approve that qualified city's 4-year financial plan required by section 4t of the home rule city act, 1909 PA 279, MCL 117.4t. A 4-year financial plan described in this subsection shall be submitted at least 100 days prior to the commencement of a qualified city's fiscal year."* The Commission shall approve or disapprove the plan within 30 days after receipt of the Plan. The Commission, if it disapproves the Plan, shall receive from the City a revised plan that addresses the Commission's rationale for rejection within 15 days after disapproving plan. The Commission shall approve or disapprove the revised plan no later than 15 days after receiving the revised plan from the City. If the revised plan is disapproved the Commission may adopt and impose a financial plan that satisfies all requirements.

The Commission is required on June 1 and December 1 of each year to file a written report with the Governor with copies to the Senate Majority Leader and the Speaker of the House and posted on the Treasury website as well as sent to the Mayor and the City Council.

d. Finance Department Restructuring

On September 25, 2014, the EM issued order number 41, which established a centralized financial management organization, under the direction of the Chief Financial Officer (CFO). Order number 41 places under the CFO all of the authority and responsibilities of the Finance Director under Sections 6-301 and 6-302 of the City Charter and of the Budget Director under Section 6-101, as well as the additional duties and responsibilities outlined in order number 41. Order number 41 includes the following:

- The CFO is directed to establish a centralized financial management organizational structure, to be called the Office of the Chief Financial Officer ("Office of the CFO"). The Office of the CFO will provide management oversight, control, and direction to the existing Budget Department, Finance Department and all their subordinate components, and all finance, budget, and grant related components of other City departments, divisions, and agencies. The Office of the CFO shall oversee, control, direct, and coordinate the City's activities relating to budgets, financial plans, financial management, grants management, financial reporting, financial analysis, and compliance with the budget and financial plan of the City.
- The Office of the CFO will be comprised of the following organizational components which shall be considered to be "Divisions" of the Office of the CFO:
 - A. Office of the Assessor (Assessments Division);
 - B. Office of the Treasury (Treasury Division);
 - C. Office of the Controller (Accounts Division);
 - D. Office of Contracting and Procurement (Purchasing Division);
 - E. Office of Grants Management (Grants Management Department);
 - F. Office of Budget (Budget Department); and
 - G. Office of Financial Planning & Analysis.

- All finance, budget, and grants management related positions in each of the City's departments, divisions, and agencies shall report to the CFO. Each department, division, and agency will include in their annual budgets the full funding of all finance, budget, and grant related positions performing financial and/or budget management functions. The CFO may transfer finance, budget, and grant related position and their full funding into the Office of the CFO from any department, division, and agency. The CFO will seek input from each department, division, and agency in the selection of the finance, budget, and grant related positions that will be housed in a department, division, and agency and will seek input from such entities in the management of those positions.
- The CFO shall have the authority to write-off accounts receivable without City Council approval if such accounts receivable: (a) are older than the statute of limitations; (b) have been absolved by a legal proceeding such as the confirmed Plan of Adjustment; or (c) are older than one year provided that the CFO obtains the written approval of the Mayor.
- Notwithstanding any City or human resources rule, regulation, policy, agreement, ordinance or practice to the contrary, including, but not limited to, the City's Civil Service Rules, in consultation with the Human Resource Department, the CFO shall create a new classification and compensation system for the positions under the authority of the CFO. The CFO shall have the authority to create compensation and salary schedules and to change said schedules based on future needs and compensation surveys to ensure competitive salaries for City finance and related positions. In all events, the CFO shall comply with the terms of applicable collective bargaining agreements and provide required notices to impacted employees and labor unions, if applicable.

e. Human Resources Department Restructuring

On September 25, 2014, the EM issued order number 40, directing the restructuring of the City's Human Resources Department. Order number 40 requires the HR Director to create a new classification and compensation system for the City. Order number 40 includes the following:

- The Human Resources Director shall have direct and indirect oversight of the Human Resource related functions, including bargaining obligations with employee representatives.
- The Human Resources Department shall be comprised of the following six organization components which shall be deemed to be "Divisions" of the Human Resources Department:
 - A. Office of the Human Resource Director;
 - B. Office of Human Resource Operations;
 - C. Office of Talent and Performance Management;
 - D. Office of Classification and Compensation;
 - E. Office of Policy and Planning; and
 - F. Office of Labor and Employee Relations (Labor Relations Division).
- The Human Resources Director is required to create a new classification and compensation system for the City.
- Notwithstanding any City or human resources rule, regulation, policy, agreement, ordinance or practice to the contrary, the HR Director shall create a performance management and evaluation system for the employees of the City. In connection with these efforts, the HR Director shall comply with the terms of applicable collective bargaining agreements and provide required notices to impacted employees and labor unions, if applicable.

- Notwithstanding any City or human resources rule, regulation, policy, agreement, ordinance or practice to the contrary, the HR Director shall create a Center for Workforce Development, which will be responsible for the training and development of City employees.
- The HR Director shall initiate, conduct and, upon completion, implement, a full review of all existing Civil Service rules and regulations in an effort to ensure these rules and regulations meet the needs of the City Government.
- Notwithstanding any City or human resources rule, regulation, policy, agreement, ordinance, or practice to the contrary, including, but not limited to, the City's Civil Service Rules, the HR Director shall have the authority to:
 - A. Determine the placement of all human resource positions, including the selection and removal of incumbents, within the HR Department;
 - B. Create or modify job titles, roles, responsibilities and positions in support of the City's human resource functions, within the HR Department and other City departments, divisions, and agencies; and
 - C. Make recruitment, hiring, retention, promotion, demotion, reassignment, and any other related personnel decisions affecting the City's human resource functions.

f. Department of Innovation and Technology

On September 25, 2014, the EM issued order number 39, which created a centralized information technology management organization within the Information Technology Services Department, under the direction of the Chief Information Officer ("CIO"). Order number 39 includes the following:

- The CIO is directed to establish a Department of Innovation and Technology (the "Department of DOIT"). The CIO shall be the director of the Department of DOIT. The Department of Information Technology Services shall become a division of the Department of DOIT.
- The CIO is directed to establish a centralized information technology organizational structure in the Department of DOIT. The Department of DOIT shall provide centralized management oversight, control and direction to all information technology related components of other City departments, divisions, and agencies. The CIO shall have the power, with the consent of the Mayor, to appoint up to eight employees within the Department of DOIT who report to the CIO for purposes of carrying out the functions of the Department of DOIT and serve at the pleasure of the Mayor.
- All information technology related positions in each of the City's departments, divisions, and agencies shall report to the CIO. Each department, division, and agency shall include in its annual budgets the full funding of all information technology related positions performing information technology functions.
- No department, division or agency may acquire or otherwise deploy any information technology without the express approval of the CIO. It is understood that department directors have a major role deciding whether the system application meets the programmatic requirements of a department, division or agency.

g. Housing and Revitalization Department ("HRD")

On September 25, 2014, the EM issued order number 38, which established the new Housing and Revitalization Department (the "HRD") to perform certain functions previously performed by the Planning and Development Department. Order number 38 includes the following:

- The HRD shall strategically manage the City's Federal entitlement and related resources and shall be comprised of the following three divisions: (a) Administration; (b) Public/Private Partnership; and (c) Underwriting.

- The Administration Division shall be comprised of the following operational components: (a) Program Management, Reporting and Data Collection; (b) Labor Standards and Section 3 Compliance; and (c) Administrative support.
- The Public/Private Partnership Division shall lead initiatives to attract public and private investment in city neighborhoods using public land and financing.
- The Underwriting Division shall invest the City's entitlement funds in affordable, mixed income and mixed-use housing developments, and related public improvements in addition to leading the planning associated with Community Development Block Grants, Emergency Solutions Grant Program, HOME funds and Neighborhood Opportunity Fund, and the implementation of a City-wide investment strategy.
- All finance, accounting, and grant management positions in the City's Planning and Development Department ("PDD") and their respective appropriations shall be transferred to the Office of the Chief Financial Officer. The City's Chief Financial Officer ("CFO") or his designee will identify the specific positions that will be transferred, the appropriations to be transferred, and the timing of these transfers.
- The PDD will be comprised of the following operational components: overseeing the development of a City-wide Master Plan of Policies; strategic oversight of land acquisition and land sales in partnership with HRD; site plan review for community planning implementation and coordination; assisting with administering Historic and Environmental regulations, data management, and GIS mapping.

h. Great Lakes Water Authority

On November 26, 2014, the Bankruptcy Court entered a Mediation Order, ordering parties "to continue to engage in facilitative mediation of any matters regarding the formation of the Great Lakes Water Authority....". A Board of Directors for the Authority has been appointed and began meeting, on a bimonthly basis, in December 2014. The State has awarded a \$3.8 million grant to the Authority for payment of costs associated with the transition of operations and oversight. Professionals have been hired to assist in all aspects of the transition and currently are preparing documents related to: (a) the lease of the City's regional water supply and sewer disposal systems; (b) bondholder consents to the transfer and assumption of outstanding City water and sewer bonds by the Authority; and (c) the issuance of the Great Lakes Water Authority bonds. On June 12, 2015, the Authority's Board of Directors voted in favor of a resolution approving the lease of the Detroit Systems to the Authority for an initial term of 40 years.

i. New Pension Plan

The City of Detroit implemented new hybrid pension programs under the General Retirement System ("GRS") and Police and Fire Retirement System ("PFRS") for all active and new employees beginning July 1, 2014. Current and new City employees who participate in GRS will contribute 4 percent of their weekly pre-tax base salary and employees who participate in PFRS will contribute 6 percent of their weekly pre-tax base salary toward the cost of benefits payable under their respective hybrid pension plans. PFRS members hired after June 30, 2014 will contribute 8 percent of their weekly pre-tax base salary toward the cost of benefits under the new hybrid plan. The City will make contributions to GRS equal to 5% of members' base compensation and will make contributions to PFRS equal to 12.25% of members' base compensation (a contribution rate equal to 11.2% applied for pay periods after July 1, 2014 and the effective dates of certain bargaining agreements). In addition, each of the new hybrid pension programs contains rules requiring greater contributions from employee participants, as well as changes to accrual rates, and reduction in cost of living adjustments, in the event that the funding level of a hybrid program falls below a certain threshold level.

In connection with the establishment of new hybrid pension plan programs, benefit accruals under the old GRS and PFRS benefit programs were frozen as of June 30, 2014 and no employees were allowed to earn benefits under those old benefit programs after that date. On July 1, 2014 all current and future employees began participating in the new hybrid pension plans. Active City employees who participated in the old frozen GRS or PFRS will be entitled to the accrued benefits they earned under those Retirement Systems through June 30, 2014, with such accrued benefits reduced by the pension reduction provisions of the Bankruptcy Plan of

Adjustment, plus an additional benefit under the new hybrid plan formula, as long as they satisfy vesting requirements. Assets supporting the new hybrid pension programs will be accounted separately from accounting of assets supporting the frozen pension programs.

All employees must meet the vesting rules governing these new hybrid plans but will receive credit toward those vesting requirements for service performed prior to June 30, 2014.

No new contributions will be made to the Annuity Savings Funds (“ASF”) under the frozen GRS after June 30, 2014. Amounts held in ASF accounts under the frozen GRS will continue to be credited with interest until distributed to members or used to increase members’ retirement allowances. The interest rate credited to ASF accounts for fiscal years beginning after June 30, 2013 will be credited at the actual net investment rate of return earned by the GRS, but not be less than zero (i.e., no negative adjustments to ASF accounts) or more than 5.25 percent.

j. Acquisition of 77 Detroit Public Schools Properties

On October 18, 2014, the Mayor and the Detroit Public Schools (DPS) Emergency Manager announced a deal regarding disposition of 77 blighted DPS properties, and forgiveness of DPS’ \$11.6 million debt to the City. DPS will turn over control of 57 vacant schools (31 secured and 26 unsecured) and an additional 20 vacant lots where schools once stood. A total of \$4.3 million in federal Neighborhood Stabilization Program (NSP) funds administered by the State was available to demolish ten to twelve (10-12) of the buildings.

Initially, the properties will be placed in escrow, pending the results of environmental assessments. The city will conduct an environmental analysis of each school property to determine how much remediation may be required. During that time, the City will assume responsibility for maintaining and securing the properties.

Once each assessment is completed on each property, title will be transferred to the City of Detroit. If the City determines that the level of contamination at a property would make it prohibitively expensive to clean up, it will return the property to DPS, which will have the option to offer another vacant property to the City or reimburse the City in an amount originally assigned to the property. Several of the closed schools still have playground equipment and are being used by the neighborhoods as a recreation area. These playgrounds will be maintained by the City General Services Department as City parks and maintained within the parks budget.

Demolition of other schools will come later as additional funding is identified. Former school buildings on these properties that are still viable, as well as vacant lots, will be marketed for redevelopment by the City. Approximately half of the 57 school structures are currently open to trespass, posing a threat to the community. To address this, the City will secure the vacant buildings.

k. Other Restructuring Initiatives

New Financial Management System (FMS)

The City has begun a process to replace its old DRMS (Detroit Resource Management System) system. This process is referred to internally as “Fast Track” and will result in the implementation of modern Finance and Human Resource systems. These systems are cloud based (hosted environments where software is purchased as a service).

l. Debt Ratings

On October 20, 2014, Moody’s Investment Service (Moody’s) downgraded the City’s POCs from “Ca” to “C”. On December 5, 2014, Moody’s upgraded the rating on the City’s third lien Distributable State Aid bonds, Series 2012C, from “A3” to “A2”. The outlook on all three liens was revised to stable from negative. The Aa3 rating applies to the Distributable State Aid General Obligation (Limited Tax) Bonds, Series 2010; the A1 rating applies to the Local Government Loan Program Revenue Bonds (City of Detroit Unlimited Tax General Obligation - Second Lien), Series 2010E; and the A2 rating applies to the Local Government Loan Program Revenue Loan Bonds (City of Detroit Limited Tax General Obligation - Third Lien), Series 2012C. All three

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

series of bonds are backed by a general obligation pledge of Detroit and also by a direct intercept of Distributable State Aid (DSA) from the State of Michigan. On December 16, 2014, Standard & Poor's withdrew its ratings on the City's UGTO and LGTO bonds and the POCs. On December 22, 2014, Standard & Poor's assigned an A- rating to the \$287.6 million of Unlimited Tax General Obligation Bonds (2014 A1 to 2014 K2) issued by the Michigan Finance Authority on December 10, 2014 for the City of Detroit secured by the City's unlimited tax general obligation pledge and a fourth-lien pledge of Distributable State Aid (DSA) revenues. At the same time, Standard and Poor's affirmed its ratings on Detroit's DSA bond series 2010 ('AA'; closed first lien), series 2010E and 2012B ('AA-'; second lien) bonds, and series 2012C ('A+'; third lien), bonds. On March 11, 2015, Moody's gave the City a B3 stable issuer rating.

On August 20, 2014, Standard & Poor's increased the rating on the Water and Sewage Disposal Funds senior and second lien debt from CCC/CCC to BBB+/BBB+. Moody's increased the ratings on the same debt from B1/B2 to Ba2/Ba3. Fitch also increased the ratings on the senior and second lien debt from BB+/BB to BBB-/BB+.

m. New Debt Issues

On the December 10, 2014 Effective Date, the City issued approximately \$1.3 billion of debt. Certain bonds (2014 A1-K2, 2014 A, and 2014 B (Exit Financing) bonds) were initially sold to the Michigan Finance Authority (MFA). The MFA then issued bonds secured by the City's bonds. This debt and uses of the proceeds are summarized and described below.

Debt Issued	Amount
2014 B(1) Bonds	\$ 616,560,047
2014 B(2) Bonds	15,404,098
2014 C Bonds	88,430,021
2014 A Bonds (Exit Financing)	134,725,000
2014 B Bonds (Exit Financing)	140,275,000
2014 A 1-K2 Bonds	287,560,790
Total New Debt Issued	\$ 1,282,954,956

2014 B(1) and B(2) Bonds

The Financial Recovery Bonds, Series 2014 B(1) and Series B(2) total \$616,560,047 and \$15,404,098, respectively. They are federally taxable. The bonds' interest rate is 4.0% per annum from December 10, 2014 to and including March 31, 2034 and 6% per annum thereafter until the maturity date of April 1, 2044. The bonds were delivered to classes of creditors in satisfaction of: (1) Class 12 OPEB Claims (the bonds were distributed to the new Voluntary Employee Beneficiary Associations (VEBA) for the general retirees and police and fire retirees; (2) Class 9 Pension Obligation Certificate (POC) claims; and (3) other unsecured bankruptcy claims. The distribution of the 2014 B(1) and B(2) Bonds is detailed in the table below.

Use	Series B(1)	Series B(2)	Total
GRS VEBA	\$ 233,414,249	\$ 5,365,910	\$ 238,780,159
PFRS VEBA	248,245,662	5,655,337	253,900,999
LTGO Class 9 Settlement	13,138,835	4,163,026	17,301,861
Class 14 Other Unsecured Claims	20,376,922	219,825	20,596,747
FGIC Settlement DDA Recovery	3,691,591	-	3,691,591
POC Settlement with Syncora	23,500,000	-	23,500,000
POC Settlement with FGIC	74,192,788	-	74,192,788
Total	\$ 616,560,047	\$ 15,404,098	\$ 631,964,145

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

2014 C Bonds

The Financial Recovery Bonds, Series 2014 C total \$88,430,021. The bonds bear interest at 5% per annum. The bonds mature on December 10, 2026. The bonds are unsecured but City revenues from its parking garages will provide the required debt service. If the parking garage revenues are insufficient then the City's General Fund will provide the necessary debt service funds. The 2014 C Bonds were issued as part of the Syncora Settlement and FGIC/POC Settlement in the Plan, and on the Effective Date, the bonds were distributed as follows:

Use	Series C Bonds
POC Settlement with Syncora	\$ 21,271,804
POC Settlement with FGIC	67,158,217
Total	\$ 88,430,021

2014 A and B Bonds

The Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014 A and Series 2014 B total \$134,725,000 and \$140,275,000, respectively. The bonds' interest rate is currently variable but will be reoffered to the public and converted to a fixed rate. The Series 2014 A Bonds are tax exempt and mature on October 1, 2029 and the Series B Bonds are taxable and mature on October 1, 2022. The City's income tax revenues are pledged to and secure the payment of debt service on these bonds. The bond proceeds were used to: (1) refund the Series 2014 Financial Recovery Bonds, "Quality of Life", issued in April 2014; (2) fund a debt service reserve for the bonds; (3) provide additional funding for the City's reinvestment and revitalization initiatives; (4) pay the final installment of the settlement of the Class 5 POC Swap Claims; and (5) pay the costs of issuance of the bonds. Detailed in the table below are the use of proceeds for each series.

Use	Series A	Series B	Total
Refund Quality of Life Financing	\$ 61,353,638	\$ 58,751,363	\$ 120,105,001
Debt Service Reserve	13,472,500	14,027,500	27,500,000
Issuance and Other Costs	1,834,028	1,906,319	3,740,347
Restructuring Initiatives (RRI)	58,064,834	27,619,890	85,684,724
Derivatives (Swap Settlement pay-off)	-	37,969,929	37,969,929
Total	\$ 134,725,000	\$ 140,275,001	\$ 275,000,001

2014 A1-2014 K2 Bonds

The UTGO (Unlimited Tax General Obligation) Restructured Local Project Bonds Fourth Lien total \$287,560,790. The City's unlimited tax annual debt millage levy will provide the debt service requirements for these bonds. If the debt millage is insufficient, then the City's distributable state aid and General Fund will be required to make up any deficiency. The bonds were issued to restructure \$287,560,790 of the original UTGO bonds outstanding before the Effective Date. The UTGO debt has been restructured by the issuance and delivery to the Michigan Finance Authority (MFA) of 22 series of new City bonds, each corresponding to an equivalent principal amount of the eleven series of original, prepetition UTGO bonds, with the same interest rate, maturity and redemption provisions as the original UTGO bonds. The bonds are comprised of subseries (2014 A1 - K2). The 2014 A1 - K2 bonds total \$287,560,790 and on the Effective Date, \$279,618,950 of the bonds were delivered to the original UTGO bondholders and \$7,941,840 of the bonds were delivered to the UTGO bond insurers.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

The \$287,560,790 principal amount of the original UTGO bonds, which has been restructured as described above has been cancelled and discharged. The principal amount of the original UTGO bonds of \$43,349,210 (“Stub UTGO Bonds”) remains outstanding. The Plan assigned the City’s collections of the debt service millage for the Stub UTGO Bonds primarily to the income stabilization funds, as part of the City’s original General Retirement (GRS) and Police and Fire Retirement (PFRS) systems, for additional distributions to those retirees who meet certain income eligibility criteria established, pursuant to the Plan. The insurers remain responsible for the payment of debt service to the original bondholders on the remaining \$43.3 million UTGO bonds, as part of the Class 8 UTGO Settlement and in accordance with the Plan.

Water and Sewer Revenue Bonds

On August 21, 2014, the Board of Water Commissioners accepted revenue bond tender offers of \$752,450,000 and \$715,220,000 for the Water and Sewage Disposal Funds, respectively. Subsequently, on August 26, 2014, the Water and Sewage Disposal Funds issued refunding revenue Series 2014D bonds in the amount of \$854,850,000 and Series 2014C bonds in the amount of \$785,170,000, respectively, as a conduit financing through the Michigan Finance Authority. In addition, the Sewage fund issued \$150,690,000 of new revenue bonds. The net present value savings from the refunding transactions were \$57 million and \$53 million for the Water and the Sewage Disposal Funds, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

COMPARISON - GENERAL FUND BUDGET TO ACTUAL

(UNAUDITED)

NOTES TO BUDGET TO ACTUAL COMPARISON

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

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

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

City of Detroit, Michigan
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<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	\$ 117,407,486	\$ 118,422,879	\$ 129,413,195	\$ 10,990,316
Municipal Income Tax	275,825,435	257,178,325	253,769,874	(3,408,451)
Utility Users' Tax	34,250,000	34,250,000	42,386,549	8,136,549
Wagering Taxes	170,000,000	170,000,000	167,924,023	(2,075,977)
Other Taxes and Assessments	9,918,253	8,902,860	6,480,150	(2,422,710)
Interest and Penalties on Taxes	4,000,000	4,000,000	896,735	(3,103,265)
Total Taxes, Assessments, Interest, and Penalties	<u>611,401,174</u>	<u>592,754,064</u>	<u>600,870,526</u>	<u>8,116,462</u>
Licenses, Permits, and Inspection Charges:				
Business Licenses	2,435,000	2,435,000	2,091,850	(343,150)
Permits	519,500	519,500	810,448	290,948
Inspection Charges	5,801,000	5,801,000	5,696,205	(104,795)
Other Licenses	(18,420,923)	226,137	86,940	(139,197)
Total Licenses, Permits, and Inspection Charges	<u>(9,665,423)</u>	<u>8,981,637</u>	<u>8,685,443</u>	<u>(296,194)</u>
Intergovernmental:				
Federal	27,257,819	132,322,105	39,930,125	(92,391,980)
State:				
State Shared Revenue	183,677,124	183,640,899	189,756,901	6,116,002
State Returnable Liquor License Fees	575,000	575,000	607,547	32,547
Other State Sourced Revenue	2,009,400	104,956,882	24,333,026	(80,623,856)
Other	3,440,375	44,400,566	223,381	(44,177,185)
Total Intergovernmental	<u>216,959,718</u>	<u>465,895,452</u>	<u>254,850,980</u>	<u>(211,044,472)</u>
Sales and Charges for Services:				
Maintenance and Construction	76,000	76,000	—	(76,000)
Electrical	39,810,412	39,810,412	40,101,687	291,275
Steam	1,015,000	1,015,000	—	(1,015,000)
Recreation Fees	16,000	16,000	212,996	196,996
Collection Fees	5,194,148	5,224,148	4,266,749	(957,399)
Other Fees	44,108,686	41,768,001	41,811,576	43,575
Personal Services	340,267	(1,395,479)	48,973,280	50,368,759
Other Departmental Sales	43,653,131	51,739,120	22,010,861	(29,728,259)
Total Sales and Charges for Services	<u>134,213,644</u>	<u>138,253,202</u>	<u>157,377,149</u>	<u>19,123,947</u>
Ordinance Fines and Forfeitures				
Revenue from Use of Assets:	16,699,625	16,699,625	15,946,936	(752,689)
Investment Earnings	—	(200,704)	180,623	381,327
Real Estate Rentals	1,987,983	2,288,791	2,753,762	464,971
Concessions	277,568	277,568	262,817	(14,751)
Sale of Real Property	5,300,000	6,807,238	4,551,919	(2,255,319)
Total Revenue from Use of Assets	<u>7,565,551</u>	<u>9,172,893</u>	<u>7,749,121</u>	<u>(1,423,772)</u>
Other Revenue	36,195,604	84,168,956	64,735,592	(19,433,364)
Total Revenues	<u>1,013,369,893</u>	<u>1,315,925,829</u>	<u>1,110,215,747</u>	<u>(205,710,082)</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, 2014

	<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	\$ —	\$ 450	\$ —	\$ 450
Construction Code	—	—	766,094	(766,094)
Fire	176,819,773	197,732,768	116,736,177	80,996,591
Human Rights	663,930	642,785	441,755	201,030
Ombudsperson	1,005,863	944,256	858,481	85,775
Parking Enforcement	7,715,373	7,655,793	5,740,191	1,915,602
Police	368,928,805	348,943,316	272,011,477	76,931,839
Office of the Inspector General	1,259,480	1,369,085	939,775	429,310
Detroit Office of Homeland Security	—	10,282,358	23,038	10,259,320
36th District Court	31,723,315	30,818,884	28,586,016	2,232,868
Total Public Protection	588,116,539	598,389,695	426,103,004	172,286,691
Department of Health	14,781,612	145,076,347	46,424,431	98,651,916
Recreation and Culture:				
Culture, Arts, and Tourism	—	974,536	—	974,536
Historical	—	23,413	—	23,413
Recreation	12,206,277	29,625,908	15,979,864	13,646,044
Senior Citizens	—	790,539	—	790,539
Zoological Institute	—	(6,241)	—	(6,241)
Total Recreation and Culture	12,206,277	31,408,155	15,979,864	15,428,291
Economic Development — Civic Center	—	130,527	—	130,527
Housing Supply and Conditions -				
Planning and Development	2,933,605	11,363,624	6,966,303	4,397,321
Total Housing Supply and Conditions	2,933,605	11,363,624	6,966,303	4,397,321
Physical Environment:				
Environmental Affairs	—	1,058,181	—	1,058,181
Public Lighting	56,938,382	64,019,162	58,904,626	5,114,536
Public Works	1,853,357	3,449,725	671,258	2,778,467
Total Physical Environment	58,791,739	68,527,068	59,575,884	8,951,184
Development and Management:				
Auditor General	2,959,901	5,362,197	4,231,780	1,130,417
Budget	2,155,354	2,045,519	1,676,706	368,813
City Clerk	2,219,961	2,138,967	1,831,010	307,957
City Council	5,543,396	5,738,696	5,375,413	363,283
Communications and Creative Services	—	568	—	568
Elections	7,679,733	7,932,011	7,063,206	868,805
Finance	31,399,785	28,668,903	23,884,697	4,784,206
General Services	52,089,441	55,807,255	54,273,511	1,533,744
Law	16,435,159	15,852,025	11,636,230	4,215,795
Mayor's Office	2,895,451	6,513,417	5,043,567	1,469,850
Human Resources	9,965,598	9,980,628	8,420,966	1,559,662
Information Technology Services	16,872,565	23,555,121	15,026,236	8,528,885
Board of Zoning Appeals	525,463	614,704	513,041	101,663
Detroit Workforce Development Department	—	640,820	—	640,820
Administrative Hearings	1,245,358	1,348,604	1,065,256	283,348
Non Departmental	195,892,138	156,350,346	156,488,422	(138,076)
Total Development and Management	347,879,303	322,549,781	296,530,041	26,019,740
Capital Outlay	—	35,678,482	15,175,250	20,503,232

(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, 2014

	<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>		
Debt Service:				
Principal	\$ —	\$ 387,438	\$ 44,546,910	\$ (44,159,472)
Interest on Bonded Debt	—	22,720,648	29,081,981	(6,361,333)
Bond Issuance Costs	—	—	3,379,410	(3,379,410)
Total Debt Service	—	23,108,086	77,008,301	(53,900,215)
Total Expenditures	1,024,709,075	1,236,231,765	943,763,078	292,468,687
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(11,339,182)	79,694,064	166,452,669	86,758,605
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers In	20,482,893	20,471,221	9,010,944	(11,460,277)
Proceeds from Bond and Note Issuance	—	—	120,000,000	120,000,000
Total Other Financing Sources	20,482,893	20,471,221	129,010,944	108,539,723
Uses:				
Transfers Out	(9,143,711)	(94,999,174)	(169,076,495)	(74,077,321)
Total Other Financing Uses	(9,143,711)	(94,999,174)	(169,076,495)	(74,077,321)
Total Other Financing Sources (Uses)	11,339,182	(74,527,953)	(40,065,551)	34,462,402
Net Change in Fund Balance	—	5,166,111	126,387,118	121,221,007
Fund Deficit at Beginning of Year	(72,980,749)	(72,980,749)	(72,980,749)	—
Fund Deficit at End of Year	\$ (72,980,749)	\$ (67,814,638)	\$ 53,406,369	\$ 121,221,007

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS

(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress (In millions):

General Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	3,641.2	3,609.6	100.9	(31.6)	368.5	(8.6)
2009	3,412.4	3,689.1	92.5	276.7	357.1	77.5
2010	3,238.1	3,719.6	87.1	481.5	334.3	144.0
2011	3,080.3	3,720.2	82.8	639.9	303.4	210.9
2012	2,806.5	3,644.2	77.0	837.7	258.0	324.7
2013	2,524.9	3,609.1	70.0	1,084.2	213.3	508.3

Police and Fire Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	4,316.3	4,071.1	106.0	(245.2)	232.8	-
2009	3,945.2	4,221.3	93.5	276.1	231.8	119.1
2010	3,853.3	3,767.4	102.3	(85.9)	228.8	-
2011	3,804.8	3,808.6	99.9	3.9	220.5	1.8
2012	3,675.5	3,822.7	96.1	147.2	205.8	71.5
2013	3,474.5	3,890.1	89.3	415.6	186.7	222.6

Supplemental Death Benefit Plan

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	\$ 24.1	\$ 35.2	68.5 %	\$ 11.1	\$ 567.3	2.0 %
2011	25.7	34.6	74.3	8.9	444.4	2.0
2013	31.3	32.4	96.6	1.2	397.0	0.3

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions (In millions):

General Retirement System				Police and Fire Retirement System			
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset	Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Asset
2009	\$ 41.4	100	\$ 727.7	2009	\$ 61.2	59	\$ 621.4
2010	37.3	100	740.1	2010	57.8	57	613.6
2011	55.1	100	754.2	2011	81.6	100	617.7
2012	64.1	100	756.0	2012	49.8	100	613.7
2013	60.3	63	750.6	2013	43.9	(66)	535.7
2014	68.0	40	727.2	2014	51.4	-	479.1

Schedule of Employer Contributions (In millions):

Supplemental Death Benefit Plan		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 0.596	33 %
2013	0.596	19
2014	0.119	84

THIS PAGE LEFT BLANK INTENTIONALLY

**OTHER SUPPLEMENTARY
INFORMATION SECTION**

COMBINING NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

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

Community Development Block Grant Fund	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974
Construction Code Fund	In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act
Urban Development Fund	To account for funding received from the Federal Government earmarked for the acquisition and site preparation of property for future development
Detroit Workforce Development Fund	To account for employment and training program grants received from government sources
Drug Law Enforcement Fund	To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement
Human Services Fund	To account for Federal and State Grant revenues that are to be used to finance certain social service programs
Solid Waste Management Fund	To account for local revenues collected for curbside rubbish pick-up and discard
Street Fund	To account for Michigan State Gas and Weight Tax revenues and other related grants used for the construction and maintenance of major and local streets
Targeted Business Development Fund	To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City
Telecommunications Fund	To account for State grant revenues received as a result of Public Act 48 of 2002 (Metropolitan Extension Telecommunications Rights-of-Way Oversight Act), which was designed to promote expanded telecommunication services in Michigan
Renewable Energy Fund	To account for Public Act 295 of 2008, Clean, Renewable, and Efficient Energy Act activities of the Public Lighting Department
Donated Monies Fund	To account for donated funding received for Recreation Bequest Fund

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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

PERMANENT FUNDS

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

PERPETUAL CARE - BEQUEST FUNDS

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

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds and Bequest Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and Cash Equivalents	\$ 117,541,829	\$ 10,134,681	\$ 28,539,595	\$ 1,717,577	\$ 157,933,682
Investments	7,293,827	—	43,411,534	—	50,705,361
Accounts and Contracts Receivable:					
Property Taxes Receivable	—	102,587,983	—	—	102,587,983
Special Assessments	—	—	541,890	—	541,890
Loans Receivable	18,000,000	—	—	—	18,000,000
Trade Receivables	4,554,526	—	3,305,983	—	7,860,509
Total Accounts and Contracts Receivable	22,554,526	102,587,983	3,847,873	—	128,990,382
Allowance for Uncollectible Accounts	(21,659,434)	(102,587,984)	(1,061,949)	—	(125,309,367)
Total Accounts and Contracts Receivable - Net	895,092	(1)	2,785,924	—	3,681,015
Due from Other Funds	9,743,319	66,901,888	323	—	76,645,530
Due from Fiduciary Funds	652,824	—	—	—	652,824
Due from Component Units	9,114	—	—	—	9,114
Due from Other Governmental Agencies	13,476,236	—	—	—	13,476,236
Other Assets	742,976	—	162,615	—	905,591
Total Assets	150,355,217	77,036,568	74,899,991	1,717,577	304,009,353
Deferred Outflows of Resources:					
Total Assets and Deferred Outflows of Resources	\$ 150,355,217	\$ 77,036,568	\$ 74,899,991	\$ 1,717,577	\$ 304,009,353
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$ 5,565,462	\$ —	\$ 8,661,510	\$ 14,159	\$ 14,241,131
Accrued Liabilities	20,456,967	5	702,925	312	21,160,209
Accrued Salaries and Wages	859,219	—	—	—	859,219
Due to Other Funds	7,492,380	—	2,415,104	—	9,907,484
Due to Fiduciary Funds	204	—	—	—	204
Due to Component Units	—	1,955,771	—	—	1,955,771
Due to Other Governmental Agencies	19,196,569	5,526,477	—	—	24,723,046
Deposits from Vendors and Customers	799,411	—	—	—	799,411
Unearned Revenues	357,514	—	—	—	357,514
Other Liabilities	509,404	—	96,599	—	606,003
Defaulted Debt Due to Insurers	—	56,949,551	—	—	56,949,551
Accrued Compensated Absences	—	—	9,539	—	9,539
Total Liabilities	55,237,130	64,431,804	11,885,677	14,471	131,569,082
Deferred Inflows of Resources:	4,200,835	—	68,027	—	4,268,862
Fund Balances:					
Nonspendable:					
Permanent Fund Principal	—	—	—	937,861	937,861
Restricted for:					
Highway and Street Improvements	48,941,150	—	—	—	48,941,150
Police	9,690,016	—	—	—	9,690,016
Endowments and Trusts	—	—	—	765,245	765,245
Capital Acquisitions	—	—	62,946,287	—	62,946,287
Local Business Growth	478,084	—	—	—	478,084
Rubbish Collection and Disposal	19,109,922	—	—	—	19,109,922
Construction Code	2,395,287	—	—	—	2,395,287
Grants	10,302,793	—	—	—	10,302,793
Assigned for:					
Debt Service	—	12,604,764	—	—	12,604,764
Total Fund Balances	90,917,252	12,604,764	62,946,287	1,703,106	168,171,409
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 150,355,217	\$ 77,036,568	\$ 74,899,991	\$ 1,717,577	\$ 304,009,353

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds and Bequest Funds	Totals
REVENUES:					
Taxes:					
Property Taxes	\$ —	\$ 65,214,710	\$ —	\$ —	\$ 65,214,710
Gas and Weight Tax	53,904,485	—	—	—	53,904,485
Interest and Penalties on Taxes	—	373,049	—	—	373,049
Other Taxes and Assessments	—	2,123,482	—	—	2,123,482
Licenses, Permits, and Inspection Charges	20,021,186	—	—	—	20,021,186
Intergovernmental:					
Federal	56,977,258	—	—	—	56,977,258
State	24,893,308	—	—	—	24,893,308
Other	5,778,004	—	—	—	5,778,004
Sales and Charges for Services	49,941,428	—	668,451	—	50,609,879
Ordinance Fines and Forfeitures	1,904,202	—	—	—	1,904,202
Investment Earnings	82,987	2,621	—	34,166	119,774
Other Revenue	24,191,567	3,344,270	879,453	—	28,415,290
Total Revenues	<u>237,694,425</u>	<u>71,058,132</u>	<u>1,547,904</u>	<u>34,166</u>	<u>310,334,627</u>
EXPENDITURES:					
Current:					
Public Protection	23,519,280	—	—	—	23,519,280
Health	2,357,772	—	—	—	2,357,772
Recreation and Culture	(36,063)	—	—	88,791	52,728
Economic Development	48,725,786	1,411,664	1,041,320	—	51,178,770
Physical Environment	37,865,258	—	—	—	37,865,258
Transportation Facilitation	36,505,709	—	—	—	36,505,709
Development and Management	1,156,350	—	—	—	1,156,350
Debt Service:					
Principal	3,126,000	38,205,000	—	—	41,331,000
Interest	3,723,095	26,736,406	—	—	30,459,501
Capital Outlay	49,222,191	—	16,931,863	—	66,154,054
Total Expenditures	<u>206,165,378</u>	<u>66,353,070</u>	<u>17,973,183</u>	<u>88,791</u>	<u>290,580,422</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,529,047</u>	<u>4,705,062</u>	<u>(16,425,279)</u>	<u>(54,625)</u>	<u>19,754,205</u>
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In	11,115,472	—	—	—	11,115,472
Uses:					
Transfers Out	(20,126,416)	—	—	—	(20,126,416)
Total Other Financing Sources (Uses)	<u>(9,010,944)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,010,944)</u>
Net Change in Fund Balances	22,518,103	4,705,062	(16,425,279)	(54,625)	10,743,261
Fund Balances at Beginning of Year, as restated	68,399,149	7,899,702	79,371,566	1,757,731	157,428,148
Fund Balances at End of Year	<u>\$ 90,917,252</u>	<u>\$ 12,604,764</u>	<u>\$ 62,946,287</u>	<u>\$ 1,703,106</u>	<u>\$ 168,171,409</u>

THIS PAGE LEFT BLANK INTENTIONALLY

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
ASSETS					
Cash and Cash Equivalents	\$ 5,623,571	\$ 2,365,724	\$ 3,168,540	\$ 1,487,676	\$ 10,632,589
Investments	7,293,827	—	—	—	—
Accounts and Contracts Receivable:					
Loans Receivable	18,000,000	—	—	—	—
Trade Receivables	235,552	685,273	—	—	—
Total Accounts and Contracts Receivable	18,235,552	685,273	—	—	—
Less: Allowance for Uncollectible Accounts	(18,010,693)	(685,273)	—	—	—
Total Accounts and Contracts Receivable - Net	224,859	—	—	—	—
Due from Other Funds	235,083	2,574,411	3,129	31,355	672
Due from Fiduciary Funds	527,824	—	—	—	—
Due from Component Units	—	2,478	—	—	—
Due from Other Governmental Agencies	4,493,217	—	—	192	—
Other Assets	5,101	—	—	—	—
Total Assets	\$ 18,403,482	\$ 4,942,613	\$ 3,171,669	\$ 1,519,223	\$ 10,633,261
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 18,403,482	\$ 4,942,613	\$ 3,171,669	\$ 1,519,223	\$ 10,633,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities:					
Accounts and Contracts Payable	\$ 1,028,763	\$ 65,113	\$ 2,613	\$ —	\$ 351,758
Accrued Liabilities	5,773,409	23,344	26,850	—	303,969
Accrued Salaries and Wages	99,832	360,168	5,578	—	16,330
Due to Other Funds	4,853,852	1,322,881	156,278	216,941	271,104
Due to Fiduciary Fund	120	—	—	—	84
Due to Other Governmental Agencies	1,991,941	—	122,325	1,181,146	—
Deposits from Vendors and Customers	743,856	—	55,555	—	—
Unearned Revenue	56,181	—	246,815	—	—
Other Liabilities	—	347,069	41,199	121,136	—
Total Liabilities	14,547,954	2,118,575	657,213	1,519,223	943,245
Deferred Inflows of Resources	—	428,751	—	—	—
Fund Balances:					
Restricted for:					
Highway and Street Improvements	—	—	—	—	—
Police	—	—	—	—	9,690,016
Local Business Growth	—	—	—	—	—
Rubbish Collection and Disposal	—	—	—	—	—
Construction Code	—	2,395,287	—	—	—
Grants	3,855,528	—	2,514,456	—	—
Total Fund Balances (Deficits)	3,855,528	2,395,287	2,514,456	—	9,690,016
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,403,482	\$ 4,942,613	\$ 3,171,669	\$ 1,519,223	\$ 10,633,261

Human Services Fund	Solid Waste Management Fund	Street Fund	Targeted Business Development Fund	Telecommunications Fund	Renewable Energy Fund	Donated Monies Fund	Totals
\$ 3,261,476	\$ 32,725,859	\$ 47,805,587	\$ 5,015,203	\$ 5,102,550	\$ 220,221	\$ 132,833	\$ 117,541,829
—	—	—	—	—	—	—	7,293,827
—	—	—	—	—	—	—	18,000,000
—	243,938	2,943,205	—	—	446,558	—	4,554,526
—	243,938	2,943,205	—	—	446,558	—	22,554,526
—	(228,685)	(2,288,225)	—	—	(446,558)	—	(21,659,434)
—	15,253	654,980	—	—	—	—	895,092
203,618	2,900,000	3,707,547	—	20,653	61,813	5,038	9,743,319
—	125,000	—	—	—	—	—	652,824
—	—	—	—	—	6,636	—	9,114
—	—	8,982,827	—	—	—	—	13,476,236
—	—	737,875	—	—	—	—	742,976
\$ 3,465,094	\$ 35,766,112	\$ 61,888,816	\$ 5,015,203	\$ 5,123,203	\$ 288,670	\$ 137,871	\$ 150,355,217
\$ 3,465,094	\$ 35,766,112	\$ 61,888,816	\$ 5,015,203	\$ 5,123,203	\$ 288,670	\$ 137,871	\$ 150,355,217
\$ —	\$ 891,402	\$ 2,551,105	\$ —	\$ 674,708	\$ —	\$ —	\$ 5,565,462
—	2,587,347	6,467,189	4,537,119	712,490	25,250	—	20,456,967
—	155,486	221,825	—	—	—	—	859,219
585,892	—	—	—	—	—	85,432	7,492,380
—	—	—	—	—	—	—	204
2,879,202	13,021,955	—	—	—	—	—	19,196,569
—	—	—	—	—	—	—	799,411
—	—	—	—	—	—	54,518	357,514
—	—	—	—	—	—	—	509,404
3,465,094	16,656,190	9,240,119	4,537,119	1,387,198	25,250	139,950	55,237,130
—	—	3,707,547	—	20,653	38,847	5,037	4,200,835
—	—	48,941,150	—	—	—	—	48,941,150
—	—	—	—	—	—	—	9,690,016
—	—	—	478,084	—	—	—	478,084
—	19,109,922	—	—	—	—	—	19,109,922
—	—	—	—	—	—	—	2,395,287
—	—	—	—	3,715,352	224,573	(7,116)	10,302,793
—	19,109,922	48,941,150	478,084	3,715,352	224,573	(7,116)	90,917,252
\$ 3,465,094	\$ 35,766,112	\$ 61,888,816	\$ 5,015,203	\$ 5,123,203	\$ 288,670	\$ 137,871	\$ 150,355,217

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Drug Law Enforcement Fund
REVENUES:					
Taxes:					
Gas and Weight Tax	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, Permits, and Inspection Charges	—	20,021,186	—	—	—
Intergovernmental:					
Federal	46,739,186	242,966	9,937,287	—	—
State	—	—	—	—	—
Other	—	—	—	—	—
Sales and Charges for Services	—	—	—	—	—
Ordinance Fines and Forfeitures	—	12,017	—	—	1,772,048
Investment Earnings	4,581	—	11,487	—	—
Other Revenue	774,552	—	2,696,631	—	—
Total Revenues	47,518,319	20,276,169	12,645,405	—	1,772,048
EXPENDITURES:					
Current:					
Public Protection	—	21,427,490	—	—	2,091,790
Health	—	—	—	—	—
Recreation and Culture	(121,494)	—	—	—	—
Economic Development	35,925,445	—	12,800,341	—	—
Physical Environment	—	—	—	—	—
Transportation Facilitation	—	—	—	—	—
Development and Management	1,156,350	—	—	—	—
Debt Service:					
Principal	3,126,000	—	—	—	—
Interest	3,723,095	—	—	—	—
Capital Outlay	—	—	—	—	—
Total Expenditures	43,809,396	21,427,490	12,800,341	—	2,091,790
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,708,923	(1,151,321)	(154,936)	—	(319,742)
Other Financing Sources (Uses):					
Transfers In	—	2,986,274	—	—	—
Transfers Out	(2,986,274)	—	—	—	—
Total Other Financing Sources (Uses)	(2,986,274)	2,986,274	—	—	—
Net Change in Fund Balances	722,649	1,834,953	(154,936)	—	(319,742)
Fund Balances at Beginning of Year	3,132,879	560,334	2,669,392	—	10,009,758
Fund Balances (Deficits) at End of Year	\$ 3,855,528	\$ 2,395,287	\$ 2,514,456	\$ —	\$ 9,690,016

Human Services Fund	Solid Waste Management Fund	Street Fund	Targeted Business Development Fund	Telecommunications Fund	Renewable Energy Fund	Donated Monies Fund	Totals
\$ —	\$ —	\$ 53,904,485	\$ —	\$ —	\$ —	\$ —	\$ 53,904,485
—	—	—	—	—	—	—	20,021,186
57,819	—	—	—	—	—	—	56,977,258
—	—	22,485,269	—	2,408,039	—	—	24,893,308
—	—	5,699,689	—	—	—	78,315	5,778,004
—	49,941,428	—	—	—	—	—	49,941,428
—	120,137	—	—	—	—	—	1,904,202
—	7,751	55,303	—	3,865	—	—	82,987
—	949,708	19,595,351	—	—	175,325	—	24,191,567
<u>57,819</u>	<u>51,019,024</u>	<u>101,740,097</u>	<u>—</u>	<u>2,411,904</u>	<u>175,325</u>	<u>78,315</u>	<u>237,694,425</u>
—	—	—	—	—	—	—	23,519,280
2,357,772	—	—	—	—	—	—	2,357,772
—	—	—	—	—	—	85,431	(36,063)
—	—	—	—	—	—	—	48,725,786
—	37,830,974	—	—	—	34,284	—	37,865,258
—	—	35,891,765	—	613,944	—	—	36,505,709
—	—	—	—	—	—	—	1,156,350
—	—	—	—	—	—	—	3,126,000
—	—	—	—	—	—	—	3,723,095
—	—	47,876,380	—	1,345,811	—	—	49,222,191
<u>2,357,772</u>	<u>37,830,974</u>	<u>83,768,145</u>	<u>—</u>	<u>1,959,755</u>	<u>34,284</u>	<u>85,431</u>	<u>206,165,378</u>
<u>(2,299,953)</u>	<u>13,188,050</u>	<u>17,971,952</u>	<u>—</u>	<u>452,149</u>	<u>141,041</u>	<u>(7,116)</u>	<u>31,529,047</u>
—	—	8,129,198	—	—	—	—	11,115,472
—	—	(17,140,142)	—	—	—	—	(20,126,416)
—	—	(9,010,944)	—	—	—	—	(9,010,944)
(2,299,953)	13,188,050	8,961,008	—	452,149	141,041	(7,116)	22,518,103
<u>2,299,953</u>	<u>5,921,872</u>	<u>39,980,142</u>	<u>478,084</u>	<u>3,263,203</u>	<u>83,532</u>	<u>—</u>	<u>68,399,149</u>
<u>\$ —</u>	<u>\$ 19,109,922</u>	<u>\$ 48,941,150</u>	<u>\$ 478,084</u>	<u>\$ 3,715,352</u>	<u>\$ 224,573</u>	<u>\$ (7,116)</u>	<u>\$ 90,917,252</u>

City of Detroit, Michigan
COMBINING BALANCE SHEET ACCOUNTS
OTHER GOVERNMENTAL FUNDS - STREET FUND
June 30, 2014

	<u>Major</u> <u>Account</u>	<u>Local</u> <u>Account</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 35,762,704	\$ 12,042,883	\$ 47,805,587
Accounts and Contracts Receivable - Trade	<u>2,943,205</u>	<u>—</u>	<u>2,943,205</u>
Total Accounts and Contracts Receivable	2,943,205	—	2,943,205
Less: Allowance for Uncollectible Accounts	<u>(2,288,225)</u>	<u>—</u>	<u>(2,288,225)</u>
Total Accounts and Contracts Receivable - Net	654,980	—	654,980
Due from Other Funds	3,335,806	371,741	3,707,547
Due from Other Governmental Agencies	7,032,798	1,950,029	8,982,827
Other Assets	<u>737,875</u>	<u>—</u>	<u>737,875</u>
Total Assets	<u>\$ 47,524,163</u>	<u>\$ 14,364,653</u>	<u>\$ 61,888,816</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	\$ 1,607,555	\$ 943,550	\$ 2,551,105
Accrued Salaries and Wages	221,825	—	221,825
Accrued Liabilities	<u>4,503,484</u>	<u>1,963,705</u>	<u>6,467,189</u>
Total Liabilities	<u>6,332,864</u>	<u>2,907,255</u>	<u>9,240,119</u>
Deferred Inflows of Resources:	<u>3,335,806</u>	<u>371,741</u>	<u>3,707,547</u>
Fund Balances:			
Restricted for Highway and Street Improvements	<u>37,855,493</u>	<u>11,085,657</u>	<u>48,941,150</u>
Total Fund Balances	<u>37,855,493</u>	<u>11,085,657</u>	<u>48,941,150</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 47,524,163</u>	<u>\$ 14,364,653</u>	<u>\$ 61,888,816</u>

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE ACCOUNTS
OTHER GOVERNMENTAL FUNDS - STREET FUND
For the Year Ended June 30, 2014

	<u>Major Account</u>	<u>Local Account</u>	<u>Totals</u>
Revenues:			
Gas and Weight Tax	\$ 42,056,844	\$ 11,847,641	\$ 53,904,485
Intergovernmental:			
State	17,543,242	4,942,027	22,485,269
Other	5,699,689	—	5,699,689
Investment Earnings	38,557	16,746	55,303
Other Revenue	11,173,999	8,421,352	19,595,351
Total Revenues	<u>76,512,331</u>	<u>25,227,766</u>	<u>101,740,097</u>
Expenditures:			
Transportation Facilitation	23,006,867	12,884,898	35,891,765
Capital Outlay	28,963,863	18,912,517	47,876,380
Total Expenditures	<u>51,970,730</u>	<u>31,797,415</u>	<u>83,768,145</u>
Excess of Revenues Over Expenditures	<u>24,541,601</u>	<u>(6,569,649)</u>	<u>17,971,952</u>
Other Financing Sources (Uses):			
Transfers In	—	8,129,198	8,129,198
Transfers Out	(17,140,142)	—	(17,140,142)
Total Other Financing Sources (Uses)	<u>(17,140,142)</u>	<u>8,129,198</u>	<u>(9,010,944)</u>
Net Change in Fund Balances	7,401,459	1,559,549	8,961,008
Fund Balances at Beginning of Year	<u>30,454,034</u>	<u>9,526,108</u>	<u>39,980,142</u>
Fund Balances at End of Year	<u>\$ 37,855,493</u>	<u>\$ 11,085,657</u>	<u>\$ 48,941,150</u>

City of Detroit, Michigan
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL PERMANENT FUNDS
June 30, 2014

	Permanent Funds		
	Bequest Funds		
	Other Trust	Cemetery Trust	Totals
ASSETS			
Cash and Cash Equivalents	\$ 49,351	\$ 1,668,226	\$ 1,717,577
Investments	—	—	—
Total Assets	\$ 49,351	\$ 1,668,226	\$ 1,717,577
LIABILITIES AND FUND BALANCES			
Liabilities: Accounts and Contracts Payable	\$ —	\$ 14,159	\$ 14,159
Accrued Liabilities	—	312	312
Total Liabilities	—	14,471	14,471
Fund Balance			
Nonspendable - Permanent Fund Principal	40,349	897,512	937,861
Restricted for Endowments and Trusts	9,002	756,243	765,245
Total Liabilities and Fund Balances	\$ 49,351	\$ 1,668,226	\$ 1,717,577

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL PERMANENT FUNDS
BEQUEST FUNDS
For the Year Ended June 30, 2014

	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Bequest Funds</u>		
	<u>Other Trust</u>	<u>Cemetery Trust</u>	
Revenues - Investment Earnings	\$ 23	\$ 34,143	\$ 34,166
Expenditures - Recreation and Culture	—	88,791	88,791
Excess of Revenues Over Expenditures	23	(54,648)	(54,625)
Fund Balances at Beginning of Year	49,328	1,708,403	1,757,731
Fund Balances at End of Year	<u>\$ 49,351</u>	<u>\$ 1,653,755</u>	<u>\$ 1,703,106</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Year Ended June 30, 2014

	<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	\$ 34,589,553	\$ 133,812,041	\$ 46,739,186	\$ (87,072,855)
Investment Earnings	—	(881,474)	4,581	886,055
Other Taxes and Assessments	—	(42,872)	—	42,872
Other Revenue	<u>1,442,419</u>	<u>28,456,549</u>	<u>774,552</u>	<u>(27,681,997)</u>
Total Revenues	36,031,972	161,344,244	47,518,319	(113,825,925)
Expenditures:				
Current:				
Recreation and Culture	—	—	(121,494)	121,494
Economic Development	28,857,478	156,397,434	35,925,445	120,471,989
Development and Management	—	—	1,156,350	(1,156,350)
Debt Service	7,114,682	14,421,031	6,849,095	7,571,936
Capital Outlay	<u>59,812</u>	<u>1,575,547</u>	<u>—</u>	<u>1,575,547</u>
Total Expenditures	36,031,972	172,394,012	43,809,396	128,584,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(11,049,768)	3,708,923	14,758,691
Other Financing Sources (Uses):				
Transfers In	—	1,040,155	—	(1,040,155)
Transfers Out	<u>—</u>	<u>—</u>	<u>(2,986,274)</u>	<u>(2,986,274)</u>
Total Other Financing Sources (Uses)	<u>—</u>	<u>1,040,155</u>	<u>(2,986,274)</u>	<u>(4,026,429)</u>
Net Change in Fund Balance	—	(10,009,613)	722,649	10,732,262
Fund Balance at Beginning of Year	<u>3,132,879</u>	<u>3,132,879</u>	<u>3,132,879</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 3,132,879</u>	<u>\$ (6,876,734)</u>	<u>\$ 3,855,528</u>	<u>\$ 10,732,262</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
CONSTRUCTION CODE FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, Permits, and Inspection Charges	\$ 20,293,404	\$ 21,431,278	\$ 20,021,186	\$ (1,410,092)
Intergovernmental:				
Federal	—	32,004,617	242,966	(31,761,651)
Sales and Charges for Services	145,318	447,535	—	(447,535)
Ordinance Fines and Forfeitures	800,000	2,258,122	12,017	(2,246,105)
Total Revenues	<u>21,238,722</u>	<u>56,141,552</u>	<u>20,276,169</u>	<u>(35,865,383)</u>
Expenditures:				
Public Protection	21,204,348	50,764,622	21,427,490	29,337,132
Debt Service	6,600	13,200	—	13,200
Capital Outlay	27,774	31,260	—	31,260
Total Expenditures	<u>21,238,722</u>	<u>50,809,082</u>	<u>21,427,490</u>	<u>(29,381,592)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	5,332,470	(1,151,321)	(6,483,791)
Other Financing Sources:				
Transfers In	—	—	2,986,274	2,986,274
Transfers Out	—	(5,469,972)	—	5,469,972
Total Other Financing Sources	<u>—</u>	<u>(5,469,972)</u>	<u>2,986,274</u>	<u>8,456,246</u>
Net Change in Fund Balance	—	(137,502)	1,834,953	1,972,455
Fund Balance at Beginning of Year	<u>560,334</u>	<u>560,334</u>	<u>560,334</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 560,334</u>	<u>\$ 422,832</u>	<u>\$ 2,395,287</u>	<u>\$ 1,972,455</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
URBAN DEVELOPMENT FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$ 5,833,389	\$ 22,788,818	\$ 9,937,287	\$ (12,851,531)
Investment Earnings	—	(291,671)	11,487	303,158
Other Revenue	<u>5,500,000</u>	<u>7,779,920</u>	<u>2,696,631</u>	<u>(5,083,289)</u>
Total Revenues	11,333,389	30,277,067	12,645,405	(17,631,662)
Expenditures:				
Economic Development	11,333,389	23,518,894	12,800,341	10,718,553
Capital Outlay	<u>—</u>	<u>300,321</u>	<u>—</u>	<u>300,321</u>
Total Expenditures	<u>11,333,389</u>	<u>23,819,215</u>	<u>12,800,341</u>	<u>11,018,874</u>
Excess of Revenues Over Expenditures	—	6,457,852	(154,936)	(6,612,788)
Other Financing Uses - Transfers Out	<u>—</u>	<u>(6,189,563)</u>	<u>—</u>	<u>6,189,563</u>
Total Other Financing Uses	<u>—</u>	<u>(6,189,563)</u>	<u>—</u>	<u>6,189,563</u>
Net Change in Fund Balance	—	268,289	(154,936)	(423,225)
Fund Balance at Beginning of Year	<u>2,669,392</u>	<u>2,669,392</u>	<u>2,669,392</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 2,669,392</u>	<u>\$ 2,937,681</u>	<u>\$ 2,514,456</u>	<u>\$ (423,225)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DETROIT WORKFORCE DEVELOPMENT FUND
For the Year Ended June 30, 2014

	<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	\$ —	\$ (94,925)	\$ —	\$ 94,925
Other Revenue	—	400	—	(400)
Total Revenues	<u>—</u>	<u>(94,525)</u>	<u>—</u>	<u>94,525</u>
Expenditures:				
Educational Development	—	1,696,233	—	1,696,233
Capital Outlay	—	(272)	—	(272)
Total Expenditures	<u>—</u>	<u>1,695,961</u>	<u>—</u>	<u>1,695,961</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(1,790,486)</u>	<u>—</u>	<u>1,790,486</u>
Net Change in Fund Balance	—	(1,790,486)	—	1,790,486
Fund Balance at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ —</u>	<u>\$ (1,790,486)</u>	<u>\$ —</u>	<u>\$ 1,790,486</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DRUG LAW ENFORCEMENT FUND
For the Year Ended June 30, 2014

	<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	\$ —	\$ —	\$ 1,772,048	\$ 1,772,048
Investment Earnings	—	(1,082)	—	1,082
Other Revenue	<u>1,234,974</u>	<u>10,500,911</u>	<u>—</u>	<u>(10,500,911)</u>
Total Revenues	<u>1,234,974</u>	<u>10,499,829</u>	<u>1,772,048</u>	<u>(8,727,781)</u>
Expenditures:				
Public Protection	1,234,974	10,407,317	2,091,790	8,315,527
Capital Outlay	<u>—</u>	<u>1,788,546</u>	<u>—</u>	<u>1,788,546</u>
Total Expenditures	<u>1,234,974</u>	<u>12,195,863</u>	<u>2,091,790</u>	<u>10,104,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(1,696,034)	(319,742)	1,376,292
Fund Balance at Beginning of Year	<u>10,009,758</u>	<u>10,009,758</u>	<u>10,009,758</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 10,009,758</u>	<u>\$ 8,313,724</u>	<u>\$ 9,690,016</u>	<u>\$ 1,376,292</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
HUMAN SERVICES FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Intergovernmental - Federal	\$ —	\$ 148,746,788	\$ 57,819	\$ (148,688,969)
Investment Earnings	—	(224,899)	—	224,899
Other Revenues	—	12,518,348	—	(12,518,348)
Total Revenues	—	161,040,237	57,819	(160,982,418)
Expenditures:				
Health	—	143,453,100	2,357,772	141,095,328
Capital Outlay	—	128,356	—	128,356
Total Expenditures	—	143,581,456	2,357,772	141,223,684
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	17,458,781	(2,299,953)	(19,758,734)
Other Financing Sources - Transfers In	—	270	—	(270)
Net Change in Fund Balance	—	17,459,051	(2,299,953)	(19,759,004)
Fund Balance at Beginning of Year	2,299,953	2,299,953	2,299,953	—
Fund Balance at End of Year	\$ 2,299,953	\$ 19,759,004	\$ —	\$ (19,759,004)

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
SOLID WASTE MANAGEMENT FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales and Charges for Services	\$ 41,018,000	\$ 44,285,194	\$ 49,941,428	\$ 5,656,234
Ordinance Fines and Forfeitures	95,110	129,583	120,137	(9,446)
Investment Earnings (Losses)	—	19,795	7,751	(12,044)
Other Revenue	95,000	(449,539)	949,708	1,399,247
Total Revenues	<u>41,208,110</u>	<u>43,985,033</u>	<u>51,019,024</u>	<u>7,033,991</u>
Expenditures:				
Physical Environment	40,879,371	59,315,343	37,830,974	21,484,369
Capital Outlay	557,739	933,910	—	933,910
Total Expenditures	<u>41,437,110</u>	<u>60,249,253</u>	<u>37,830,974</u>	<u>22,418,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229,000)	(16,264,220)	13,188,050	29,452,270
Other Financing Sources - Transfers In	229,000	697,545	—	(697,545)
Net Change in Fund Balance	<u>—</u>	<u>(15,566,675)</u>	<u>13,188,050</u>	<u>28,754,725</u>
Fund Balance at Beginning of Year	<u>5,921,872</u>	<u>5,921,872</u>	<u>5,921,872</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 5,921,872</u>	<u>\$ (9,644,803)</u>	<u>\$ 19,109,922</u>	<u>\$ 28,754,725</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
MAJOR STREET FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gas and Weight Tax	\$ 51,429,000	\$ 70,003,395	\$ 42,056,844	\$ (27,946,551)
Intergovernmental:				
State	—	27,284,276	17,543,242	(9,741,034)
Other	—	2,819,052	5,699,689	2,880,637
Investment Earnings	174,000	156,600	38,557	(118,043)
Other Revenue	<u>19,497,042</u>	<u>198,014,195</u>	<u>11,173,999</u>	<u>(186,840,196)</u>
Total Revenues	<u>71,100,042</u>	<u>298,277,518</u>	<u>76,512,331</u>	<u>(221,765,187)</u>
Expenditures:				
Transportation Facilitation	51,823,072	181,069,856	23,006,867	158,062,989
Capital Outlay	<u>19,756,970</u>	<u>122,110,488</u>	<u>28,963,863</u>	<u>93,146,625</u>
Total Expenditures	<u>71,580,042</u>	<u>303,180,344</u>	<u>51,970,730</u>	<u>(251,209,614)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,000)</u>	<u>(4,902,826)</u>	<u>24,541,601</u>	<u>29,444,427</u>
Other Financing Sources (Uses):				
Transfers In	480,000	74,728,116	—	(74,728,116)
Transfers Out	<u>—</u>	<u>(26,726,546)</u>	<u>(17,140,142)</u>	<u>9,586,404</u>
Total Other Financing Sources (Uses)	<u>480,000</u>	<u>48,001,570</u>	<u>(17,140,142)</u>	<u>(65,141,712)</u>
Net Change in Fund Balance	—	43,098,744	7,401,459	(35,697,285)
Fund Balance at Beginning of Year	<u>30,454,034</u>	<u>30,454,034</u>	<u>30,454,034</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 30,454,034</u>	<u>\$ 73,552,778</u>	<u>\$ 37,855,493</u>	<u>\$ (35,697,285)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
LOCAL STREET FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gas and Weight Tax	\$ —	\$ 11,501,596	\$ 11,847,641	\$ 346,045
Intergovernmental:				
State	—	—	4,942,027	4,942,027
Investment Earnings	—	39,856	16,746	(23,110)
Other Revenues	—	910,673	8,421,352	7,510,679
Total Revenues	<u>—</u>	<u>12,452,125</u>	<u>25,227,766</u>	<u>12,775,641</u>
Expenditures:				
Transportation Facilitation	—	28,628,596	12,884,898	15,743,698
Capital Outlay	—	38,947,378	18,912,517	20,034,861
Total Expenditures	<u>—</u>	<u>67,575,974</u>	<u>31,797,415</u>	<u>35,778,559</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(55,123,849)</u>	<u>(6,569,649)</u>	<u>48,554,200</u>
Other Financing Sources (Uses):				
Transfers In	—	16,610,379	8,129,198	(8,481,181)
Total Other Financing Sources (Uses)	<u>—</u>	<u>16,610,379</u>	<u>8,129,198</u>	<u>(8,481,181)</u>
Net Change in Fund Balance	—	(38,513,470)	1,559,549	40,073,019
Fund Balance at Beginning of Year	<u>9,526,108</u>	<u>9,526,108</u>	<u>9,526,108</u>	<u>—</u>
Fund Balance (Deficit) at End of Year	<u>\$ 9,526,108</u>	<u>\$ (28,987,362)</u>	<u>\$ 11,085,657</u>	<u>\$ 40,073,019</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
TARGETED BUSINESS DEVELOPMENT FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ —	\$ 4,537,119	\$ —	\$ (4,537,119)
Expenditures - Economic Development	—	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	4,537,119	—	(4,537,119)
Fund Balance at Beginning of Year	478,084	478,084	478,084	—
Fund Balance at End of Year	<u>\$ 478,084</u>	<u>\$ 5,015,203</u>	<u>\$ 478,084</u>	<u>\$ (4,537,119)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
TELECOMMUNICATIONS FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - State	\$ 2,480,000	\$ (1,454,237)	\$ 2,408,039	\$ 3,862,276
Investment Earnings	—	(44,711)	3,865	48,576
Total Revenues	<u>2,480,000</u>	<u>(1,498,948)</u>	<u>2,411,904</u>	<u>3,910,852</u>
Expenditures:				
Transportation Facilitation	—	289,430	613,944	(324,514)
Capital Outlay	<u>2,480,000</u>	<u>3,142,512</u>	<u>1,345,811</u>	<u>1,796,701</u>
Total Expenditures	<u>2,480,000</u>	<u>3,431,942</u>	<u>1,959,755</u>	<u>1,472,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(4,930,890)	452,149	5,383,039
Fund Balance at Beginning of Year	<u>3,263,203</u>	<u>3,263,203</u>	<u>3,263,203</u>	—
Fund Balance (Deficit) at End of Year	<u>\$ 3,263,203</u>	<u>\$ (1,667,687)</u>	<u>\$ 3,715,352</u>	<u>\$ 5,383,039</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
RENEWABLE ENERGY FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues - Other	\$ 628,000	\$ 1,602,959	\$ 175,325	\$ (1,427,634)
Expenditures	<u>628,000</u>	<u>2,070,563</u>	<u>34,284</u>	<u>2,036,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(467,604)	141,041	608,645
Fund Balance at Beginning of Year	<u>83,532</u>	<u>83,532</u>	<u>83,532</u>	—
Fund Balance at End of Year	<u>\$ 83,532</u>	<u>\$ (384,072)</u>	<u>\$ 224,573</u>	<u>\$ 608,645</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DONATED MONIES FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ —	\$ 132,833	\$ 78,315	\$ (54,518)
Expenditures	<u>—</u>	<u>132,833</u>	<u>85,431</u>	<u>47,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	—	(7,116)	(7,116)
Fund Balance at Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,116)</u>	<u>\$ (7,116)</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
DEBT SERVICE FUND
For the Year Ended June 30, 2014

	<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	\$ 57,262,551	\$ 57,262,551	\$ 65,214,710	\$ 7,952,159
Other Taxes and Assessments	9,591,453	9,591,453	2,496,531	(7,094,922)
Investment Earnings	—	—	2,621	2,621
Other Revenue	<u>1,364,819</u>	<u>1,364,819</u>	<u>3,344,270</u>	<u>1,979,451</u>
Total Revenues	<u>68,218,823</u>	<u>68,218,823</u>	<u>71,058,132</u>	<u>2,839,309</u>
Expenditures:				
Economic Development	3,277,417	3,277,417	1,411,664	1,865,753
Debt Service:				
Principal	38,205,000	38,205,000	38,205,000	—
Interest	<u>26,736,406</u>	<u>26,736,406</u>	<u>26,736,406</u>	<u>—</u>
Total Expenditures	<u>68,218,823</u>	<u>68,218,823</u>	<u>66,353,070</u>	<u>1,865,753</u>
Deficiency of Revenues Under Expenditures	—	—	4,705,062	4,705,062
Fund Balance at Beginning of Year	<u>7,899,702</u>	<u>7,899,702</u>	<u>7,899,702</u>	<u>—</u>
Fund Balance at End of Year	<u>\$ 7,899,702</u>	<u>\$ 7,899,702</u>	<u>\$ 12,604,764</u>	<u>\$ 4,705,062</u>

City of Detroit, Michigan
BUDGETARY COMPARISON SCHEDULES
OTHER GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - Federal	\$ —	\$ 1,524,845	\$ —	\$ (1,524,845)
Investment Earnings	—	(986,267)	—	986,267
Sales and Charges for Services	—	—	668,451	668,451
Other Revenue	—	5,506,258	879,453	(4,626,805)
Total Revenues	—	6,044,836	1,547,904	(4,496,932)
Expenditures:				
Economic Development	—	—	1,041,320	(1,041,320)
Capital Outlay	—	93,826,996	16,931,863	76,895,133
Bond Issuance Costs	—	(15,284)	—	(15,284)
Total Expenditures	—	93,811,712	17,973,183	75,838,529
Deficiency of Revenues Under Expenditures	—	(87,766,876)	(16,425,279)	(80,335,461)
Other Financing Sources (Uses):				
Sources:				
Transfers In	—	26,570,616	—	(26,570,616)
Bond and Notes Issued	—	29,497,571	—	(29,497,571)
Uses:				
Transfers Out	—	(16,377,212)	—	16,377,212
Interest Paid to Bond Agent for Refunded Bonds	—	(4,331,334)	—	4,331,334
Total Other Financing Sources (Uses)	—	35,359,641	—	(35,359,641)
Net Change in Fund Balance	—	(52,407,235)	(16,425,279)	35,981,956
Fund Balance at Beginning of Year	79,371,566	79,371,566	79,371,566	—
Fund Balance at End of Year	\$ 79,371,566	\$ 26,964,331	\$ 62,946,287	\$ 35,981,956

**COMBINING STATEMENT OF OTHER ENTERPRISE
FUNDS**

City of Detroit, Michigan
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Public Lighting Authority Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,909,438	\$ 15,531,767	\$ 17,441,205
Accounts and Contracts Receivable:			
Other Receivables - Trade	1,382,512	757,500	2,140,012
Allowance for Uncollectible Accounts	(1,029,232)	—	(1,029,232)
Total Accounts and Contracts Receivable - Net	353,280	757,500	1,110,780
Due from Other Funds	25,315	—	25,315
Due from Other Governmental Agencies	12,044	—	12,044
Prepaid Expenses	23,079	—	23,079
Total Current Assets	<u>2,323,156</u>	<u>16,289,267</u>	<u>18,612,423</u>
Noncurrent Assets:			
Restricted:			
Investments	—	52,349,183	52,349,183
Capital Assets:			
Land and Land Rights	17,349,458	—	17,349,458
Land Improvements	8,020,718	—	8,020,718
Buildings and Structures	5,853,773	—	5,853,773
Vehicles and Buses	1,326,693	—	1,326,693
Machinery, Equipment, and Fixtures	1,825,327	42,081	1,867,408
Construction in Progress	112,500	19,190,049	19,302,549
Total Capital Assets	34,488,469	19,232,130	53,720,599
Less: Accumulated Depreciation	(15,950,394)	(5,050)	(15,955,444)
Capital Assets - Net	18,538,075	19,227,080	37,765,155
Total Noncurrent Assets	18,538,075	71,576,263	90,114,338
Total Assets	20,861,231	87,865,530	108,726,761
Deferred Outflows of Resources	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 20,861,231</u>	<u>\$ 87,865,530</u>	<u>\$ 108,726,761</u>

(Continued)

City of Detroit, Michigan
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Public Lighting Authority Fund</u>	<u>Totals</u>
LIABILITIES AND NET POSITION (DEFICIT)			
Current Liabilities:			
Accounts and Contracts Payable	\$ 72,690	\$ 11,324,033	\$ 11,396,723
Accrued Salaries and Wages	5,454	—	5,454
Due to Other Funds	635,996	—	635,996
Due to Fiduciary Funds	368,435	—	368,435
Other Liabilities	2,662,263	—	2,662,263
Bonds, Notes, and Capital Leases	—	60,000,000	60,000,000
Accrued Compensated Absences	19,078	—	19,078
Accrued Other Postemployment Benefits	6,967	—	6,967
Accrued Workers' Compensation and Claims and Judgments	88,000	—	88,000
Total Current Liabilities	<u>3,858,883</u>	<u>71,324,033</u>	<u>75,182,916</u>
Noncurrent Liabilities:			
Accrued Workers' Compensation and Claims and Judgments	186,800	—	186,800
Accrued Other Postemployment Benefits	2,052	—	2,052
Total Noncurrent Liabilities	<u>188,852</u>	<u>—</u>	<u>188,852</u>
Total Liabilities	<u>4,047,735</u>	<u>71,324,033</u>	<u>75,371,768</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:			
Net Investment in Capital Assets	18,538,075	8,124,999	26,663,074
Restricted	—	8,416,498	8,416,498
Unrestricted (Deficit)	<u>(1,724,579)</u>	<u>—</u>	<u>(1,724,579)</u>
Total Net Position (Deficit)	<u>16,813,496</u>	<u>16,541,497</u>	<u>33,354,993</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 20,861,231</u>	<u>\$ 87,865,530</u>	<u>\$ 108,726,761</u>

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Airport</u>	<u>Public Lighting</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Totals</u>
Operating Revenues:			
Sales and Charges for Services	\$ 1,430	\$ —	\$ 1,430
Rentals, Fees, and Surcharges	502,071	757,500	1,259,571
Miscellaneous	1,823,313	1,000	1,824,313
Total Operating Revenues	<u>2,326,814</u>	<u>758,500</u>	<u>3,085,314</u>
Operating Expenses:			
Salaries, Wages, and Benefits	570,351	476,657	1,047,008
Operating	1,962,566	823,276	2,785,842
Maintenance	24,674	—	24,674
Materials, Supplies, and Other Expenses	35,103	—	35,103
Depreciation	130,252	5,050	135,302
Total Operating Expenses	<u>2,722,946</u>	<u>1,304,983</u>	<u>4,027,929</u>
Operating Income (Loss)	<u>(396,132)</u>	<u>(546,483)</u>	<u>(942,615)</u>
Non-Operating Revenues (Expenses):			
Investment Earnings (Losses)	—	1,660	1,660
Interest on Bonds, Notes Payable, and Loans	—	(585,489)	(585,489)
Special Item - OPEB Plan Termination	46,317	—	46,317
Bond Issuance Costs	—	(916,636)	(916,636)
Total Non-Operating Revenues (Expenses), Net	<u>46,317</u>	<u>(1,500,465)</u>	<u>(1,454,148)</u>
Net Income (Loss) Before Contributions and Transfers	<u>(349,815)</u>	<u>(2,046,948)</u>	<u>(2,396,763)</u>
Transfers In	<u>623,595</u>	<u>17,549,994</u>	<u>18,173,589</u>
Increase (Decrease) in Net Position	273,780	15,503,046	15,776,826
Net Position (Deficit) - Beginning of Year	16,539,716	1,038,451	17,578,167
Net Position (Deficit) - End of Year	<u>\$ 16,813,496</u>	<u>\$ 16,541,497</u>	<u>\$ 33,354,993</u>

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Public Lighting Authority Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 2,550,213	\$ —	\$ 2,550,213
Receipts from (to) Other Funds	(94,363)	1,000	(93,363)
Payments to Suppliers	(1,467,158)	(679,683)	(2,146,841)
Payments to Employees	(367,245)	(460,654)	(827,899)
Net Cash Provided by (Used in) Operating Activities	<u>621,447</u>	<u>(1,139,337)</u>	<u>(517,890)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers from Other Funds	623,595	17,549,994	18,173,589
Miscellaneous Non-Capital Financing	—	—	—
Net Cash Provided by Non-Capital Financing Activities	<u>623,595</u>	<u>17,549,994</u>	<u>18,173,589</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	—	(8,130,049)	(8,130,049)
Proceeds from Bond and Note Issuances	—	59,083,364	59,083,364
Interest Paid on Bonds, Notes, and Leases - Net	—	(585,489)	(585,489)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>—</u>	<u>50,367,826</u>	<u>50,367,826</u>
Cash Flows from Investing Activities:			
Purchases of Investments	—	(52,349,183)	(52,349,183)
Earnings (Losses) from Investment Securities	—	1,660	1,660
Net Cash Provided by (Used in) Investing Activities	<u>—</u>	<u>(52,347,523)</u>	<u>(52,347,523)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,245,042	14,430,960	15,676,002
Cash and Cash Equivalents at Beginning of Year	664,396	1,100,807	1,765,203
Cash and Cash Equivalents at End of Year	<u>\$ 1,909,438</u>	<u>\$ 15,531,767</u>	<u>\$ 17,441,205</u>

(Continued)

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Public Lighting Authority Fund</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by			
(Used in) Operating Activities:			
Operating Income (Loss)	\$ (396,132)	\$ (546,483)	\$ (942,615)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Depreciation and Amortization	130,252	5,050	135,302
Changes in Assets and Liabilities:			
Accounts and Contracts Receivable	(142,802)	(757,500)	(900,302)
Prepaid Expenses	(23,079)	600	(22,479)
Due from Other Funds	5,851	—	5,851
Accounts and Contracts Payable	336,497	158,996	495,493
Due to Other Funds	(100,214)	—	(100,214)
Other Liabilities	607,968	—	607,968
Accrued Compensated Absences	1,729	—	1,729
Accrued Workers' Compensation and Claims and Judgments	191,800	—	191,800
Accrued Other Postemployment Benefits	7,060	—	7,060
Accrued Salaries and Wages	2,517	—	2,517
Net Cash Provided by (Used in) Operating Activities	<u>\$ 621,447</u>	<u>\$ (1,139,337)</u>	<u>\$ (517,890)</u>
Noncash activities:			
Special Item - OPEB Plan Termination	\$ (46,317)	\$ —	\$ (46,317)
Acquisition of Capital Assets under Accounts Payable	—	11,102,081	11,102,081

COMBINING STATEMENT OF FIDUCIARY FUNDS

City of Detroit, Michigan
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS
June 30, 2014

	<u>Pension</u>	
	<u>General Retirement System</u>	<u>Policemen & Firemen Retirement System</u>
ASSETS		
Cash and Cash Equivalents	\$ 25,742,786	\$ 52,165,913
Investments at Fair Value:		
Short-Term Investments	74,423,479	82,894,855
Bonds and Stocks	1,259,143,400	1,992,712,378
Mortgage-Backed Securities	21,970,772	63,374,032
Mortgage and Construction Loans	99,652,517	122,456,980
Equity Interest in Real Estate	211,811,951	299,951,543
Real Estate Investment Trusts Held by Custodian	—	176,517,750
Government Investment Pools	7,870,265	380,018,039
Private Placements	322,419,977	67,792,405
Total Investments	<u>1,997,292,361</u>	<u>3,185,717,982</u>
Accrued Interest Receivable	3,220,916	20,814,915
Accounts Receivable:		
Due from Primary Government	—	—
Due from Component Units	—	—
Receivables from Investment Sales	13,646,430	23,616,000
Other Receivables	9,696,855	18,162,046
Prepaid Expenditures	—	—
Cash and Investments Held as Collateral for Securities Lending	30,949,483	79,546,235
Capital Assets	<u>1,333,145</u>	<u>1,288,922</u>
Total Assets	<u>2,081,881,976</u>	<u>3,381,312,013</u>
LIABILITIES		
Accounts and Contracts Payable	—	—
Payables for Investment Purchases	15,593,379	7,098,366
Benefits and Claims Payable	11,692,026	4,341,612
Due to Primary Government	1,156,317	—
Due to Component Units	—	—
Amount Due to Broker for Securities Lending	35,241,386	87,552,210
Other Liabilities	<u>2,990,989</u>	<u>6,116,526</u>
Total Liabilities	<u>66,674,097</u>	<u>105,108,714</u>
NET POSITION		
Net Position Held in Trust for Pension and Other Employee Benefits	2,015,207,879	3,276,203,299
Death Benefit and Disability Income Protection	<u>—</u>	<u>—</u>
Total Net Position	<u>\$ 2,015,207,879</u>	<u>\$ 3,276,203,299</u>

Other Employee Benefits

Other Post- Employment Benefits Fund	Employee Death Benefits Fund	Employee Disability Income Protection Fund	Total Pension and Other Employee Benefit Trusts
\$ 5,980,994	\$ 1,265,391	\$ 44,117	\$ 85,199,201
9,711,055	25,240,270	—	192,269,659
—	6,912,333	—	3,258,768,111
—	6,780	—	85,351,584
—	—	—	222,109,497
—	—	—	511,763,494
—	—	—	176,517,750
—	—	—	387,888,304
—	1,955,305	—	392,167,687
<u>9,711,055</u>	<u>34,114,688</u>	<u>—</u>	<u>5,226,836,086</u>
—	—	—	24,035,831
36,363,516	112,665	1,071,230	37,547,411
—	4,275	10,461	14,736
—	—	—	37,262,430
669,965	—	—	28,528,866
1,085,025	—	—	1,085,025
—	—	—	110,495,718
—	—	—	2,622,067
<u>53,810,555</u>	<u>35,497,019</u>	<u>1,125,808</u>	<u>5,553,627,371</u>
14,013,505	—	808	14,014,313
—	—	—	22,691,745
—	—	—	16,033,638
7,172,366	—	125,000	8,453,683
99,221	—	—	99,221
—	—	—	122,793,596
<u>23,401,865</u>	<u>—</u>	<u>—</u>	<u>32,509,380</u>
<u>44,686,957</u>	<u>—</u>	<u>125,808</u>	<u>216,595,576</u>
9,123,598	—	—	5,300,534,776
—	35,497,019	1,000,000	36,497,019
<u>\$ 9,123,598</u>	<u>\$ 35,497,019</u>	<u>\$ 1,000,000</u>	<u>\$ 5,337,031,795</u>

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION AND OTHER EMPLOYMENT BENEFITS TRUSTS
For the Year Ended June 30, 2014

	Pension		Other Employee Benefits			Total Pension and Other Employee Benefit Trusts
	General Retirement System	Policemen & Firemen Retirement System	Other Post-Employment Benefits Fund	Employee Death Benefits Fund	Employee Disability Income Protection Plan	
ADDITIONS:						
Employer Contributions	\$ 25,126,131	\$ —	\$ 205,205,826	\$ 99,776	\$ 1,171,556	\$ 231,603,289
Plan Member Contributions	10,241,761	7,783,141	31,014,734	80,585	—	49,120,221
Other Income	—	—	5,957,863	—	—	5,957,863
Total Contributions	<u>35,367,892</u>	<u>7,783,141</u>	<u>242,178,423</u>	<u>180,361</u>	<u>1,171,556</u>	<u>286,681,373</u>
Investment Earnings:						
Interest and Dividend Income	21,065,114	101,041,852	1,090,993	4,676,705	—	127,874,664
Net Appreciation (Depreciation) in Fair Value	269,067,717	477,575,447	—	—	—	746,643,164
Investment Expense	(8,947,895)	(14,983,143)	—	—	—	(23,931,038)
Securities Lending Income, Net	161,964	498,646	—	—	—	660,610
Net Gain on Collateralized Securities	838,430	2,105,876	—	—	—	2,944,306
Other Income	7,604,277	2,522,115	—	—	—	10,126,392
Total Investment Earnings	<u>289,789,607</u>	<u>568,760,793</u>	<u>1,090,993</u>	<u>4,676,705</u>	<u>—</u>	<u>864,318,098</u>
Total Additions	<u>325,157,499</u>	<u>576,543,934</u>	<u>243,269,416</u>	<u>4,857,066</u>	<u>1,171,556</u>	<u>1,150,999,471</u>
DEDUCTIONS:						
Pension and Annuity Benefits	253,683,194	285,512,629	—	—	—	539,195,823
Premiums to Insurers and Damage Claims	—	—	242,214,209	1,838,845	1,171,556	245,224,610
Member Refunds and Withdrawals	144,050,613	38,027,844	—	—	—	182,078,457
General and Administrative Expenses	11,237,767	11,373,226	6,847	40,524	—	22,658,364
Total Deductions	<u>408,971,574</u>	<u>334,913,699</u>	<u>242,221,056</u>	<u>1,879,369</u>	<u>1,171,556</u>	<u>989,157,254</u>
Net Increase (Decrease)	<u>(83,814,075)</u>	<u>241,630,235</u>	<u>1,048,360</u>	<u>2,977,697</u>	<u>—</u>	<u>161,842,217</u>
Net Position, Beginning of Year	<u>2,099,021,954</u>	<u>3,034,573,064</u>	<u>8,075,238</u>	<u>32,519,322</u>	<u>1,000,000</u>	<u>5,175,189,578</u>
Net Position, End of Year	<u>\$ 2,015,207,879</u>	<u>\$ 3,276,203,299</u>	<u>\$ 9,123,598</u>	<u>\$ 35,497,019</u>	<u>\$ 1,000,000</u>	<u>\$ 5,337,031,795</u>

City of Detroit, Michigan
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2014

	Fire Insurance Escrow Fund	Other Agency Funds	Totals
ASSETS			
Cash and Cash Equivalents	\$ 21,473,322	\$ 170,381	\$ 21,643,703
Total Assets	\$ 21,473,322	\$ 170,381	\$ 21,643,703
LIABILITIES			
Accounts and Contracts Payable	\$ 218,687	\$ 170,381	\$ 389,068
Other Liabilities	20,712,703	—	20,712,703
Due to Primary Government	541,932	—	541,932
Total Liabilities	\$ 21,473,322	\$ 170,381	\$ 21,643,703

City of Detroit, Michigan
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Fire Insurance Escrow Fund				
ASSETS				
Cash and Cash Equivalents	\$ 956,494	\$ 396,434	\$ —	\$ 1,352,928
Investments at Fair Value	<u>20,606,287</u>	<u>—</u>	<u>485,893</u>	<u>20,120,394</u>
Total Assets	<u>\$ 21,562,781</u>	<u>\$ 396,434</u>	<u>\$ 485,893</u>	<u>\$ 21,473,322</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 50,994	\$ 167,693	\$ —	\$ 218,687
Due to Primary Government	611,380	—	69,448	541,932
Other Liabilities	<u>20,900,407</u>	<u>—</u>	<u>187,704</u>	<u>20,712,703</u>
Total Liabilities	<u>\$ 21,562,781</u>	<u>\$ 167,693</u>	<u>\$ 257,152</u>	<u>\$ 21,473,322</u>
Other Agency Funds				
ASSETS				
Cash and Cash Equivalents	\$ 243,910	\$ —	\$ 73,529	\$ 170,381
Total Assets	<u>\$ 243,910</u>	<u>\$ —</u>	<u>\$ 73,529</u>	<u>\$ 170,381</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 243,910	\$ —	\$ 73,529	\$ 170,381
Total Liabilities	<u>\$ 243,910</u>	<u>\$ —</u>	<u>\$ 73,529</u>	<u>\$ 170,381</u>
Total Agency Funds				
ASSETS				
Cash and Cash Equivalents	\$ 1,200,404	\$ 396,434	\$ 73,529	\$ 1,523,309
Investments at Fair Value	<u>20,606,287</u>	<u>—</u>	<u>485,893</u>	<u>20,120,394</u>
Total Assets	<u>\$ 21,806,691</u>	<u>\$ 396,434</u>	<u>\$ 559,422</u>	<u>\$ 21,643,703</u>
LIABILITIES				
Accounts and Contracts Payable	\$ 294,904	\$ 167,693	\$ 73,529	\$ 389,068
Due to Other Funds	611,380	—	69,448	541,932
Other Liabilities	<u>20,900,407</u>	<u>—</u>	<u>187,704</u>	<u>20,712,703</u>
Total Liabilities	<u>\$ 21,806,691</u>	<u>\$ 167,693</u>	<u>\$ 330,681</u>	<u>\$ 21,643,703</u>

STATISTICAL SECTION

(UNAUDITED)

The Statistical Section Contains:

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

THIS PAGE LEFT BLANK INTENTIONALLY

Description of Statistical Section

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

Contents

The statistical section is organized into the following main categories:

Financial Trends:

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

Revenue Capacity:

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

Debt Capacity:

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

Demographic and Economic Information:

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

Operating Information:

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

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

	Fiscal Year		
	2014	2013	2012
Governmental Activities			
Net Investment in Capital Assets	\$ 886,141,054	\$ 832,127,493	\$ 803,653,672
Restricted	102,047,103	75,055,537	73,786,466
Unrestricted (deficit)	<u>(1,034,577,802)</u>	<u>(1,714,975,464)</u>	<u>(1,557,840,700)</u>
Total governmental activities net position	(46,389,645)	(807,792,434)	(680,400,562)
Business-type Activities			
Net Investment in Capital Assets	54,337,164	525,963,518	1,047,594,007
Restricted	473,057,369	244,039,925	461,972,732
Unrestricted (deficit)	<u>(292,611,158)</u>	<u>(640,389,229)</u>	<u>(1,201,140,082)</u>
Total business-type activities net position	234,783,375	129,614,214	308,426,657
Primary Government			
Net Investment in Capital Assets	940,478,218	1,358,091,011	1,851,247,679
Restricted	575,104,472	319,095,462	535,759,198
Unrestricted (deficit)	<u>(1,327,188,960)</u>	<u>(2,355,364,693)</u>	<u>(2,758,980,782)</u>
Total primary government net position	<u>\$ 188,393,730</u>	<u>\$ (678,178,220)</u>	<u>\$ (371,973,905)</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years
 Ended June 30, 2005 through 2014

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ 711,987,330	\$ 717,589,037	\$ 631,821,536	\$ 558,340,662	\$ 592,161,746	\$ 603,086,043	\$ 562,311,648
110,223,372	93,496,558	142,704,927	158,523,041	157,360,360	29,492,455	30,488,595
(1,360,282,090)	(1,278,954,788)	(956,905,000)	(687,464,129)	(602,506,410)	(608,735,544)	(586,294,194)
(538,071,388)	(467,869,193)	(182,378,537)	29,399,574	147,015,696	23,842,954	6,506,049
435,962,058	781,976,263	698,477,050	743,865,611	1,150,524,897	914,032,397	1,050,443,297
303,235,683	284,696,404	347,303,231	304,273,113	266,995,240	385,379,957	287,778,927
(230,134,710)	(333,688,853)	36,681,530	185,998,204	175,648,800	377,799,324	280,769,875
509,063,031	732,983,814	1,082,461,811	1,234,136,928	1,593,168,937	1,677,211,678	1,618,992,099
1,147,949,388	1,499,565,300	1,330,298,586	1,302,206,273	1,742,686,643	1,517,118,440	1,612,754,945
413,459,055	378,192,962	490,008,158	462,796,154	424,355,600	414,872,412	318,267,522
(1,590,416,800)	(1,612,643,641)	(920,223,470)	(501,465,925)	(426,857,610)	(230,936,220)	(305,524,319)
\$ (29,008,357)	\$ 265,114,621	\$ 900,083,274	\$ 1,263,536,502	\$ 1,740,184,633	\$ 1,701,054,632	\$ 1,625,498,148

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

	Fiscal Year			
	2014	2013	2012	2011
Expenses				
Governmental Activities:				
Public Protection	\$ 539,831,117	\$ 694,708,112	\$ 800,229,437	\$ 816,928,579
Health	49,563,178	38,070,128	142,584,167	170,235,039
Recreation and Culture	30,467,345	26,856,182	30,113,031	31,397,867
Economic Development	59,701,870	81,455,649	73,599,973	87,938,305
Educational Development	-	37,040,734	51,974,801	58,840,456
Housing Supply and Conditions	8,465,345	5,086,777	4,431,697	6,328,619
Physical Environment	110,555,039	121,192,467	130,991,572	125,325,346
Transportation Facilitation	55,831,652	20,745,859	33,697,252	33,720,569
Development and Management	328,243,425	205,937,823	195,167,837	201,031,612
Interest on Long-Term Debt	135,130,618	133,545,027	129,097,503	132,827,437
Total Government Activities Expenses	1,317,789,589	1,364,638,758	1,591,887,270	1,664,573,829
Business-type Activities:				
Sewage Disposal	482,723,501	523,909,799	456,113,053	517,645,238
Transportation	163,841,194	166,024,287	212,856,759	215,880,853
Water	392,920,925	398,086,572	370,558,112	345,180,580
Automobile Parking	14,714,363	20,089,165	11,643,400	11,305,474
Airport	4,613,418	1,910,151	2,119,837	2,392,911
Total Business-type Activities Expenses	1,058,813,401	1,110,019,974	1,053,291,161	1,092,405,056
Total Primary Government Expenses	2,376,602,990	2,474,658,732	2,645,178,431	2,756,978,885
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Protection	75,017,759	76,800,124	75,900,731	89,521,773
Health	2,389,178	224,847	9,652,314	5,090,487
Recreation and Culture	17,106,690	17,697,563	18,170,830	17,796,165
Economic Development	3,344,270	7,192,630	850,741	1,358,479
Educational Development	-	-	-	499,058
Housing Supply and Conditions	3,509,934	3,196,447	2,734,182	3,566,331
Physical Environment	93,846,458	102,363,179	97,094,653	80,905,220
Transportation Facilitation	22,728,698	-	1,647,825	46,986
Development and Management	128,991,615	81,496,108	103,694,387	101,982,537
Operating Grants and Contributions	176,787,827	211,471,358	326,570,380	370,730,317
Capital Grants and Contributions	30,592,996	19,740,930	24,516,521	44,338,905
Total Governmental Activities Program Revenues	554,315,425	520,183,186	660,832,564	715,836,258
Business-type Activities:				
Charges for Services:				
Sewage Disposal	475,770,844	440,863,260	437,654,891	410,719,075
Transportation	19,374,841	26,643,760	22,558,000	27,418,297
Water	349,369,362	355,527,761	336,129,945	316,002,201
Automobile Parking	10,341,324	11,992,637	10,617,480	8,136,744
Airport	3,085,314	726,855	993,050	799,122
Operating Grants and Contributions	61,597,871	70,142,182	77,296,998	77,553,273
Capital Grants and Contributions	9,943,047	11,854,628	30,344,607	29,793,987
Total Business-type Activities Program Revenues	929,482,603	917,751,083	915,594,971	870,422,699
Total Primary Government Program Revenues	\$ 1,483,798,028.00	\$ 1,437,934,269.00	\$ 1,576,427,535.00	\$ 1,586,258,957.00

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 779,613,390	\$ 789,055,092	\$ 761,894,177	\$ 633,174,260	\$ 681,052,276	\$ 876,156,606
170,843,954	158,906,848	158,826,732	153,368,566	177,363,962	170,039,930
17,963,496	37,180,607	36,295,041	36,050,284	69,192,054	75,145,276
61,906,827	73,307,206	87,717,239	93,705,705	95,641,855	114,865,586
90,450,821	76,728,812	57,474,770	57,658,134	64,670,870	73,770,757
8,381,813	10,592,858	10,591,479	7,904,903	14,737,981	17,980,767
119,713,562	185,864,791	226,460,478	213,287,711	243,949,975	277,305,834
84,039,822	73,805,481	70,563,909	71,947,094	79,343,398	46,272,594
268,716,249	350,974,262	304,815,026	297,443,586	240,246,357	214,746,647
129,458,620	126,344,699	107,754,007	140,861,674	126,659,186	65,252,896
1,731,088,554	1,882,760,656	1,822,392,858	1,705,401,917	1,792,857,914	1,931,536,893
431,575,246	450,278,148	429,112,536	427,788,717	311,303,765	192,421,480
207,620,142	206,705,724	212,652,767	200,555,312	190,358,944	204,913,780
346,637,749	349,734,605	360,778,077	335,000,188	282,149,274	195,085,657
18,190,081	16,511,077	14,361,352	16,306,759	19,474,446	26,295,677
2,437,571	2,685,756	3,502,904	2,960,042	3,044,030	3,140,746
1,006,460,789	1,025,915,310	1,020,407,636	982,611,018	806,330,459	621,857,340
2,737,549,343	2,908,675,966	2,842,800,494	2,688,012,935	2,599,188,373	2,553,394,233
78,076,978	92,986,299	90,415,439	99,021,130	51,757,423	90,825,019
12,495,600	14,752,057	15,108,413	14,987,496	14,224,550	13,026,677
17,510,499	17,736,396	24,489,607	17,233,370	27,367,110	11,474,294
121,725	72,714	694,676	9,010,210	13,946,969	5,427,118
1,528,487	760,494	-	2,781,677	-	-
3,780,682	3,572,588	5,989,939	127,757	1,636,711	6,700,117
92,793,872	111,380,814	127,140,951	133,048,222	74,915,029	81,944,899
927,229	516,728	902,039	79,156	1,355	-
109,253,875	142,032,307	123,151,397	154,386,499	156,799,556	198,570,684
356,347,310	310,525,464	306,575,011	271,970,335	245,061,788	246,248,865
28,304,777	35,257,895	26,365,200	65,941,108	91,806,940	135,504,749
701,141,034	729,593,756	720,832,672	768,586,960	677,517,431	789,722,422
365,537,390	390,126,398	346,908,831	346,906,614	354,455,204	254,350,136
26,565,119	28,191,056	28,918,328	26,047,091	25,173,805	22,959,490
285,470,426	274,095,463	292,983,220	268,286,093	276,230,766	193,954,987
15,037,679	17,667,031	18,556,018	18,114,461	21,125,510	13,627,650
967,234	1,125,015	1,123,934	1,087,844	989,722	1,180,584
75,343,618	74,811,471	79,008,781	81,959,301	73,801,668	88,110,603
47,947,235	33,897,154	39,540,356	14,097,605	9,502,218	15,080,720
816,868,701	819,913,588	807,039,468	756,499,009	761,278,893	589,264,170
\$ 1,518,009,735.00	\$ 1,549,507,344.00	\$ 1,527,872,140.00	\$ 1,525,085,969.00	\$ 1,438,796,324.00	\$ 1,378,986,592.00

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

	Fiscal Year			
	2014	2013	2012	2011
Net (Expense) Revenue				
Governmental Activities	\$ (763,474,164)	\$ (844,455,572)	\$ (931,054,706)	\$ (948,737,571)
Business-type Activities	(129,330,798)	(192,268,891)	(137,696,190)	(221,982,357)
Total Primary Government Net Expense	(892,804,962)	(1,036,724,463)	(1,068,750,896)	(1,170,719,928)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	194,680,186	199,191,923	216,931,618	235,857,331
Municipal Income Tax	253,769,874	248,017,356	233,035,540	228,303,884
Utility Users' Tax	42,386,549	35,299,844	39,828,340	44,640,365
Wagering Tax	167,569,541	174,357,416	181,574,627	177,046,311
State Hotel and Liquor Tax	-	-	-	-
Other Taxes and Assessments	8,603,632	14,384,429	16,528,509	17,373,679
State Shared Taxes	189,756,901	182,454,314	173,292,222	239,342,109
State Returnable Liquor License Fees	607,547	604,206	-	-
Interest and Penalties on Taxes	1,269,784	924,928	4,264,747	7,554,054
Investment Earnings	(4,170,808)	(88,533,105)	8,366,960	8,606,985
Miscellaneous Revenue	7,549,098	11,854,410	2,578,822	3,595,798
Gain (Loss) on Disposal of Capital Assets	(359,223)	(8,829,927)	-	(528,568)
Special Item	766,046,174	-	-	(9,865,937)
Transfers	(79,432,723)	(52,662,094)	(87,675,853)	(73,390,635)
Total Governmental Activities	1,548,276,532	717,063,700	788,725,532	878,535,376
Business-type Activities:				
Investment Earnings (Loss)	5,609,449	(46,468,811)	(152,915,970)	9,837,046
Bond Issuance Costs	(22,173,885)	-	-	-
Miscellaneous Revenues (Expenses)	(13,956,786)	7,265,917	2,299,933	6,310,694
Gain (Loss) on Disposal of Capital Assets	(1,259,818)	(2,752)	-	(91,476,801)
Special Item	228,728,211	-	-	-
Transfers	79,432,723	52,662,094	87,675,853	73,390,635
Total Business-type Activities	276,379,894	13,456,448	(62,940,184)	(1,938,426)
Total Primary Government	1,824,656,426	730,520,148	725,785,348	876,596,950
Change in Net Position				
Governmental Activities	784,802,368	(127,391,872)	(142,329,174)	(70,202,195)
Business-type Activities	147,049,096	(178,812,443)	(200,636,374)	(223,920,783)
Total Primary Government	\$ 931,851,464	\$ (306,204,315)	\$ (342,965,548)	\$ (294,122,978)

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2005 through 2014

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ (1,029,947,520)	\$ (1,153,166,900)	\$ (1,101,560,186)	\$ (936,814,957)	\$ (1,115,340,483)	\$ (1,141,814,471)
(189,592,088)	(206,001,722)	(213,368,168)	(226,112,009)	(45,051,566)	(32,593,170)
(1,219,539,608)	(1,359,168,622)	(1,314,928,354)	(1,162,926,966)	(1,160,392,049)	(1,174,407,641)
218,008,102	231,428,726	225,602,203	241,428,477	243,621,932	239,507,939
216,522,405	240,824,363	276,485,035	278,309,191	284,111,220	282,501,875
44,190,132	49,900,471	51,590,794	53,768,977	122,824,621	52,939,839
183,466,226	172,912,862	186,277,275	179,763,570	156,588,917	137,970,347
2,969,380	17,367,715	16,220,140	17,579,292	16,287,676	16,310,767
15,404,967	12,878,272	13,283,748	16,201,899	13,602,597	-
239,047,211	268,246,565	272,569,363	272,635,060	280,818,221	282,914,217
-	-	-	-	-	-
9,332,781	10,696,529	10,857,112	10,342,478	9,181,155	11,712,960
8,832,971	7,056,295	19,189,619	24,075,811	18,396,691	14,464,802
6,618,964	9,273,309	13,586,014	37,634,868	22,780,845	9,984,374
(27,775)	(5,204,095)	(278,706)	(31,728)	(308,855)	(3,551,036)
49,980,314	-	-	-	-	-
(74,579,168)	(73,992,223)	(101,438,533)	(71,720,196)	(35,227,632)	(89,585,306)
919,766,510	941,388,789	983,944,064	1,059,987,699	1,132,677,388	955,170,778
(42,428,588)	25,458,070	58,176,113	-	39,193,811	22,808,775
-	-	-	-	-	-
788,385	(8,435,836)	(3,990,512)	69,331,846	2,879,273	(6,850,110)
-	-	-	1,017,226	25,970,429	-
-	(36,900,173)	(141,962,894)	-	-	-
74,579,168	73,992,223	101,438,533	71,720,196	35,227,632	89,585,306
32,938,965	54,114,284	13,661,240	142,069,268	103,271,145	105,543,971
952,705,475	995,503,073	997,605,304	1,202,056,967	1,235,948,533	1,060,714,749
(110,181,010)	(211,778,111)	(117,616,122)	123,172,742	17,336,905	(186,643,693)
(156,653,123)	(151,887,438)	(199,706,928)	(84,042,741)	58,219,579	72,950,801
\$ (266,834,133)	\$ (363,665,549)	\$ (317,323,050)	\$ 39,130,001	\$ 75,556,484	\$ (113,692,892)

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

	Fiscal Year				
	2014	2013	2012	2011	2010
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 64,597,471
Unreserved (Deficit)	-	-	-	-	(155,692,159)
Nonspendable	-	4,050,006	20,940,729	20,692,552	-
Restricted	42,979,826	979,826	979,826	979,826	-
Committed	156,334,125	54,550,314	35,234,345	26,833,858	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	(145,907,582)	(132,560,895)	(326,641,557)	(196,577,910)	-
Total General Fund	<u>\$ 53,406,369</u>	<u>\$ (72,980,749)</u>	<u>\$ (269,486,657)</u>	<u>\$ (148,071,674)</u>	<u>\$ (91,094,688)</u>
Retirement Service Funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 24,496,356
Unreserved (Deficit)	-	-	-	-	-
Nonspendable	24,016,604	24,016,604	24,016,604	24,295,379	-
Total Retirement System Service Funds	<u>\$ 24,016,604</u>	<u>\$ 24,016,604</u>	<u>\$ 24,016,604</u>	<u>\$ 24,295,379</u>	<u>\$ 24,496,356</u>
All Other Governmental Funds:					
Special Revenue Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 41,022,881
Unreserved (Deficit)	-	-	-	-	12,313,800
Nonspendable	-	-	1,457,015	1,597,869	-
Restricted	90,917,252	69,437,600	65,845,376	70,907,819	-
Capital Projects Funds					
Reserved	-	-	-	-	90,526,155
Restricted	62,946,287	79,371,566	129,888,278	148,878,121	-
Debt Service Fund					
Reserved	-	-	-	-	6,135,145
Assigned	12,604,764	7,899,702	6,314,687	4,561,750	-
Permanent Funds					
Reserved	-	-	-	-	1,588,224
Nonspendable	937,861	937,861	937,861	937,861	-
Restricted	765,245	819,870	778,733	748,159	-
Total All Other Governmental Funds	<u>\$ 168,171,409</u>	<u>\$ 158,466,599</u>	<u>\$ 205,221,950</u>	<u>\$ 227,631,579</u>	<u>\$ 151,586,205</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2005 through 2014

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

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

Fiscal Year				
2009	2008	2007	2006	2005
\$ 65,191,371 (331,925,012)	\$ 77,472,983 (219,158,137)	\$ 64,169,704 (155,575,800)	\$ 66,502,619 (173,678,707)	\$ 121,809,601 (155,404,035)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ (266,733,641)</u>	<u>\$ (141,685,154)</u>	<u>\$ (91,406,096)</u>	<u>\$ (107,176,088)</u>	<u>\$ (33,594,434)</u>
\$ 24,574,826	\$ 24,851,160 (276,334)	\$ 24,927,727	\$ 24,955,781	\$ 46,884,125
-	-	-	-	-
-	-	-	-	-
<u>\$ 24,574,826</u>	<u>\$ 24,574,826</u>	<u>\$ 24,927,727</u>	<u>\$ 24,955,781</u>	<u>\$ 46,884,125</u>
\$ 43,974,045 17,785,520	\$ 66,158,392 16,865,024	\$ 72,014,875 22,230,294	\$ 14,657,665 77,241,086	\$ 14,946,632 76,896,645
-	-	-	-	-
-	-	-	-	-
99,750,093	126,274,973	88,507,405	134,433,861	139,812,882
-	-	-	-	-
52,194,439	42,825,432	39,781,836	27,799,931	29,061,404
-	-	-	-	-
1,574,670	1,494,202	1,445,462	1,291,569	1,253,623
-	-	-	-	-
-	-	-	-	-
<u>\$ 215,278,767</u>	<u>\$ 253,618,023</u>	<u>\$ 223,979,872</u>	<u>\$ 255,424,112</u>	<u>\$ 261,971,186</u>

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Revenues					
Taxes:					
Property Taxes	\$ 194,627,905	\$ 199,191,923	\$ 216,931,618	\$ 252,020,089	\$ 201,845,344
Municipal Income Tax	253,769,874	248,017,356	233,035,540	228,303,884	216,522,405
Utility Users' Tax	42,386,549	35,299,844	39,828,340	44,640,365	44,190,132
Wagering Taxes	167,924,023	174,599,992	181,443,475	176,899,280	183,338,299
Gas and Weight Tax	53,904,485	52,081,247	53,142,793	58,623,860	57,775,086
Other Taxes and Assessments	8,603,632	14,384,429	16,528,509	17,373,670	15,404,967
State Hotel and Liquor Tax	-	-	-	-	2,969,380
Interest and Penalties on Taxes	1,269,784	924,928	4,264,747	7,554,054	9,332,781
Licenses, Permits, and Inspection Charges	28,706,629	32,615,445	27,100,204	27,095,599	27,669,454
Intergovernmental:					
Federal	96,907,383	152,579,860	253,933,239	301,484,858	265,421,498
State					
State Shared Revenue	189,756,901	182,454,314	172,704,390	239,320,847	263,060,088
State Returnable Liquor License Fees	607,547	604,206	-	-	-
Other State Sourced Revenue	49,226,334	25,994,536	37,269,243	46,887,654	47,852,739
State Equity Grant	-	-	-	-	-
Other	6,001,385	6,029,547	6,663,482	8,347,440	6,788,282
Sales and Charges for Services	207,987,028	176,029,645	197,066,068	201,253,031	196,333,386
Ordinance Fines and Forfeitures	17,851,138	21,154,594	16,972,056	21,152,772	18,872,226
Revenue from Use of Assets	7,568,498	12,017,348	2,069,012	3,595,798	6,618,964
Investment Earnings	300,397	(399,654)	445,251	685,276	911,263
Other Revenue	95,010,394	35,958,150	64,241,114	77,135,224	64,761,863
Total Revenues	1,422,409,886	1,369,537,710	1,523,639,081	1,712,373,701	1,629,668,157
Expenditures					
Current:					
Public Protection	449,622,284	476,940,028	675,359,091	735,650,626	641,884,276
Health	48,782,203	37,448,812	142,365,025	169,338,220	170,489,091
Recreation and Culture	16,032,592	13,345,639	16,976,912	18,210,536	18,155,021
Economic Development	51,178,770	76,109,395	67,115,000	79,792,267	57,522,689
Educational Development	-	37,126,254	52,430,587	58,526,359	90,527,365
Housing Supply and Conditions	6,966,303	4,188,991	4,215,134	5,871,310	8,240,422
Physical Environment	97,441,142	106,802,886	113,603,551	113,296,648	104,042,673
Transportation Facilitation	36,505,709	1,749,362	14,990,983	26,836,954	71,517,424
Development and Management	297,686,391	19,105,907	176,507,779	180,366,148	237,069,025
Debt Service:					
Principal	109,976,923	103,880,615	97,498,429	87,904,525	89,653,619
Interest	126,945,753	133,319,492	126,728,009	131,087,371	124,280,049
Audit	-	-	-	-	-
Bond Issuance Costs	3,379,410	1,612,046	485,599	1,416,768	2,487,193
Capital Outlay	8,1329,304	127,079,320	97,650,840	102,395,459	49,231,014
Total Expenditures	1,325,846,784	1,310,655,747	1,585,926,939	1,710,693,191	1,665,099,861
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,563,102	58,881,963	(62,287,858)	1,680,510	(35,431,704)
Other Financing Sources (Uses)					
Sources:					
Transfers In	109,770,188	174,825,814	179,921,845	173,340,882	171,409,769
Pension Obligation Certificates Issued	-	-	-	-	-
Swap Termination Fee	-	-	-	-	-
Proceeds of Section 108 Federal Note	-	-	-	-	-
Proceeds of Capital Leases	-	-	-	-	-
Proceeds from Debt Issuances	120,000,000	134,438,642	5,753,000	100,000,000	258,210,000
Premium from Debt Issuances	-	9,092,046	-	-	1,873,225
Total Other Financing Sources	229,770,188	318,356,502	185,674,845	273,340,882	431,492,994
Uses:					
Transfers Out	(189,202,911)	(227,487,908)	(267,597,697)	(246,731,517)	(245,988,937)
Principal Paid to Bond Agent for Refunded Bonds	-	-	-	-	(35,810,944)
Interest Paid to Bond Agent for Refunded Bonds	-	-	-	-	-
Total Other Financing Uses	(189,202,911)	(227,487,908)	(267,597,697)	(246,731,517)	(281,799,881)
Total Other Financing Sources (Uses)	40,567,277	90,868,594	(81,922,852)	26,609,365	149,693,113
Special Item	-	-	-	(9,865,937)	-
Net Change in Fund Balances	137,130,379	149,750,557	(144,210,710)	18,423,938	114,261,409
Fund Balance (Deficit) at Beginning of Year, as Restated	108,464,003	(40,248,103)	103,855,284	84,987,873	(26,880,048)
Increase (Decrease) in Inventories	-	-	107,323	443,473	(2,393,488)
Fund Balance (Deficit) at End of Year	\$ 245,594,382	\$ 109,502,454	\$ (40,248,103)	\$ 103,855,284	\$ 84,987,873
Debt service as a percentage of noncapital expenditures	19.31%	20.18%	15.10%	13.70%	13.39%

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2005 through 2014

Fiscal Year				
2009	2008	2007	2006	2005
\$ 230,833,394	\$ 225,890,313	\$ 257,003,325	\$ 243,621,932	\$ 238,771,142
240,824,363	276,485,035	278,309,191	284,111,220	282,501,875
49,900,667	51,590,599	53,768,977	60,019,626	52,939,839
173,026,122	180,365,237	179,763,570	156,588,917	137,970,347
58,813,648	61,070,748	62,080,522	62,804,995	63,476,425
12,878,272	13,283,748	16,201,899	13,583,421	13,565,118
17,367,715	16,220,140	17,579,292	16,287,676	16,310,767
10,696,529	10,857,112	10,342,478	9,181,155	11,491,470
32,471,933	35,138,940	32,536,815	35,585,150	35,609,100
233,526,888	222,675,031	219,592,658	218,119,145	276,372,474
266,032,168	249,027,299	272,084,669	279,467,063	282,914,217
-	-	-	-	-
40,049,141	41,062,686	41,878,552	75,774,530	36,867,375
-	-	-	-	1,076,931
14,500,644	4,026,591	14,359,711	25,192,384	16,346,773
237,044,188	258,599,558	243,533,764	189,253,428	183,294,833
23,747,573	20,850,629	25,680,231	21,525,257	27,481,642
27,013,424	13,560,617	37,634,876	22,780,845	16,782,057
7,056,295	19,189,619	24,075,811	18,396,691	14,464,802
72,117,140	73,606,042	123,867,578	106,521,883	131,657,892
1,747,900,104	1,773,499,944	1,910,293,919	1,838,815,318	1,839,895,079
654,450,029	660,230,564	654,137,306	687,251,414	1,423,581,547
155,442,680	157,414,372	154,283,807	177,723,221	197,473,468
21,041,925	21,265,879	24,648,968	55,390,716	99,296,179
65,217,992	99,342,897	86,454,732	88,424,272	99,655,593
75,409,235	57,388,638	58,021,384	64,427,129	77,259,012
9,022,633	9,607,906	8,412,644	14,786,461	27,863,296
159,233,592	202,986,951	197,682,760	220,208,683	301,784,627
66,567,770	58,595,880	72,482,752	79,343,398	46,272,594
305,203,444	298,231,422	310,231,013	233,297,837	495,348,897
129,696,883	140,216,435	95,599,337	88,150,364	73,544,336
124,716,178	110,841,259	138,408,774	120,956,704	51,462,415
-	3,182,053	-	56,147,009	44,262,505
77,094,313	88,458,549	69,848,815	175,169,666	282,545,708
1,843,096,674	1,907,762,805	1,870,212,292	2,061,276,874	3,220,350,177
(95,196,570)	(134,262,861)	40,081,627	(222,461,556)	(1,380,455,098)
210,043,052	208,766,473	176,069,587	129,799,480	141,075,789
-	-	-	771,087,137	1,170,607,421
-	-	-	38,969,807	-
-	-	14,958,000	1,800,000	7,789,000
-	-	-	34,892,659	315,351
6,197,000	281,783,578	-	81,903,071	353,830,000
-	4,974,370	-	3,778,114	13,014,675
216,240,052	495,524,421	191,027,587	1,062,230,268	1,686,632,236
(284,035,275)	(310,205,006)	(247,789,783)	(165,027,112)	(230,661,095)
-	(72,410,000)	-	(764,864,391)	(161,800,000)
-	(1314,181)	-	(1,741,161)	(10,865,420)
(284,035,275)	(383,929,187)	(247,789,783)	931,632,664	403,326,515
(67,795,223)	111,595,234	(56,762,196)	130,597,604	1,283,305,721
-	-	-	-	-
(162,991,793)	(22,667,627)	(16,680,569)	(91,863,952)	(97,149,377)
136,507,695	157,501,503	173,203,805	275,260,877	387,865,195
(395,950)	1,673,819	978,267	(10,193,120)	(15,454,941)
\$ (26,880,048)	\$ 136,507,695	\$ 157,501,503	\$ 173,203,805	\$ 275,260,877
14.41%	13.97%	13.00%	14.06%	5.76%

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

Fiscal Year Ended June 30	Assessed Value		
	Residential Property	Commercial Property	Industrial Property
2014	\$ 4,292,795	\$ 2,270,629	\$ 555,507
2013	4,850,303	2,417,371	576,900
2012	5,475,901	2,617,911	660,159
2011	5,885,070	2,670,279	707,866
2010	6,331,071	2,561,853	711,088
2009	7,427,227	2,714,762	718,520
2008	8,815,609	2,766,213	750,693
2007	9,063,123	2,542,439	861,157
2006	8,622,589	2,299,266	877,750
2005	8,649,348	2,252,275	856,344

Fiscal Year Ended June 30	Taxable Value		
	Residential Property	Commercial Property	Industrial Property
2014	\$ 3,948,186	\$ 1,995,109	\$ 495,211
2013	4,265,567	2,082,686	506,261
2012	4,591,719	2,181,621	612,936
2011	4,955,961	2,232,730	659,172
2010	4,896,647	2,055,557	643,296
2009	5,291,055	2,145,967	651,786
2008	5,660,265	2,166,189	645,372
2007	5,615,395	1,899,540	737,484
2006	5,240,724	1,649,966	753,566
2005	4,943,144	1,574,914	730,307

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

Assessed Value

Personal Property	Total	Total Direct Tax Rate (Per Thousand of Taxable Value)
\$ 1,862,607	\$ 8,981,538	28.95 %
1,592,878	9,437,452	29.57
1,369,132	10,123,104	29.51
1,563,433	10,826,648	28.87
1,516,382	11,120,394	28.87
1,637,134	12,497,643	27.43
1,612,957	13,945,472	28.02
1,646,722	14,113,441	31.34
1,655,570	13,455,175	30.02
1,654,261	13,412,228	30.44

Taxable Value

Personal Property	Total	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 1,862,684	\$ 8,301,190	92.43 %
1,592,856	8,447,370	89.51
1,369,138	8,755,414	86.49
1,563,439	9,411,302	86.93
1,516,382	9,111,882	81.94
1,637,112	9,725,920	77.82
1,609,442	10,081,268	72.29
1,646,722	9,899,141	70.14
1,654,018	9,298,274	69.11
1,623,886	8,872,251	66.15

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

City Direct Rates			
Fiscal Year	Basic General City Rate (Note 1)	Debt Service (Note 1)	Total Direct
2014	19.9520	8.9952	28.9472
2013	19.9520	9.6136	29.5656
2012	19.9520	9.5558	29.5078
2011	19.9520	8.9157	28.8677
2010	19.9520	8.9157	28.8677
2009	19.9520	7.4779	27.4299
2008	19.9520	8.0683	28.0203
2007	22.9448	8.3951	31.3399
2006	22.9448	7.0753	30.0201
2005	22.9563	7.4796	30.4359

Note 1 Source: City of Detroit's Budget Department
 (Red Books for 2005 through 2014)

Note 2 Source: State of Michigan website

Note 3 Source: City of Detroit, Finance Department - Treasury Division - PBC R-11 Millage Report

Overlapping Rates

Detroit Public Schools		Library (Note 1)	County (Note 3)	State Education Tax (Note 1)
Homestead (Note 2)	Non-Homestead (Note 2)			
13.1423	31.1422	4.6307	15.0417	6.0000
13.0969	30.9277	4.6307	13.7768	6.0000
13.2996	31.1304	4.6307	14.0778	6.0000
13.1015	30.9323	4.6307	14.0778	6.0000
13.0000	30.8308	4.6307	14.0778	6.0000
13.0000	30.8308	4.6307	14.0778	6.0000
13.0000	31.0000	4.6307	13.9778	6.0000
13.0000	31.0000	4.6307	13.9980	6.0000
13.0700	30.6236	4.6307	13.9778	6.0000
13.0000	31.0000	3.6331	13.9861	6.0000

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

Taxpayer	2014		
	Taxable Assessed Value (Note 1)	Rank	Percentage of Total City Taxable Assessed Value (Note 2)
Marathon Oil Company	\$ 499,756,169	1	6.02 %
Detroit Edison Company	434,069,845	2	5.23
Vanguard Health Systems - Hospitals	275,814,550	3	3.32
MGM Grand Detroit LLC	209,301,949	4	2.52
Riverfront Holdings Inc.	106,721,950	5	1.29
Chrysler Group LLC	97,381,954	6	1.17
Greektown Casino LLC	65,928,741	7	0.79
Detroit Entertainment LLC	61,968,988	8	0.75
General Motors LLC	46,781,160	9	0.56
International Transmission Co.	44,770,681	10	0.54

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, 2005 Comprehensive Annual Financial Report (Exhibit AA-14)

2005 (Note 3)

	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
	N/A	N/A	N/A
\$	359,498,298	2	4.31 %
	N/A	N/A	N/A
	N/A	N/A	N/A
	123,150,856	5	1.48
	738,867,260	1	8.86
	40,376,351	9	0.48
	37,144,564	10	0.45
	178,212,853	3	2.14
	N/A	N/A	N/A

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2014	\$ 222,550	\$ 153,897	69.15 %
2013	239,186	163,443	68.33
2012	251,399	210,359	83.68
2011	257,448	205,741	79.92
2010	261,380	224,235	85.79
2009	269,556	234,049	86.83
2008	271,516	251,530	92.64
2007	268,630	255,353	95.06
2006	263,532	244,189	92.66
2005	254,533	238,059	93.53

* Information not available for years 2007, 2009-2014

Source: City of Detroit, Finance Department - Treasury Division

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

Total Collections to Date

Collections in Subsequent Years	Amount	Percentage of Levy
*	\$ 153,897	69.15 %
*	163,443	68.33
*	210,359	83.68
*	205,741	79.92
*	224,235	85.79
*	234,049	86.83
1,349	252,879	93.14
*	255,353	95.06
2,493	246,682	93.61
8,942	247,001	97.04

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

Governmental Activities (Note 1)

Fiscal Year	General Obligation Bonds	Detroit Building Authority Bonds	Revenue Bonds	Notes Payable	Loans Payable	Pension Obligation Certificates
2014	\$ 1,060,963	\$ -	\$ -	\$ 85,184	\$ 36,693	\$ 1,137,404
2013	1,024,819	-	-	88,310	37,820	1,194,228
2012	971,213	-	-	89,391	34,207	1,194,270
2011	1,049,088	-	-	88,926	36,595	1,208,030
2010	1,028,036	2,655	-	89,506	37,944	1,216,977
2009	858,446	4,230	82,707	81,626	47,016	1,220,881
2008	969,868	5,650	94,453	77,681	56,316	1,220,923
2007	919,620	6,955	105,600	41,940	62,688	1,220,965
2006	953,275	8,322	114,183	28,315	74,442	1,206,770
2005	967,895	9,922	125,013	27,795	45,370	1,170,607

Note 1 Source: City of Detroit - Comprehensive Annual
Financial Report for Fiscal Years Ended June 30, 2005 through 2014

Business-type Activities (Note 1)

Business-type Activities (Note 1)									
Sewage Disposal Fund		Transportation Fund			Water Fund		Automobile Parking Fund		
Revenue Bonds	Pension Obligation Certificates	General Obligation Bonds	Pension Obligation Certificates	Revenue Bonds	Pension Obligation Certificates	Revenue Bonds	Total Primary Government	Per Capita	
\$ 3,345,812	\$ 85,843	\$ 5,458	\$ 100,159	\$ 2,553,333	\$ 75,748	\$ -	\$ 8,486,598	\$ 11,890	
3,190,578	90,151	5,458	105,185	2,488,622	79,555	9,125	8,313,850	11,648	
3,250,005	90,154	6,272	105,189	2,518,913	79,558	10,261	8,349,432	11,698	
2,894,198	91,193	6,272	106,401	2,159,832	80,474	11,341	7,732,348	10,833	
2,940,530	91,868	6,272	107,188	2,190,140	81,070	40,931	7,833,116	8,234	
2,980,741	92,163	6,272	107,532	2,298,509	81,330	42,616	7,904,069	8,309	
3,006,776	92,166	6,272	107,536	2,328,126	81,333	44,165	8,091,264	8,506	
3,018,976	9,140	-	107,539	2,344,255	159,196	45,668	8,042,542	8,455	
2,657,446	9,031	-	106,268	1,971,744	162,415	54,230	7,346,442	7,723	
2,653,827	8,761	-	103,084	1,991,615	157,548	60,845	7,322,282	7,697	

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

General Bonded Debt (Note 1)

Fiscal Year	General Bonds	Detroit Building Authority Bonds	Pension Obligation Certificates	Restricted for Debt Service	Total (Net of Restricted for Debt Service)
2014	\$ 1,047,770	\$ -	\$ 1,137,404	\$ (14,781)	\$ 2,170,392
2013	1,009,395	-	1,180,285	(31,916)	2,157,764
2012	963,400	-	1,180,285	(30,331)	2,113,354
2011	1,039,505	-	1,194,003	(28,857)	2,204,651
2010	1,013,920	2,655	1,202,909	(30,632)	2,188,852
2009	838,735	4,230	1,206,770	(76,769)	1,972,966
2008	942,850	5,650	1,206,770	(67,400)	2,087,870
2007	883,510	6,955	1,206,770	(64,710)	2,032,525
2006	953,275	8,322	1,206,770	(28,201)	2,140,166
2005	967,895	9,922	1,170,607	(29,235)	2,119,189

Note 1 Source: City of Detroit - Comprehensive Annual Financial Report for Fiscal Years Ended June 30, 2005 through 2014

Note 2 Source: City of Detroit's Budget Department (Red Books for 2005 through 2014)

General Bonded Debt (Note 1)

Taxable Value (Note 2)	Percentage of Actual Taxable Value of Property (Note 2)	Per Capita
\$ 8,301,190	26.15 %	\$ 3,040.71
8,447,370	25.54	3,023.02
8,755,414	24.14	2,960.80
9,111,881	24.20	3,088.71
9,725,919	22.51	2,300.98
10,031,268	19.67	2,074.03
9,896,705	21.10	2,194.82
8,996,155	22.59	2,136.64
8,749,830	24.46	2,249.80
8,335,790	25.42	2,227.75

THIS PAGE LEFT BLANK INTENTIONALLY

Schedule 11
City of Detroit, Michigan
Debt Capacity - Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
(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	\$ 1,685,757,335	100.00 %	\$ 1,685,757,335
Wayne County	341,632,130	16.54	<u>56,505,954</u>
Subtotal, overlapping debt			1,742,263,289
City of Detroit direct debt	2,320,243,845	100.00	<u>2,320,243,845</u>
Total Direct and Overlapping Debt			<u><u>\$ 4,062,507,134</u></u>

Source: City of Detroit Finance Department, Debt Management Division

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Debt limit	\$ 1,587,704	\$ 1,558,064	\$ 1,033,010	\$ 1,218,147	\$ 1,218,793
Total net debt applicable to limit	<u>1,034,669</u>	<u>1,039,011</u>	<u>957,128</u>	<u>1,033,233</u>	<u>919,650</u>
Legal debt margin	<u>\$ 553,035</u>	<u>\$ 519,053</u>	<u>\$ 75,882</u>	<u>\$ 184,914</u>	<u>\$ 299,143</u>
Total net debt applicable to the limit as a percentage of debt limit	65.17%	66.69%	92.65%	84.82%	75.46%

Source: City of Detroit Finance Department, Debt Management Division

Fiscal Year

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,388,266	\$ 1,505,243	\$ 1,527,708	\$ 1,443,061	\$ 1,390,749
<u>820,400</u>	<u>820,400</u>	<u>758,805</u>	<u>815,002</u>	<u>728,229</u>
<u>\$ 567,866</u>	<u>\$ 684,843</u>	<u>\$ 768,903</u>	<u>\$ 628,059</u>	<u>\$ 662,520</u>
59.10%	54.50%	49.67%	56.48%	52.36%

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

Sewage Disposal Revenue Bonds						
Fiscal Year	Total Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt (c) Coverage	
2005	\$ 297,214	\$ 163,400	\$ 133,814	\$ 136,635	97.94%	
2006	352,074	197,604	154,470	151,246	102.13	
2007	403,992	199,955	204,037	156,616	130.28	
2008	404,502	202,346	202,156	175,249	115.35	
2009	410,960	195,530	215,430	195,545	110.17	
2010	371,419	197,926	173,493	200,985	86.32	
2011	413,968	230,811	183,157	209,064	87.61	
2012	444,471	217,024	227,447	203,092	111.99	
2013	440,663	209,785	230,878	225,223	102.51	
2014	479,929	206,052	273,877	229,611	119.28	

Water Revenue Bonds						
Fiscal Year	Total Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt (c) Coverage	
2005	\$ 267,727	\$ 156,954	\$ 110,773	\$ 105,575	104.92%	
2006	295,075	146,215	148,860	107,305	138.73	
2007	302,351	146,327	156,024	115,450	135.14	
2008	323,976	132,724	191,252	135,157	141.50	
2009	287,906	149,859	138,047	156,775	88.05	
2010	292,463	138,459	154,004	157,591	97.72	
2011	320,066	146,880	173,186	164,436	105.32	
2012	343,923	165,081	178,842	153,524	116.49	
2013	361,091	151,204	209,887	172,459	121.70	
2014	357,291	145,268	212,023	182,465	116.20	

Automobile Parking Revenue Bonds						
Fiscal Year	Total (a) Available Revenues	Less: Operating Expenses	Net Available Revenue	Debt (b) Service	Debt Coverage	
2005	\$ 13,628	\$ 16,006	\$ (2,378)	\$ 8,622	-27.58%	
2006	21,126	10,315	10,811	10,604	101.95	
2007	18,114	9,470	8,644	10,605	81.51	
2008	18,556	7,998	10,558	6,374	165.64	
2009	17,835	10,180	7,655	4,448	172.00	
2010	15,038	12,804	2,234	4,594	48.63	
2011	8,137	6,938	1,199	1,671	72.00	
2012	10,617	7,911	2,706	1,665	162.56	
2013	11,993	6,365	5,627	1,664	338.26	
2014	10,341	11,111	(770)	-	-	

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

- (a) Includes investment earnings on System Funds.
- (b) Reflects accrued deposits to the Bond and Interest Redemption Funds for principal and interest payments due on January 1 and July 1. Excludes interest paid from capitalized interest funds. Includes principal and interest on State Revolving Fund Loans.
- (c) This calculation is for statistical analysis only. The calculation of debt service coverage in accordance with the bond ordinance is beyond the scope of this presentation.

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

Year	Population (Note 1)	Unemployment Rate (Note 2)	Per Capita Personal Income (Note 3)	Total Personal Income (in Millions)
2014	713,777	16.4 %	\$ 14,721	\$ *
2013	713,777	18.6	13,956	*
2012	713,777	18.3	15,062	*
2011	713,777	24.4	*	*
2010	951,270	22.7	*	*
2009	951,270	24.8	15,310	14,564
2008	951,270	16.0	15,310	14,564
2007	951,270	14.1	15,310	14,564
2006	951,270	13.6	15,310	14,564
2005	951,270	14.1	15,310	14,564

* Information Not Available at Date of Publication of CAFR

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

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

Note 3 Source: U.S. Census Bureau, American Community Survey

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

Employer	2014 (Note 1)		
	Employees	Rank	Percentage of Total City Employment (Note 3)
Detroit Medical Center	11,497	1	4.0 %
City of Detroit	9,591	2	3.4
Quicken Loans	9,192	3	3.2
Henry Ford Health System	8,807	4	3.1
Detroit Public Schools	6,586	5	2.3
U.S. Government	6,308	6	2.2
Wayne State University	6,023	7	2.1
Chrysler Group L.L.C.	5,426	8	1.9
Blue Cross/Blue Shield of Michigan	5,415	9	1.9
General Motors Co.	4,327	10	1.5

Note 1 Source: Crain's Book of Lists, 2014 Edition (City of Detroit Based)

Note 2 Source: City of Detroit 2006-2007 Executive Budget Summary (Page E-4)

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

2004 (Note 2)

Employees	Rank	Percentage of Total City Employment (Note 3)
10,617	3	2.8 %
17,151	2	4.6
N/A	N/A	N/A
7,404	5	2.0
18,639	1	5.0
5,458	8	1.5
5,078	10	1.4
9,900	4	2.6
2,694	17	0.7
6,311	7	1.7

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

FUNCTION/PROGRAM	FTE Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Governmental Agencies										
Executive Agencies										
Arts	-	-	-	-	-	-	-	-	1	1
Budget	10	15	15	16	20	23	22	23	23	28
Building and Safety	178	183	204	235	258	276	296	296	299	294
Civic Center	-	-	-	-	-	33	35	35	59	70
Consumer Affairs	-	-	-	-	-	-	-	-	14	13
Cultural Affairs	-	-	-	-	-	-	-	-	-	10
Public Works	407	503	542	639	649	737	750	748	873	1,226
Workforce Development	-	-	46	73	113	99	91	98	90	79
Environmental	-	-	-	3	10	51	53	51	21	23
Finance	176	224	235	266	285	310	327	310	298	402
Fire	1,154	1,093	1,257	1,330	1,355	1,406	1,444	1,479	1,511	1,723
General Services	436	384	343	447	481	528	676	670	-	-
Health & Wellness Promotion	7	31	185	243	262	317	348	335	434	505
Historical	-	-	-	-	-	-	-	-	6	24
Human Resources	83	82	107	176	171	168	175	179	174	232
Human Rights	1	7	6	8	-	12	13	7	7	19
Human Services	-	-	52	85	95	91	117	122	128	145
Information Technology Services	30	30	43	46	65	92	99	105	94	112
Inspector General	7	7	-	-	-	-	-	-	-	-
Law	82	88	94	105	113	122	127	134	140	180
Mayor's Office	47	22	39	52	63	74	108	107	59	97
Planning and Development	93	110	122	154	160	173	172	181	197	239
Police	2,769	2,561	3,016	3,195	3,288	3,688	3,421	3,499	3,589	4,103
Communication and Creative Services	-	-	-	-	-	-	-	-	-	21
Public Lighting	32	98	103	123	160	206	225	217	228	254
Recreation	185	203	300	510	508	385	471	464	399	465
Senior Citizens	-	-	-	-	-	3	-	-	5	8
Youth	-	-	-	-	-	-	-	1	-	-
Zoological Institute	-	-	-	-	-	-	1	-	86	194
Administrative Hearings	4	8	4	6	9	6	6	5	5	4
Homeland Security	-	3	2	2	1	5	5	5	4	6
Housing	-	-	-	3	3	3	3	3	3	3
Legislative Agencies										
Auditor General	10	10	12	15	17	18	21	18	18	16
Board of Zoning Appeals	11	13	12	12	12	12	13	15	11	13
City Council*	-	118	52	61	74	97	90	91	92	104
Ombudsman	6	6	7	7	11	11	10	7	6	9
City Clerk	14	15	18	20	22	23	25	25	27	30
Elections	72	81	83	51	55	102	68	60	65	74
Judiciary Agency										
36th District Court	32	31	31	35	33	33	32	31	31	31
Other Agencies										
Non-Departmental	40	24	14	20	21	33	44	37	41	44
Library	301	344	334	371	450	466	460	457	457	463
Total General Governmental Agencies	6,187	6,294	7,278	8,309	8,764	9,603	9,748	9,815	9,495	11,264
Enterprise Agencies										
Airport	3	2	7	8	9	10	11	11	13	22
Department of Transportation	951	809	1,131	1,292	1,351	1,514	1,512	1,562	1,530	1,588
Municipal Parking	83	86	97	92	97	104	109	114	108	108
Water and Sewage Disposal	1,560	1,721	2,012	2,123	2,081	2,189	2,260	2,224	2,311	2,592
Total Enterprise Agencies	2,597	2,618	3,247	3,515	3,538	3,817	3,892	3,911	3,962	4,310
Grand Total	8,784	8,912	10,525	11,824	12,302	13,420	13,640	13,726	13,457	15,574

Source: City of Detroit, Michigan, Human Resources Department

*City Council Employees were all on Personal Service Contracts during 2014 and therefore not considered FTE's

THIS PAGE LEFT BLANK INTENTIONALLY

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

	Fiscal Year		
	2014	2013	2012
Public Protection:			
Police			
Number of Stations (Including 6 Mini-Stations)	21	37	39
Number of Employees (Uniform)	2,346	2,389	2,637
911 Calls Received / Answered	1,822,524 / 1,334,694	1,274,796 / 1,252,547	1,384,274 / 1,323,069
Number of Narcotics Raids	1,249	2,440	3,462
Number of Community Policing Programs	464	874	375
Fire			
Number of Fire Stations	37	37	46
Number of Employees	1,172	1,292	1,455
Number of Fire Fighting Vehicles	78	78	78
Number of Fire Hydrants	28,000	28,000	28,000
Responses to Fire Alarms (Including False Alarms)	22,702	21,449	34,613
Responses to Special Calls and Emergency Medical Service Calls	114,133	109,237	126,099
Estimated Fire Loss of Property	\$ 256,817,197	\$ 245,851,910	\$ 149,261,205
Public Works			
Number of Employees	563	554	625
Miles of Streets (Paved + Unpaved)	2,557	2,571	2,571
Miles of Alleys (Paved + Unpaved)	1,264	1,264	1,264
Miles of Sidewalks	4,243	4,243	4,243
Public Lighting			
Number of Street Lights	87,000	88,000	88,000
Number of Revenue Customers	256	256	256
Size of Generating Station in Kilowatts	184,000	30,000	30,000
Kilowatt Hours Generated (Net)	-	164,000	191,320
Kilowatt Hours Delivered to System	488,639,040	487,465,000	604,471,560
Steam Heating Plants - Steam Produced in Pounds	-	95,670,000	87,505
Recreation and Culture			
Number of Parks, Ornamental Areas, Playfields, and Playgrounds Owned (5,108 Acres)	354	354	354
Number of Summer Camps (199 Acres)	-	-	-
Number of Recreation Centers, Playgrounds, and School Facilities Operated	17	17	17
Number of Skating Rinks	2	2	2
Number of Swimming Pools	9	9	10
Number of Municipal Beaches	-	1	1
Total Playing Permits Issued at Five Municipal Golf Courses	98,678	109,474	121,612
Library			
Number of Libraries (Including Two Bookmobiles)	23	23	24
Estimated Number of Books	7,190,711	7,192,232	7,113,304
Circulation	1,468,234	1,790,839	2,260,177

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
23	30	19	8	12	24	28
2,771	2,928	2,971	3,005	3,126	3,162	3,658
1,503,255 / 1,367,627	1,590,368 / 1,465,475	N/A	N/A	N/A	N/A	N/A
3,147	N/A	N/A	N/A	N/A	N/A	N/A
350	300	N/A	N/A	N/A	N/A	N/A
46	45	49	46	48	48	49
1,455	1,535	1,480	1,535	1,479	1,511	1,723
76	93	93	90	212	256	238
28,000	28,000	28,000	28,000	38,000	38,000	38,000
26,813	19,224	19,530	23,174	33,399	33,992	34,160
136,705	144,101	143,694	142,573	142,370	132,432	151,285
\$ 285,142,382	\$ 467,135,907	\$ 549,374,611	\$ 397,605,618	\$ 1,190,738,018	\$ 96,771,056	\$ 1,921,197,050
655	729	730	753	748	873	1,124
2,572	2,571	2,570	2,570	2,570	2,784	2,784
1,264	1,264	1,264	1,264	1,264	1,284	1,284
4,243	4,243	4,243	4,243	4,243	4,265	4,265
88,000	88,000	88,000	87,500	87,500	88,000	87,500
116	116	190	235	185	201	179
140,000	184,000	184,000	177,000	177,000	184,000	184,000
29,352,500	121,769,000	134,189,000	136,207,800	94,000,300	256,395,400	308,391,000
549,972,720	576,292,000	449,929,000	608,442,800	631,299,700	634,026,280	567,529,080
57,840,415	54,729,562	79,773,679	104,544,579	85,000,000	62,306,014	71,852,887
354	354	354	354	387	391	391
-	-	-	-	-	1	1
17	13	13	13	14	30	30
2	2	2	1	2	1	1
10	10	2	2	8	17	17
1	1	1	1	1	1	1
92,857	104,652	127,915	132,405	202,403	269,870	269,870
27	27	27	27	27	27	27
7,030,335	8,304,694	8,314,427	7,903,837	7,903,837	3,497,342	3,497,342
2,588,135	2,446,842	2,308,336	1,199,736	1,199,736	889,315	981,689

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

	Fiscal Year		
	2014	2013	2012
Water System			
Number of Customer Accounts	257,000	258,000	262,000
Average Pumpage - Millions of Gallons per Day	537.3	549.9	556.3
Greatest Pumpage for a Single Day During Fiscal Year - Gallons	742,000,000	957,200,000	983,100,000
Greatest Pumpage for a Single Hour During Fiscal Year - Gallons	32,875,000	42,917,000	44,833,000
Filtration Plant Rated Capacity - Millions of Gallons per Day	1,780	1,780	1,780
Number of Miles of Water Mains	3,840	3,840	3,840
Average Cost (Includes Domestic, Industrial, and Commercial) per 1,000 Cubic Feet	\$ 19.43	\$ 18.76	\$ 17.02
Sewage System			
Number of Sewage Disposal Plants	1	1	1
Number of Pumping Stations	11	11	11
Miles of (Trunk Line + Lateral) Sewers	2,913	2,913	2,913
Miles of Lateral Sewers	2,125	2,125	2,125
Transportation			
Number of Employees	955	989	1,139
Number of Revenue Vehicles	403	444	465
Seating Capacity	15,915	17,534	18,363
Number of Route Miles	1,014	1,014	1,056
Number of Passengers (Estimated)	25,116,299	30,898,942	32,750,907
Regular Fare	\$ 1.50	\$ 1.50	\$ 1.50
Tickets	N/A	N/A	N/A
Transfers	\$ 0.25	\$ 0.25	\$ 0.25
Weekly GO Pass	\$ 14.40	\$ 14.40	\$ 14.40
Health			
Number of Employees	216	*	*
Birth Rate per Thousand	15	*	*
Death Rate per Thousand	8	*	*
Infant Mortality Rate per Thousand and Live Births	*	*	*
Educational Development			
School Enrollment	48,511	51,318	66,745
Operating Expenditures	\$ 707,461,081	\$ 712,922,213	\$ 915,495,622
Cost Per Pupil	\$ 14,584	\$ 13,892	\$ 13,716
Operating Revenues	*	*	*
Revenue Per Pupil	*	*	*
Total Teaching Staff	3,398	3,398	4,396

Source: City of Detroit, Michigan, Various Departments

* Information Not Available at Date of Publication of CAFR

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
267,500	268,500	268,500	275,900	264,173	264,259	281,104
543.4	515.3	557.1	6017	575.2	599.6	640.0
968,000,000	793,800,000	963,500,000	1,097,900,000	1,031,300,000	1,049,800,000	1,060,500,000
43,625,000	37,750,000	42,583,000	51,992,000	49,125,000	50,333,000	52,208,000
1,780	1,780	1,780	1,780	1,780	1,780	1,670
3,840	3,840	3,840	3,840	3,840	3,840	3,840
\$ 15.48	\$ 13.73	\$ 13.06	\$ 12.92	\$ 12.02	\$ 11.87	\$ 11.49
1	1	1	1	1	1	1
11	12	12	12	12	12	12
2,913	2,913	2,913	2,913	2,913	2,913	3,383
2,125	2,125	2,125	2,125	-	-	-
1,341	1,524	1,524	1,562	1,562	1,530	1,605
445	445	445	541	541	550	561
17,570	17,570	17,355	21,916	21,916	22,278	22,065
1,091	933	1,291	1,291	1,291	1,291	1,198
35,615,420	36,555,845	38,612,890	35,204,863	35,204,863	37,083,344	36,000,000
\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
N/A	N/A	N/A	N/A	5 for \$7.50	5 for \$7.50	5 for \$6.50
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	N/A	N/A	N/A
271	308	339	338	335	434	508
216	15.1	12.9	13.3	14.6	14.3	14.8
*	10.60	10.40	8.97	10.50	9.50	9.50
7.1	14.9	14.9	14.9	15.0	15.5	16.3
75,152	84,877	95,494	106,485	118,394	130,718	141,148
\$ 1,067,536,984	\$ 1,169,738,265	\$ 1,220,054,459	\$ 1,330,196,819	\$ 1,424,921,672	\$ 1,447,382,665	\$ 1,586,659,192
\$ 14,205	\$ 13,782	\$ 12,776	\$ 12,492	\$ 12,035	\$ 11,073	\$ 11,241
*	\$ 12,107,255,507	\$ 12,977,101,119	\$ 13,454,462,713	\$ 15,476,683,775	\$ 15,455,022,504	\$ 15,932,142,258
*	\$ 14,264	\$ 13,589	\$ 12,635	\$ 13,072	\$ 11,820	\$ 11,288
4,982	5,222	5,797	6,269	7,064	7,628	8,149



Land Bank House Tour

The Detroit Land Bank Authority held an open house for homes for auction in the Boston-Edison and Osborn neighborhoods May 17-18, 2014. Busloads of prospective buyers were transported to homes in the two neighborhoods which were later auctioned off on the Building Detroit Web site. 1,000 people came out to see 12 houses. Land Bank open houses are still conducted regularly.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Detroit, Michigan

OUR SPECIAL THANKS TO:

City of Detroit, Michigan

www.detroitmi.gov

Finance Department

The General Accounting Section and Staff

including all Finance Department staff

for its commitment and dedicated service in the preparation of this report

City of Detroit Agencies

for their full cooperation in providing us
all the necessary information needed to compile this report

Randy K. Lane, P.C.

Plante & Moran, PLLC

KPMG LLP

and Staff

Alan C. Young & Associates, P.C.

and Staff

Communications & Creative Services Division

Rose Love, Supervising Publicist

Chris Kopicko, Senior Publicist

Elena Farmer, Graphic Designer

Kwabena Shabu, Supervising Photographer

Copy Center and Team for printing this report