

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2003



Kwame M. Kilpatrick
Mayor

Sean K. Werdlow
Chief Financial Officer / Finance Director





A view of the downtown Detroit skyline, centered on the intersection of Woodward and Jefferson Avenues.

Photo courtesy of City of Detroit – Communications and Creative Services Department



**City of Detroit, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003**

**Kwame M. Kilpatrick
*Mayor***



**Prepared by the Finance Department
Sean K. Werdlow
*Chief Financial Officer/Finance Director***



*“We
hope for
better things”*

*“It shall
rise again
from the ashes”*

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

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



Introductory

The Introductory Section contains:

Letter of Transmittal
GFOA Certificate of Achievement for Excellence in Financial Reporting
Auditor General's Letter
City of Detroit Organizational Chart
List of Principal Officials





December 30, 2003

The City of Detroit,
The Honorable Mayor Kwame M. Kilpatrick and
The Honorable City Council

The management and staff of the Finance Department is pleased to present the City of Detroit's (the "City") Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2003 along with the Independent Auditor's Report. The CAFR is prepared by the City's Finance Department in accordance with the financial reporting principles and standards of the Governmental Accounting Standards Board (GASB).

The City is pleased that the Government Finance Officers Association (GFOA) recognized Detroit with the prestigious award for excellence in financial reporting in the 2001-2002 CAFR. This is the first time this award has been given to the City of Detroit. The current year's CAFR will also be submitted to the GFOA and management believes that it, too, meets the criteria of the Certificate of Achievement Program.

Responsibility for the accuracy, completeness, and fairness of the financial statements, including all disclosures, rests with the City. Accordingly, we believe that the information, as presented, is accurate in all material respects. We also believe that the financial statement presentation accurately depicts the financial position and the results of operations as measured by the financial activity of our various funds. Finally, the notes and disclosures included provide the reader with a more comprehensive understanding of the City's financial position.

To assist our citizens and other interested parties, this transmittal letter includes the following major sections:

- I. Background and Overview**
- II. Detroit's Economic Condition and Outlook**
- III. Major Initiatives and Achievements**
- IV. The Reporting Entity and its Services**
- V. Other Financial Information**
- VI. Structure of the CAFR**
- VII. Independent Audit**
- VIII. Acknowledgements**

I. BACKGROUND AND OVERVIEW

Detroit, Michigan's largest city, located in the County of Wayne is in the southeastern section of the state's lower peninsula. The City covers approximately 140 square miles and accounts for nearly half of the population of Wayne County.

Mayor Kwame M. Kilpatrick became Detroit's 60th Mayor on January 1, 2002. During the FY 2002-03, the Kilpatrick Administration was faced with a number of financial issues that were not related purely to the downturn in the economy. Two significant issues that impacted our FY 2002-03 financial statements were: first, a write off \$18.2 million dollars in long standing intergovernmental receivables owed to the General Fund by the Housing Commission, an Enterprise Fund. The receivable is a result of services rendered to the Housing Commission. In May 2003, the U.S. Department of Housing and Urban Development (HUD) reported to the City of Detroit that \$46 million in grants to the City for the coming fiscal year may be withheld. This warning was a result of an audit conducted by HUD in April 2003 at the request of Mayor Kilpatrick. The audit found that the Detroit Housing Commission (DHC) was poorly managed and did not provide proper monitoring of grant funds. This resulted in a possible refund to the Federal Government. The Mayor immediately replaced the DHC executive management team, reduced expenses to eliminate deficit spending and improved grant monitoring. The forgiveness of debt by the City was necessary to keep the DHC solvent and avert a possible takeover by HUD.

Secondly, the Wayne County Circuit Court ruled that the City of Detroit should pay an additional \$35 million dollars into the Police and Fire Pension fund. This ruling was a result of a suit brought against the City by the Police and Fire Pension Board. The dispute centered around the reduction of the contribution amount, due to the actuarial report showing excess funding to the system. In previous years a credit was given as settlement to a lawsuit between the City of Detroit and unions and retirees, commonly referred to as the 13th check agreement. The City is appealing the decision in the Michigan Court of Appeals.

These two events accounted for \$53.2 million of the City's \$69.1 million General Fund deficit for FY 2002-03. Despite revenue declines in State Revenue Sharing and income taxes, caused by the economy, the City of Detroit still managed to control spending and minimize the impact on our fund balance. According to Public Act 621 the City of Detroit will submit to the State of Michigan and implement a reduction plan that will address the deficit.

As of June 30, 2003, the Fund Balance Reserved for Budget Stabilization had a balance of \$8.5 million. The Executive Branch plans to use these reserves to cover this year's deficit. Any use of this reserve must also be approved by the Legislative Branch of City government.

The New Reporting Model – GASB 34

This is the second year that the City has prepared the CAFR using the new financial reporting requirements as prescribed by the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and analysis – for State and Local Governments (GASB 34)*. Highlights of the new reporting requirements are as follows:

- Government-wide Reporting - In the past, the City presented a set of financial statements to report on our various individual funds using the modified accrual basis of accounting. GASB 34 requires that we present a statement of financial condition that encompasses both the governmental and business-type activities. This

government-wide statement is similar to private sector financial statements. Further, GASB 34 requires governments to report on all economic resources (including infrastructure assets such as roadways, bridges, and public lighting facilities). This means that for the first time capital assets, long-term liabilities and depreciation expense is being recorded in the City's government-wide financial statements.

- Focus on “Major” Funds – Previously, state and local governments reported on groups of funds. GASB 34 requires that the City report separately on “major” funds and aggregate the remaining funds.
- Changes in Budgetary Reporting – Previously, governments typically reported actual expenditures as compared to the final budget (which was frequently revised during the year). GASB 34 requires the City to report the original budget and final revised budget.
- Required Narrative Analysis – In the past, governments would typically include explanations for changes in financial condition in a transmittal letter - which often accompanied the financial reports. The form and content of the transmittal letter varied considerably among governments. GASB 34 establishes explicit requirements for discussing the financial statements. This required narrative of the financial statements is referred to as *Management's, Discussion & Analysis (MD&A)*. As a result, the transmittal letter now focuses on other financial and economic information concerning the City of Detroit. The MD&A can be found immediately following the report of the independent auditors.

II. DETROIT'S ECONOMIC CONDITION AND OUTLOOK

According to the U.S. Department of Commerce's 2000 National Data Book, the City of Detroit is the nation's tenth largest city, and the center of the nation's eighth largest metropolitan statistical area (MSA). The City is internationally known for automobile manufacturing and trade. Detroit is also an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world.

From 1990 to 2000, the population of the State of Michigan increased from 9.3 million to 9.9 million or 6.9%. The population of the Detroit MSA increased from 5.1 million to 5.4 million, or 5.2%. However, the City's population declined from 1 million in 1990 to approximately 951,100 in 2000, a decrease of approximately 76,700 or 7.5%.

The National Economy

The National economy is improving as evidenced by the rise in corporate profits by more than 25% in the third quarter from a year earlier and is expected to continue to rise by 15% in 2004. In addition, Real Gross Domestic Product (GDP) - the broadest measure of economic output – saw an 8.2% growth surge in the third quarter.

It is forecasted that the economy as measured by GDP will grow 4.4% in 2004. This forecast is the consensus of 54 economists surveyed by the Wall Street Journal.

There are three strong factors that lead to the conclusion that the economy will improve in FY 2003-04, which are detailed below:

- According to estimates from a well-respected economist with Wells Fargo Bank, \$149 billion in tax cuts are in the fiscal pipeline for 2004. This will provide more income for consumers to spend.
- Federal Reserve officials have moved short-term interest rates to their lowest levels in more than 40 years, a factor that is making it easier for both households and businesses to raise money to purchase new products and to invest.
- Business executives will have a huge incentive to invest in the coming year: Tax breaks that allow them to improve their cash flow by quickly writing off the value of newly purchased assets will expire at the end of 2004 unless congress acts to extend them.

These three factors are a part of many indicators that point to an improving FY 2003-04 economy.

Michigan Economy

The Michigan economy in 2004 is forecasted to grow by a conservative 2.4% which lags the national economy as the manufacturing sector continues to drain the state's economic strength. Nationally, manufacturing accounts for about 7 percent of jobs; in Michigan, it's 16.4 percent. Since 2001, Michigan has lost 150,000 manufacturing jobs with 23,000 in 2003 alone. This trend is partially tied to shrinking orders for new furniture, machines and raw materials. It also stems from a long-term phenomenon: more manufacturers are moving factory production to Mexico and China, where the wages are lower. The state's factories will fight back to pre-recession production levels by the end of 2004, analysts say. In the meantime, manufacturers will begin increasing production with fewer workers thereby reaping profit gains of operating with a lean staff, analysts say. Significant improvements will occur in the latter half of 2004.

Local Economy

In Detroit, the economy will improve but still lag behind the National and State economies. David Littman, Chief Economist for Detroit-based Comerica Bank, is optimistic about the 2004 forecast for the economic growth for the Nation, State of Michigan and the City of Detroit with 4.75%, 4.5% and 4.4% projected respectively.

Mr. Littman bases his forecast primarily on four factors: 1) low financing rates, 2) low inflation, 3) tax cuts, that will increase disposable income and 4) increased vehicle sales.

The composite forecast of three local economists is consistent and projects an improved Detroit economy for 2004.

III. MAJOR INITIATIVES AND ACHIEVEMENTS

The City fully acknowledges that there is much work to be done. We've begun to address these issues in FY 2003-04 on several fronts including:

- Implemented Phase I of our citywide operational re-engineering effort by establishing a Project Management Office (PMO). The PMO has ten projects underway and to date has brought one major project to completion with a \$700,000 savings, one month ahead of schedule.
- Developed a plan to reorganize the finance function in every City department and to consolidate fiscal activities. Implementation of the plan will begin in early 2004.
- Engaged a revenue collection agency to assist and train our personnel to aggressively pursue individuals, corporations and those having withholdings who have delinquent receivables.

In addition, other major fiscal, operational, and economic development initiatives and achievements during the year included:

Fiscal

- Issuance of Sewage Disposal Bond Transactions – Executed the City of Detroit's largest Sewage Disposal System Bond Financing in the amount of \$749,380,000.
- Issuance of Water Supply System Bond Transactions – Executed the City of Detroit's largest Water Supply System Bond Financing in the amount of \$605,475,000.
- Issuance of General Obligation Bonds – Executed a \$45,000,000 bond transaction for capital improvements.
- Management Information Systems Strategic Plan – Implemented a comprehensive technology plan to improve management information systems in the areas of reporting and control, cost and project reporting, inventory control, fixed asset management and human resource management.

Operational

- The Police Department destroyed 5,035 weapons in the largest gun burn in the City's history.
- The Recreation Department initiated a 10-day grass cutting cycle in all City Parks.
- The Department of Public Works achieved an all time high of resurfacing 160 miles of roads in 2003.
- The Police Department installed 420 computers inside police cars, thereby increasing the efficiency of officers. For instance, the magnetic strip on the back of a driver's

license can now be swiped across a card reader, telling the officer instantly whether a motorist has any outstanding warrants.

- Special computer software allows officers to fill out their required reports from the vehicle instead of at the precinct.
 - Computers are also equipped with Global Positioning System Locators, which can tell the dispatcher the exact location of a scout car.
-
- The Human Rights Department launched the City's Contract Information Tracking System (CITS), which will help the City better manage contract issues.
 - Department of Health's awareness efforts succeeded in decreasing the number of syphilis cases by 52% from 2002 figures. In addition, the Department launched a unique Youth Ambassador Corps to combat drug use in Detroit Schools.
 - Detroit's Historical Museum attendance increased 32% with the help of 3 exciting exhibits – Techno; Guts, Games & Glory; and City on the Straits.
 - The Motor City Makeover Initiative – The second annual makeover gave Detroit a thorough 2003 spring-cleaning. 58,000 volunteers worked over 4 weekends in May to cleanup parks, fields, alleys and other public areas. A total of 144 parks and 582 vacant lots were cleaned. The City towed away 2,769 abandoned vehicles and volunteers bagged 4,300 tons of trash.
 - The Mayor's Time Initiative – An after school campaign, which aims to increase the enrollment of Detroit's school age children in after school programs from 20% to 50%, reached 28% in 2003. The initiative received a major boost from Intel Computers, which created four computer clubhouses. These clubhouses are equipped with the latest technology that introduces kids to the "wired" world and inspires their imagination.
 - The City was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting (CAFR Program) by the Government Finance Officer Association. This award is designed to recognize and encourage excellence in financial reporting by state and local governments. It was awarded for Fiscal Year ended June 30, 2002.
 - The National Collegiate Athletic Association (NCAA) awarded the prestigious Men's Basketball regional finals to Detroit in 2008 and the Final Four in 2009.
 - Inaugural Detroit Classic – The August 30, 2003 Detroit Classic featured the football teams of Florida A&M vs. Alabama State. A battle of the bands was presented at half-time.
 - Motor City Bowl – The Motor City Bowl returned to Detroit on December 26, 2003. The game featured the football teams of Northwestern University vs. Bowling Green State University.

Special Award

- In 2003, the City was officially awarded Major League Baseball's 2005 All-Star Game.

Economic Development

- Farmer Jack, a national grocery store chain, opened its largest Michigan store on East Jefferson Avenue.
- Detroit Economic Growth Corporation closed a deal with LaFarge North American Cement Company to relocate cement silos from the east riverfront to a new industrial area on the west riverfront.
- Municipal Parking opened the new Premier Underground Parking garage.
- Three prominent companies either relocated to Detroit or announced plans to do so.
 - OnStar – One of the nation's premier telematics companies has announced that it is relocating to the GM Renaissance Center in downtown Detroit. The move affects approximately 900 employees and will begin in late 2004.
 - EDS – Michigan's largest information technology employer completed the relocation of 1,500 employees from the suburbs to the Renaissance Center in downtown Detroit. EDS employs about 13,000 people in various locations across Michigan.
 - Compuware – a high technology firm, relocated their headquarters into downtown Detroit. The facility encompasses 7 blocks and 2 million square feet and houses 4,100 employees.
- The Lower Woodward Improvement Program – A collective priority of the local private business community and the Mayor's office. It is being spearheaded by the Detroit Economic Growth Corporation (DEGC). The program is composed of several integrated and coordinated initiatives including:
 - Redesigning and constructing new streetscapes for key downtown thoroughfares.
 - Motivating property owners to cleanup and improve building facades.
 - Attracting new businesses with focused marketing to create area "themes".
 - Encouraging conversion of abandoned and under utilized buildings into residential lofts.
 - Demolishing or redeveloping city owned dinosaur buildings.
- In December a riverfront initiative was announced and has received commitments of more than \$500 million in public, private and foundation funds. Construction has already begun on the first state park ever to be located in an urban area.

Our View Of The Future

Financial position is one of the key indicators of an organization's strength. While the financial statements are an objective measure of the strength of the City, there are other factors, which taken together, provides the framework for our financial view of the City. Mayor Kwame M. Kilpatrick stated in his 2003 Annual Report to the Community that *"From education to economic development, from public safety to public works, the focus of this administration has been on Kids, Cops, Clean: improving the quality of life in Detroit and rebuilding our City for our children"*.

IV. THE REPORTING ENTITY AND IT'S SERVICES

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

- **The Executive Branch** – The executive branch is headed by the Mayor. The Mayor is elected by the citizens of Detroit for 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 of implementation of most programs, services, activities, and day-to-day operations are delegated by the Charter to the executive branch.
- **The Legislative Branch** – The legislative branch is comprised of the City Council and its agencies. The nine members of City Council are also elected for a four-year term. Many significant decisions, including budget appropriations, procurement of goods and services, and certain policy matters must be approved by the City Council.
- **Other Agencies** – The City Clerk's Office and the Election Commission are not classified under either of the two branches mentioned above.

City Services

The City provides the following services: public protection, public works, cultural and recreational, civic center, health, physical and economic development, public lighting, transportation, water supply and sewage disposal, human services (including housing), airport and parking.

V. OTHER FINANCIAL INFORMATION

Pension and Post Employment Benefits

The Retirement Systems are comprised of the General Retirement System, which covers substantially all employees other than police officers and firefighters who are covered by the Policemen and Firemen Retirement System.

According to the most recent actuarial reports (as of June 30, 2002), the total Actuarial Accrued Liability (AAL) of the General Retirement System approximated \$3.3 Billion

(with an unfunded AAL of \$515.4 million), and the total AAL of the Policemen and Firemen Retirement System approximated \$3.5 billion (all of which is funded with excess funding of \$111.7 million). During that same reporting period, the General Retirement System experienced a net increase of \$100.0 million in the AAL. For the Policemen and Firemen Retirement System the net increase was \$60.2 million.

In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care, and life insurance. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2003, are as follows:

Benefit	Total Cost
Hospitalization	\$ 137,090,332
Dental	5,553,175
Eye care	2,086,691
Life insurance	170,277
Total	<u>\$ 144,900,475</u>

Cash Management

The City's investment policy attempts to maintain and protect investment principal while striving to maximize total return on the portfolio consistent with risk limitations pursuant to guidelines set forth in Michigan Act 20, Public Acts of 1943 as amended.

The City has always maintained a conservative investment philosophy and as a result of recent amendments to Michigan Public Act 20, have established strict investment guidelines for its investment programs.

No investment shall have a maturity longer than ten (10) years from the date of investment. The City's longest investment has a maturity date of August 15, 2011.

The following information pertains to the City's General Fund:

Average Monthly Investment Balance	\$ 127,114,286
Investment Earnings Fiscal Year 2003	\$ 1,556,451
Investment Earnings Fiscal Year 2002	\$ 10,161,113
Percentage Decrease in Earnings Year-to-Year	84.68%

**CITY OF DETROIT – FINANCE DEPARTMENT
DEBT MANAGEMENT
GENERAL FUND MONTH ENDING INVESTED BALANCE**

<u>Month</u>	<u>Ending Balance</u>
Jul-2002	\$ 111,427,142
Aug-2002	180,564,386
Sep-2002	135,636,716
Oct-2002	141,792,493
Nov-2002	120,014,905
Dec-2002	83,089,076
Jan-2003	152,200,169
Feb-2003	111,616,490
Mar-2003	154,715,276
Apr-2003	129,801,027
May-2003	96,214,140
Jun-2003	<u>108,299,612</u>
Average	\$ 127,114,286

Risk Management

The City currently self-insures approximately 80% of the City's insurance needs.

Commercial insurance is purchased for specialized exposures such as aviation hull and liability, airport premises liability, steam boiler and other certain property risks to name a few.

Automobile liability losses are self-insured. However, the City does have commercial auto insurance for its non-tax-supported agencies, namely the Water and Sewerage Department, Housing Commission, Municipal Parking Department, Library Department and the Department of Transportation (non-bus coaches only). A private service company administers claims adjusting services for self-insured automobile liability and property claims. Automobile liability claims under the State of Michigan Automobile No-Fault Act for all non-tax supported agencies are administered by the City Finance Department (DOT bus passengers are excluded).

General liability and property losses are self-insured with the exception of some commercial insurance for a few City departments. Self-insured general liability and property losses are processed by the City's Law Department.

Workers' Compensation is currently self-insured and self-administered under the rules and regulations of the State of Michigan Labor Division. Claims administration is handled in-house by the Finance Department, Risk Management Division. Legal cases are handled by the City's Law Department.

Workers' Compensation case medical management, rehabilitation services and medical bill reviews are currently handled by professional claims management firms under the auspices of the Risk Management Division of the Finance Department.

As of June 30, 2003, the City's Risk Management Fund had a balance of approximately \$50.5 million. Covered losses are liabilities to third parties for any loss or damage arising out of negligence, tort, contract or otherwise accruing and payable by the City, and for which insurance coverage could be provided by third party insurer, but for which the City has determined to self-insure. Included among other covered losses are liabilities for workers' compensation. Procedures concerning proactive safety training, utilizing the favored work concept, retraining injured employees, reducing slip and fall claims, monitoring property damage claims and centralizing all workers' compensation and safety functions were developed and instituted. Professional services contracts are currently in place for actuarial services and medical case review.

VI. STRUCTURE OF THE CAFR

The City's CAFR is divided into the following three sections:

- **The Introductory Section** – This letter of transmittal encompasses a major portion of the Introductory Section. In this section, we include information about the City's organizational structure, the current and near-term economy outlook, and our major accomplishments and initiatives.
- **The Financial Section** – This section is prepared in accordance with accounting principles generally accepted in the United States of America. This includes the MD&A, the basic financial statements and notes, and any additional supplementary information. The basic financial statements include the government-wide financial statements that present an overview of the City's entire financial operations in addition to the fund financial statements. The fund financial statements present the financial information of the City's major fund (the General Fund), non-major governmental, fiduciary funds, and component units. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.
- **The Statistical Section** – This section contains tables and schedules of historical financial data, debt statistics, miscellaneous social and economic data that are often of interest to various readers.

VII. INDEPENDENT AUDIT

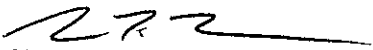
The City's Charter requires the Auditor General of the City to audit the transactions of all City agencies at least once every two years. The Auditor General is appointed by the City Council for a ten-year term.

Additionally, state laws require the City to have its financial statements audited by an independent, outside auditor once every five years. However, beginning with fiscal year 1980, the Mayor and City Council agreed to have an annual financial statement audit by an independent auditor. The independent auditors' report on the financial statements is included in the financial section of this report. In addition, the City of Detroit must comply with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and non-profit organizations*.

VIII. ACKNOWLEDGEMENTS

The preparation of this CAFR, particularly under the new GASB 34 reporting requirements, could not have been accomplished without the dedicated services of all accountants and fiscal staff within the City of Detroit, the City's Finance Department, and the fiscal staff at each of our component units. Our thanks also extends to the Mayor's Office, members of City Council and the Auditor General for their interest and support in planning and conducting the financial affairs of the City, upon which the Independent Auditors' also opines.

Respectfully submitted,



SEAN K. WERDLOW

Chief Financial Officer/Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Detroit,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



JOSEPH L. HARRIS, CPA, CIA
AUDITOR GENERAL
CITY OF DETROIT

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AUDITOR GENERAL'S LETTER

December 30, 2003

The Honorable Mayor Kwame M. Kilpatrick
and Members of the City Council
City of Detroit, Michigan

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003, were audited by KPMG LLP, and Alan C. Young and Associates, P.C., under contract with the City of Detroit, Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

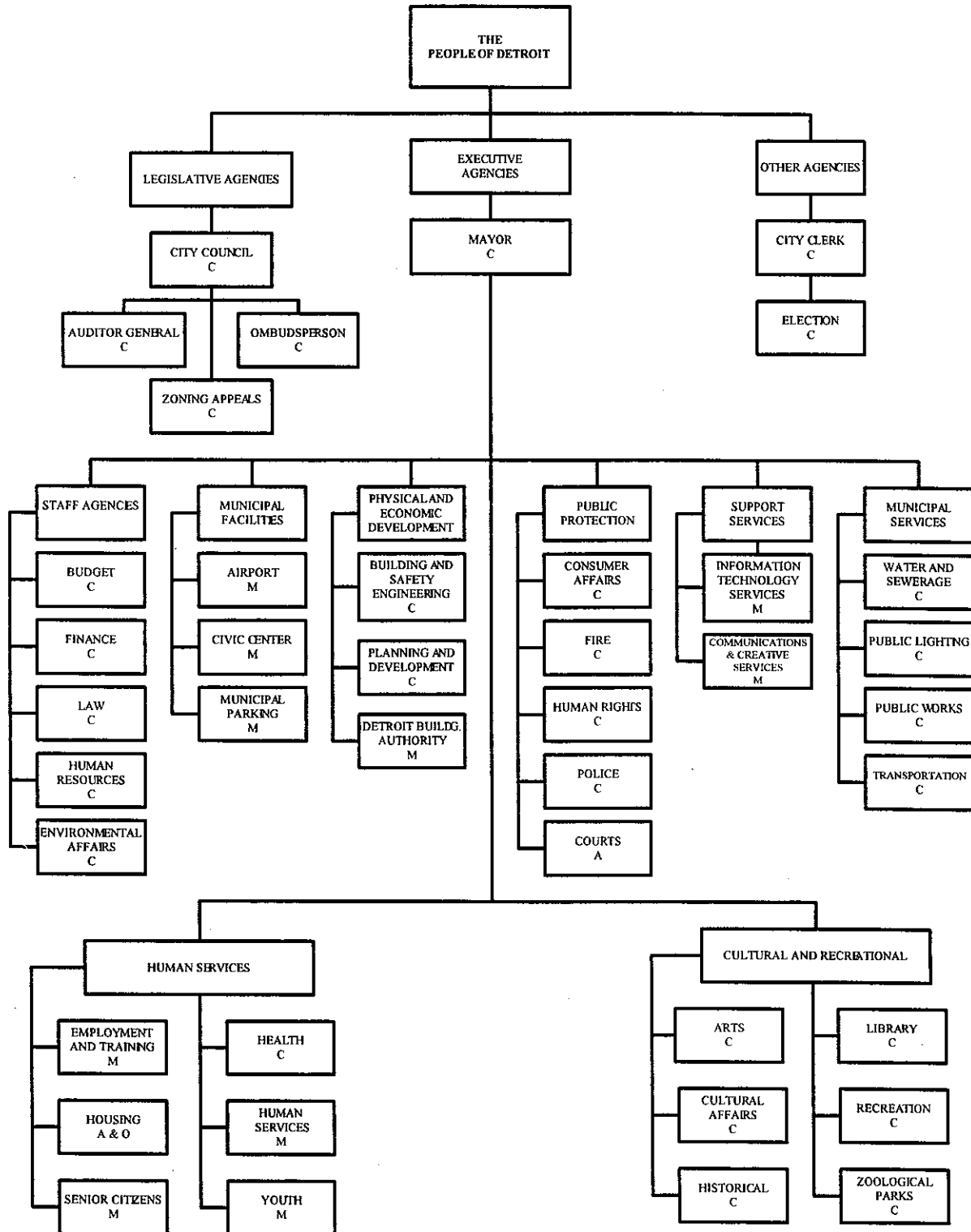
Based on the results of their audit, KPMG LLP has issued their report on the aforementioned financial statements, dated December 30, 2003.

Respectfully,

Joseph L. Harris
Auditor General

CITY OF DETROIT ORGANIZATION CHART

June 30, 2003



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

**PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN**

**Executive
(Elected)**



**Mayor
KWAME M. KILPATRICK**

**Legislative
(Elected)
City Council**



**MARYANN MAHAFFEY
President**



**KENNETH V. COCKREL, JR.
President Pro Tem**



ALONZO W. BATES



SHEILA M. COCKREL



KAY EVERETT



SHARON McPHAIL

**PRINCIPAL OFFICIALS
Of The
CITY OF DETROIT, MICHIGAN**



BARBARA-ROSE COLLINS



ALBERTA TINSLEY-TALABI



JOANN WATSON



City Clerk

JACKIE L. CURRIE

**Other Executive Officials
(Appointed)**



SEAN K. WERDLOW
Chief Financial Officer/Finance Director



MATTHEW A. GRADY III
Deputy Finance Director



The Detroit Public Library's downtown branch reopened in December 2003 after a major remodeling as the Rose and Robert Skillman Branch. A generous donation from the Skillman Foundation, a private grantmaking organization, made the renovation of the 1931 structure possible. Now the location of the National Automotive History Collection, the library at Gratiot and Farmer is an ideal stop for Compuware employees and other downtown workers.

Photos courtesy of City of Detroit - Communications & Creative Services Department



Financial

The Financial Section contains:

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



INDEPENDENT
AUDITORS'
REPORT

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

Independent Auditors' Report

To the Honorable Mayor Kwame Kilpatrick
and Members of the City Council
City of Detroit:

We have audited the accompanying basic 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, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School District of the City of Detroit, the Downtown Development Authority, the Economic Development Corporation, the Museum of African American History, the Detroit Transportation Corporation, and the Greater Detroit Resource Recovery Authority, which represent 97.8% and 96.7%, respectively, of the assets and revenues of the discretely presented component units. We also did not audit the financial statements of the Retirement Systems, which represent 89.8% and 37.7%, respectively, of the assets and expenses/expenditures/deductions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.





In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 21 and the schedules of employer contributions and the schedules of funding progress on page 94 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

December 30, 2003

MANAGEMENT'S
DISCUSSION
AND ANALYSIS
(MD & A)

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This section of the City of Detroit's (the City) Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2003.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2003 by \$2.0 billion (net assets). Of this amount, \$215.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$37.9 million during the fiscal year.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$456.4 million. The unreserved fund balance was \$9.7 million.
- At the close of the fiscal year, the City is reporting a deficit unreserved general fund balance of 69.1 million.
- The City's total long-term liabilities, per the Statement of Net Assets was \$4.98 billion as of June 30, 2003, with \$4.77 billion related to bonds, notes, and other debt payable.
- While there has been an overall slowdown in the economy, the City's fund balance has remained fairly stable. Management will continue to monitor revenue streams and control expenditures.

The remaining parts of our discussion and analysis include the following sections:

- I. An overview of the financial statements**
- II. General discussion of the financial statements**
- III. Government-wide financial analysis**
- IV. Financial analysis of the City's funds**
- V. Capital assets and debt administration**
- VI. Economic factors and next year's budget**

I. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consists of the following three components:

- (1) Government-wide financial statements**
- (2) Fund financial statements**
- (3) Notes to the financial statements.**

The CAFR also contains other supplementary information in addition to the basic financial statements themselves. Figure A-1 shows how the various parts of the annual financial report are arranged and related to one another.

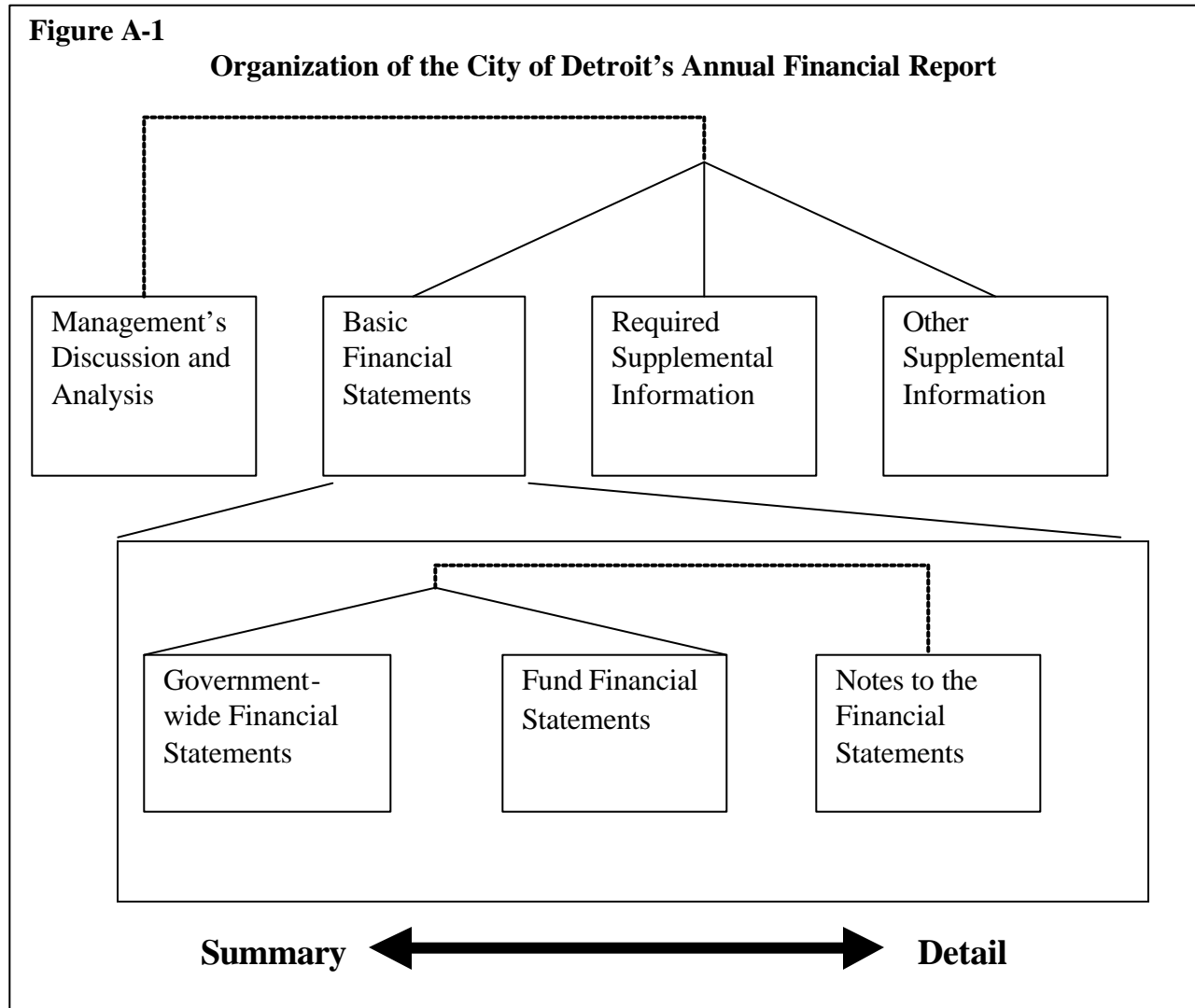


Figure A-2 summarizes the major features of the City's financial statements and the types of information they contain.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements*	
		Government Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Instances in which the City administers resources on behalf of someone else.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities. 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances. 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets.
Accounting Basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, including financial and capital, short-term, and long-term.	Generally, assets expected to be used up and liabilities that comes due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both short-term and long-term. Fiduciary Funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues are recorded when cash is received during or soon after the end of the year. Expenditures are recorded when goods or services have been received and the related liabilities that are due and payable.	All additions and deductions during the fiscal year, regardless of when cash is received or paid.

*The fund financial statements also include propriety or “enterprise activity.” The proprietary financial statements are prepared on the same basis as the government-wide statements.

II. GENERAL DISCUSSION OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The government-wide financial statements are as follows:

- **Statement of net assets** - presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets as of the end of the fiscal year 2002-03. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.
- **Statement of activities** - presents information showing how the City's net assets changed during the fiscal 2002-03 year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

The Primary Government

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, community health, education, recreation and culture, economic development, transportation, housing and conditions, physical environment and development and management functions. The business-type activities of the City include airport, automobile parking, water and sewage disposal operations, housing, and transportation.

The Component Units

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate organizations and agencies for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Included within the governmental activities of the financial statements are the operations of the Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Tax Incremental Finance Authority, Detroit Public Schools, and the Greater

Detroit Resource Recovery Authority. These legally separate entities are “discretely presented component units”. In addition, one component unit, the Detroit Public Library, which is a legally separate entity, has some financial interdependency with the City. For reporting purposes this entity is shown as a discretely presented component unit.

One other entity, the Detroit Building Authority is a “blended” component unit since its financial data is required to be “blended” with the City to present fairly the financial results of the primary government.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City of Detroit reports financial information using **governmental, proprietary, and fiduciary** funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements-i.e. most of the City’s basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent fund). The general fund is considered a major fund, and is, therefore, presented separately in the governmental fund financial statements. Financial data from other governmental funds are combined into a single, aggregated presentation. Fund data for each of the non-major governmental funds is provided in the “combining financial statements.” The City adopts an annual appropriated

budget. For the general fund, a comparison statement has been provided to show compliance to the annual budget.

Proprietary funds

Proprietary funds are generally used to account for services for which the City charges customers. The City of Detroit has six proprietary or “enterprise” funds. The City’s enterprise funds are Sewage Disposal, Transportation, Water, Automobile Parking, Airport, and Housing. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of City government. The City employees’ pension plan and the employee benefit trust funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City’s own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this CAFR presents certain required supplementary information concerning the City’s progress in funding and its obligation to provide pension benefits to its employees.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds are presented immediately following the required supplementary information on the fiduciary funds.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial analysis includes the **statement of net assets** and the **statement of activities**. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

Statement of Net Assets

The following is a summary of Net Assets at June 30, 2003 and 2002:

	Primary Government (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 853,956	\$ 770,128	\$ 1,734,776	\$ 1,103,502	\$ 2,588,732	\$ 1,873,630
Capital Assets	1,116,516	1,109,442	4,213,305	3,752,558	5,329,821	4,862,000
Total Assets	<u>1,970,472</u>	<u>1,879,570</u>	<u>5,948,081</u>	<u>4,856,060</u>	<u>7,918,553</u>	<u>6,735,630</u>
Liabilities						
Long-term Liabilities Outstanding	982,419	956,584	3,999,592	3,003,652	4,982,011	3,960,236
Other Liabilities	557,501	488,266	357,728	303,674	915,229	791,940
Total Liabilities	<u>1,539,920</u>	<u>1,444,850</u>	<u>4,357,320</u>	<u>3,307,326</u>	<u>5,897,240</u>	<u>4,752,176</u>
Net Assets						
Invested in Capital Assets, net of Related Debt	419,594	366,474	1,152,384	1,185,981	1,571,978	1,552,455
Restricted	113,243	69,705	120,671	101,577	233,914	171,282
Unrestricted (Deficit)	<u>(102,285)</u>	<u>(1,459)</u>	<u>317,706</u>	<u>261,176</u>	<u>215,420</u>	<u>259,717</u>
Total Net Assets	<u>\$ 430,552</u>	<u>\$ 434,720</u>	<u>\$ 1,590,761</u>	<u>\$ 1,548,734</u>	<u>\$ 2,021,313</u>	<u>\$ 1,983,454</u>

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$2.0 billion at the close of fiscal 2003.

The largest portion of the City's net assets (77.8%) reflects its investment of \$1.57 billion in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

An additional portion of the City's net assets, \$233.9 million (11.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets; \$215.4 million may be used to meet government's ongoing obligations to its citizens and creditors.

At the end of the year, total net assets of the governmental activities were \$430.6 million. The unrestricted net assets had a deficit of \$102.3 million. The remaining two categories of the governmental activities reported positive balances.

The business-type activities reported positive balances for all three categories of net assets. The business-type activities' net assets increased by \$42.0 million during the fiscal year.

Statement of Activities

The following is a summary of activities for the year ended June 30, 2003 and 2002:

	Governmental Activities		Primary Government (In Thousands) Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues:						
	\$					
Charges for Services	270,783	\$ 307,876	\$ 591,014	\$ 534,102	\$ 861,797	\$ 841,978
Operating Grants and Contributions	365,858	398,262	115,982	111,303	481,840	509,565
Capital Grants and Contributions	35,557	26,810	41,632	56,035	77,189	82,845
General Revenues:						
Property Taxes	221,339	235,868	-	-	221,339	235,868
Municipal Income Tax	310,935	323,516	-	-	310,935	323,516

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

Continued:	Primary Government (in Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Utility User Tax	55,526	52,106	-	-	55,526	52,106
Wagering Tax	111,341	109,462	-	-	111,341	109,462
Hotel and Liquor Tax	16,217	-	-	-	16,217	-
Shared Taxes	319,055	333,763	-	-	319,055	333,763
Other Local Taxes	26,866	28,302	-	-	26,866	28,302
Investment Earnings	5,691	18,147	18,645	28,789	24,336	46,936
Other (Miscellaneous)	14,513	21,179	3,806	3,510	18,319	24,689
Total Revenues	1,753,681	1,855,291	771,079	733,739	2,524,760	2,589,030
Expenses						
Public Protection	593,346	583,268	-	-	593,346	583,268
Health	194,876	178,170	-	-	194,876	178,170
Educational						
Development	85,958	86,031	-	-	85,958	86,031
Recreation and Culture	81,401	82,648	-	-	81,401	82,648
Economic Development	102,939	87,327	-	-	102,939	87,327
Transportation						
Facilitation	44,218	21,087	-	-	44,218	21,087
Housing Supply and						
Conditions	18,567	16,780	-	-	18,567	16,780
Physical Environment	273,248	301,890	-	-	273,248	301,890
Development and						
Management	371,360	299,361	-	-	371,360	299,361
Interest on Long-term Debt	44,661	42,442	-	-	44,661	42,442
Airport	-	-	3,845	5,543	3,845	5,543
Automobile Parking	-	-	21,534	17,833	21,534	17,833
Housing	-	-	75,785	67,818	75,785	67,818
Sewage Disposal	-	-	261,672	261,213	261,672	261,213
Transportation	-	-	196,163	187,416	196,163	187,416
Water	-	-	249,329	232,529	249,329	232,529
Total Expenses	1,810,574	1,699,004	808,328	772,352	2,618,902	2,471,356
Increase (Decrease) in Net Assets before Capital Transfers and Special Capital Item	(56,893)	156,287	(37,249)	(38,613)	(94,142)	117,674
Transfers	(79,276)	(85,569)	79,276	85,569	-	-
Special Item – Casino						
Development Revenue	132,000	-	-	-	132,000	-
Change in Net Assets	(4,169)	70,718	42,027	46,956	37,858	117,674
Net Assets, Beg. of Year	434,721	2,364,002	1,548,734	1,501,778	1,983,455	1,865,780
Net Assets, End of Year	\$ 430,552	\$ 434,720	\$ 1,590,761	\$ 1,548,734	\$ 2,021,313	\$ 1,983,454

Analysis of Statement of Activities

The City's net assets increased overall by \$37.9 million during the current fiscal year. The increases in net assets are summarized in the government and business-type activity discussions below.

Governmental Activities

Governmental activities decreased the City's net assets by \$4.2 million. Key factors of this decrease are as follows:

- Property tax revenues decreased by approximately \$14.5 million or 6.1% during the year. This decrease is generally attributable to the discontinuance of last years tax amnesty program.
- Operating grants and contributions decreased by approximately \$ 32.4 million or 8.1%. This decrease is primarily due to a decrease in Federal grants.
- Municipal income tax revenue decreased by approximately \$12.6 million or 3.9%. This decrease is generally attributable to the continued downturn in the economy and a reduction in overtime and profit sharing in the automotive industry.
- Shared taxes from state and federal sources decreased by approximately \$14.7 million or 4.4%. The decrease is generally attributable to state cuts in revenue sharing.
- Special Item – Casino Development Revenue increased by \$132.0 million as a result of re-negotiation of the City's agreement with the casinos operating in Detroit.

The condensed financial information on the previous pages illustrates the City's governmental revenues and expenses by function, and its revenues by source.

Revenues - General revenues such as property and business taxes are not shown by program, but are effectively used to support program activities city-wide. For governmental activities overall, without regard to program, operating grants and contributions are the largest single source of funds (20.9 %), followed by shared taxes (18.2%), municipal income taxes (17.7 %), charges for services (15.4%), and property taxes (12.6%).

Expenses - As shown, public protection (33.3%) is the largest function in expenditures, followed by development and management (20.1%), physical environment (14.0 %) and health (10.3 %).

Business-type Activities

Business-type activities increased by \$42.0 million while, there was a decrease overall in the City's net assets. The largest of Detroit's business-type activities – Water and Sewerage Disposal had expenses in excess of \$511.0 million in fiscal year 2003. Transportation was the next largest with expenses of approximately \$196.2 million.

Sewage Disposal, Water, Airport, and Housing fund revenues (including capital contributions and transfers) all exceeded expenses for fiscal 2003. These funds had higher revenues due to greater public usage. Expenses exceeded revenues for the

Transportation Fund, Automobile Parking, and Airport Funds. This is due to lower Capital Contributions (\$20.7 million) in the Transportation Fund, increased non-operating expenses (\$2.4 million) in the Automobile Parking and decreased transfers in (\$1.6 million) for the Airport Fund. For all of the business-type activities, charges for services provided the largest share of revenues (69.5%) followed by operating grants and contributions (13.6%), transfers (9.3%), and capital grants and contributions (4.9%), and general revenues (2.7%).

IV. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to presenting government-wide financial information, the City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fiscal activity for the City's governmental, proprietary, and fiduciary funds are discussed in the paragraphs below.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

As of the end of fiscal 2003, the City's governmental funds reported combined ending fund balances of \$456.4 million, a decrease of \$32.9 million in comparison with the prior year. Approximately \$9.7 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remaining fund balance is already committed as follows:

- To liquidate existing contracts and purchase orders - \$107.0 million.
- To fund capital projects in future fiscal periods - \$182.0 million.
- To reserve for risk management operations - \$50.5 million.
- To reserve for Blue Cross Blue Shield Insured Program - \$21.7.
- To reserve for debt service - \$42.8 million.
- To reserve for inventory - \$30.9 million.
- To fund a variety of other restricted purposes - \$11.9 million.

Revenues for governmental functions overall totaled approximately \$1.8 billion in the fiscal year ended June 30, 2003 which represents an decrease of \$118.7 million from the prior year. Expenditures for governmental functions totaled approximately \$2.0

billion, which represents an increase of \$29.6 million from the prior fiscal year. In the current fiscal year, expenditures for governmental functions exceeded revenues by approximately \$152.6 million.

The General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the undesignated fund deficit of the general fund was (\$69.1) million, while the total fund balance was \$140.3 million. Undesignated fund deficit represents 4.72 % of total general fund expenditures of \$1.5 billion while total fund balance represents 9.6% of that same amount.

The fund balance in the City's general fund decreased by \$65.9 million during the fiscal year mainly due to increased pension costs for Police and Fire employees and the write off of accounts receivable of \$18.2 million due to the proposed separation of the City's Housing Department from the City. Overall, the General Fund's performance resulted in expenditures in excess of revenues in the fiscal year ended June 30, 2003 of \$83.7 million, or 5.68% of total expenditures.

General Fund Budgetary Highlights

During the year, budgetary estimates exceeded actual revenues and other resources by \$75.2 million. The majority of this amount is attributable to actual municipal income tax, sales and charges for services, grant revenues, and state revenue sharing being somewhat less than the final budgets. However, expenditures were less than budgeted estimates. Final budgeted expenditures were approximately \$1.6 billion but actual expenditures were \$1.5 billion, a difference of \$0.1 billion.

The Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, positive unrestricted net assets were reported for Airport Fund - \$0.47 million, Water Fund - \$111.4 million, and Sewage Disposal Fund - \$227.8 million. Deficits in net assets were reported for the Transportation Fund - \$12.8 million, the Automobile Parking Fund - \$0.24 million, and the Housing Fund - \$8.9 million.

The total net assets for the proprietary funds were \$1.6 billion. Of this amount, \$1.2 billion represents investment in capital assets and \$317.7 million was unrestricted.

City of Detroit, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

The Fiduciary Funds

The City maintains fiduciary funds for the assets of the Detroit's Employees' Retirement System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2003, the net assets of the Retirement System totaled \$5.2 billion, representing a decrease of \$177 million in total net assets from the prior year. The change is primarily related to decreases in the market value of the Retirement System's investments.

V. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Changes in Capital Assets
Net of Accumulated Depreciation
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land and Land Rights	\$ 314,539	\$ 314,661	\$ 51,605	\$ 48,618	\$ 366,144	\$ 363,279
Land Improvements	-	-	40,285	37,808	40,285	37,808
Building and Structures	326,889	283,142	1,012,650	890,294	1,339,539	1,173,436
Sewer and water lines, Machinery, Equipment, Fixtures and Vehicles	-	-	881,940	827,884	881,940	827,884
Works of Art	74,064	81,815	634,390	601,727	708,454	683,542
Infrastructure	29,846	29,846	-	-	29,846	29,846
Infrastructure	120,544	111,760	-	-	120,544	111,760
Construction-in-Progress	250,634	288,218	1,592,435	1,346,227	1,843,069	1,634,445
Total	\$ 1,116,516	\$ 1,109,442	\$ 4,213,305	\$ 3,752,558	\$ 5,329,821	\$ 4,862,000

The City's capital assets for its governmental and business-type activities as of June 30, 2003 were \$5.3 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the current fiscal year was \$467.8 million, or 9.6% (a .6 % increase for governmental activities and a 12.3 % increase for business-type activities). The 12.3% increase in business-type capital assets is primarily attributable to the Detroit Water and Sewage Disposal Fund's sewage disposal and water treatment systems improvement program.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note III A 7 to the basic financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$5.4 billion. Of this amount, \$790.4 million are general obligation bonds backed by the full faith and credit of the City and \$4.1 billion are revenue bonds, commercial paper, loans, and other obligations of the City's business enterprises. The remainder includes other types of long-term obligations.

In July 2002, the City issued \$52.725 million of Capital Improvement Bonds (Limited Tax General Obligation) to acquire cars, trucks and other vehicles for use by various City Departments. The bonds mature beginning on April 1, 2007, with an average yield of 2.4%.

In August 2002, the City issued \$45 million General Obligation (Unlimited Tax) Bonds to finance various capital projects of the City. The bonds mature beginning on April 1, 2022, with an average yield of 4%.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. A comparison of these indicators follows:

	<u>FY 2003</u>	<u>FY 2002</u>
Net General Bonded debt	\$909,624,369	\$962,133,680
Net General Bonded debt per capita	\$956.22	\$1,011.42
Ratio of net General Bonded debt to net assessed value (50% of present market value)	12.75%	12.06%
Ratio of debt to present market value	6.375%	6.03%

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, ACT 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and

personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities. Not all the General Bonded debt is subject to the general debt limitation. The City's legal debt limitation at June 30, 2003 was \$1.3 billion of which \$737 million is available for use.

The City's ratings on uninsured general obligation bonds as of June 30, 2003 were:

Moody's Investors Service, Inc.	Baa1
Standard and Poor's Corporation	A-
Fitch IBCA, Inc.	A

Additional information on the City's long-term debt can be found in Notes III B 4 and 5 to the basic financial statements.

VI. ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City is currently experiencing a less favorable economic environment resulting from the continued decline in the manufacturing sector of the economy. Detroit's unemployment rate increased from 13.0% in June 2002 to 15.4% by June 2003. As of November 2003, the rate had decreased to 13.2%.

Real Property taxable values continued to grow in the City, but because of a decrease in Personal Property taxable values, the 2003-04 budget taxable values decreased.

The 2003-04 budget reduced income tax revenues by \$23.1 million based on the economy and tax rate roll back schedule.

Wagering taxes have remained strong and are projected to increase in the 2003-04 budget.

The 2003-04 Budget has 739 fewer positions and travel by general fund employees has been reduced by 50%.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Detroit Finance Department, Coleman A. Young Municipal Center, Suite 1200, 2 Woodward Avenue, Detroit, Michigan 48226.



The view inside the Compuware World Headquarters atrium lobby is striking.



The new downtown Borders bookstore, located in the Compuware Building on Campus Martius next to the Hard Rock Café, has been one of the most successful Borders outlets in its few months of existence.

Photos courtesy of City of Detroit - Communications & Creative Services Department

BASIC
FINANCIAL
STATEMENTS
(BFS)

City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 46,816,802	\$ 15,664,442	\$ 62,481,244	\$ 5,972,425
Investments.....	348,659,006	24,988,084	373,647,090	301,025,157
Escrow Deposits.....	-	-	-	54,554,002
Accounts and Contracts Receivable:				
Internal Balances.....	33,478,866	(33,478,866)	-	-
Due from Primary Government.....	-	-	-	27,395,353
Due from Component Units.....	5,060,376	-	5,060,376	-
Due from Other Governmental Agencies.....	169,539,256	25,449,231	194,988,487	279,682,776
Other Receivables - Net.....	122,129,658	194,914,146	317,043,804	110,602,900
Total Accounts and Contracts Receivable - Net.....	330,208,156	186,884,511	517,092,667	417,681,029
Inventories.....	30,872,124	33,882,172	64,754,296	10,629,894
Prepaid Expenses.....	197,824	30,344,936	30,542,760	4,880,144
Short-Term Loans and Advances to Component Units.....	375,275	-	375,275	-
Total Current Assets.....	757,129,187	291,764,145	1,048,893,332	794,742,651
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents.....	75,908,564	83,527,461	159,436,025	18,254,394
Investments.....	10,000,000	1,293,691,624	1,303,691,624	987,303,295
Restricted Loans and Notes Receivable.....	-	-	-	86,905,597
Total Non-Current Restricted Assets.....	85,908,564	1,377,219,085	1,463,127,649	1,092,463,286
Deferred Charges.....	-	-	-	2,167,998
Capital Assets:				
Non-Depreciable.....	595,018,394	1,644,040,147	2,239,058,541	670,648,985
Depreciable, Net.....	521,497,222	2,569,265,337	3,090,762,559	937,719,361
Total Capital Assets, Net.....	1,116,515,616	4,213,305,484	5,329,821,100	1,608,368,346
Other Assets.....	10,918,261	65,791,976	76,710,237	7,041,421
Total Non-Current Assets.....	1,213,342,441	5,656,316,545	6,869,658,986	2,710,041,051
Total Assets.....	1,970,471,628	5,948,080,690	7,918,552,318	3,504,783,702

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

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
LIABILITIES				
Current Liabilities:				
Accounts and Contracts Payable.....	160,355,903	57,257,581	217,613,484	213,451,699
Due to Other Governmental Agencies.....	27,707,174	16,083,368	43,790,542	-
Due to Primary Government.....	-	-	-	5,060,376
Due to Component Units.....	22,749,100	4,646,253	27,395,353	-
Deposits and Refunds.....	31,232,965	90,256	31,323,221	-
Accrued Interest Payable.....	11,143,937	65,246,869	76,390,806	26,158,366
Loans and Advances from Primary Government.....	-	-	-	375,275
Accrued Salaries and Wages.....	33,685,691	5,517,576	39,203,267	61,205,423
Deferred Revenue.....	8,303,193	1,448,224	9,751,417	12,258,803
Other Current Liabilities.....	41,336,653	10,160,304	51,496,957	6,806,935
Restricted Liabilities:				
Accounts Payable.....	619,865	104,463,958	105,083,823	-
Accrued Public Liability and Worker's Compensation.....	21,568,900	-	21,568,900	-
Other Liabilities.....	223,725	-	223,725	-
Total Restricted Liabilities.....	22,412,490	104,463,958	126,876,448	-
Bonds, Notes and Other Debt Payable - Current.....	89,662,266	65,105,000	154,767,266	313,394,042
Unamortized Premium and Defeasances.....	-	-	-	5,370,520
Bonds, Notes and Other Debt Payable - Current-Net.....	89,662,266	65,105,000	154,767,266	318,764,562
Accrued Compensated Absences.....	108,912,000	18,744,736	127,656,736	3,424,567
Accrued Public Liability and Workers' Compensation.....	-	8,964,063	8,964,063	42,330
Total Current Liabilities.....	557,501,372	357,728,188	915,229,560	647,548,336
Long-Term Liabilities:				
Bonds, Notes and Other Debt Payable.....	789,978,954	4,038,815,907	4,828,794,861	2,250,822,400
Unamortized Premium/(Discount) and Loss (Gain) on Defeasances.....	8,306,225	(67,447,484)	(59,141,259)	37,443,692
Bonds, Notes and Other Debt Payable -Net.....	798,285,179	3,971,368,423	4,769,653,602	2,288,266,092
Accrued Compensated Absences.....	26,897,088	11,328,010	38,225,098	153,150,128
Accrued Public Liability and Workers' Compensation.....	157,236,339	16,895,195	174,131,534	56,517,007
Total Long-Term Liabilities.....	982,418,606	3,999,591,628	4,982,010,234	2,497,933,227
Total Liabilities.....	1,539,919,978	4,357,319,816	5,897,239,794	3,145,481,563
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	419,593,713	1,152,383,916	1,571,977,629	349,394,654
Restricted for:				
Endowments and Trust (Non-Expendable).....	1,215,005	-	1,215,005	7,214,870
Blue Cross/Blue Shield.....	21,694,519	-	21,694,519	-
Risk Management Operations.....	21,629,120	-	21,629,120	-
Capital Projects.....	29,117,660	-	29,117,660	51,749,690
Debt Service.....	39,587,124	120,671,314	160,258,438	54,022,357
Unrestricted (Deficit).....	(102,285,491)	317,705,644	215,420,153	(103,079,432)
Total Net Assets.....	\$ 430,551,650	\$ 1,590,760,874	\$ 2,021,312,524	\$ 359,302,139

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Protection.....	\$ 593,346,429	\$ 68,146,542	\$ 6,918,099
Health.....	194,876,044	17,535,790	136,677,634
Recreation and Culture.....	81,400,879	8,859,373	3,745,473
Economic Development.....	102,939,042	20,089,274	59,873,977
Educational Development.....	85,957,839	-	85,853,927
Housing Supply and Conditions.....	18,566,688	33,624,540	4,499,465
Physical Environment.....	273,247,867	102,937,079	75,009
Transportation Facilitation.....	44,217,658	-	68,214,316
Development and Management.....	371,360,739	19,590,685	-
Interest on Long-Term Debt.....	44,661,255	-	-
Total Governmental Activities.....	<u>1,810,574,440</u>	<u>270,783,283</u>	<u>365,857,900</u>
Business-type Activities:			
Sewage Disposal.....	261,671,404	288,111,143	-
Transportation.....	196,162,781	25,182,188	65,723,339
Water.....	249,329,295	244,781,888	-
Automobile Parking.....	21,534,236	19,253,924	-
Airport.....	3,845,438	1,193,786	-
Housing.....	75,784,985	12,490,749	50,258,182
Total Business-type Activities.....	<u>808,328,139</u>	<u>591,013,678</u>	<u>115,981,521</u>
Total Primary Government.....	<u>\$ 2,618,902,579</u>	<u>\$ 861,796,961</u>	<u>\$ 481,839,421</u>
Component Units:			
Detroit Public Library.....	\$ 36,014,718	\$ 251,275	\$ 7,664,866
Downtown Development Authority.....	37,050,758	22,095,771	1,431,520
Economic Development Authority.....	10,385,598	7,304,965	-
Local Development Finance Authority.....	5,691,422	-	-
Museum of African American History.....	5,806,459	1,372,153	4,499,900
Detroit Public Schools.....	1,695,994,576	9,194,895	502,072,876
Tax Increment Finance Authority.....	14,281,876	-	-
Detroit Transportation Corporation.....	19,742,674	425,575	11,346,993
Greater Detroit Resource Recovery Authority.....	116,587,766	42,199,482	71,632,771
Total Component Units.....	<u>\$ 1,941,555,847</u>	<u>\$ 82,844,116</u>	<u>\$ 598,648,926</u>
General Revenues:			
Property Taxes, levied for General Purposes.....			
Property Taxes, levied for Debt Service Purposes.....			
Municipal Income Tax.....			
Utility Users Tax.....			
Wagering Tax.....			
Hotel and Liquor Tax.....			
Other Taxes.....			
Shared Taxes.....			
Interest and Penalties on Taxes.....			
Investment Earnings.....			
Miscellaneous.....			
Gain (loss) on disposal of capital assets.....			
SPECIAL ITEM - Casino Development Revenue			
Transfers.....			
Total General Revenues and Special Item.....			
Change in Net Assets.....			
Net Assets-Beginning of the Year.....			
Net Assets-End of Year.....			

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

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
\$ -	\$ (518,281,788)	\$ -	\$ (518,281,788)	\$ -
-	(40,662,620)	-	(40,662,620)	-
-	(68,796,033)	-	(68,796,033)	-
35,557,492	12,581,701	-	12,581,701	-
-	(103,912)	-	(103,912)	-
-	19,557,317	-	19,557,317	-
-	(170,235,779)	-	(170,235,779)	-
-	23,996,658	-	23,996,658	-
-	(351,770,054)	-	(351,770,054)	-
-	(44,661,255)	-	(44,661,255)	-
35,557,492	(1,138,375,765)	-	(1,138,375,765)	-
-	-	26,439,739	26,439,739	-
10,656,854	-	(94,600,400)	(94,600,400)	-
-	-	(4,547,407)	(4,547,407)	-
-	-	(2,280,312)	(2,280,312)	-
-	-	(2,651,652)	(2,651,652)	-
30,975,589	-	17,939,535	17,939,535	-
41,632,443	-	(59,700,497)	(59,700,497)	-
\$ 77,189,935	(1,138,375,765)	(59,700,497)	(1,198,076,262)	-
\$ -	-	-	-	(28,098,577)
-	-	-	-	(13,523,467)
-	-	-	-	(3,080,633)
-	-	-	-	(5,691,422)
-	-	-	-	65,594
-	-	-	-	(1,184,726,805)
-	-	-	-	(14,281,876)
-	-	-	-	(7,970,106)
-	-	-	-	(2,755,513)
\$ -	-	-	-	(1,260,062,805)
.....	164,098,952	-	164,098,952	159,794,731
.....	57,239,710	-	57,239,710	98,349,902
.....	310,935,044	-	310,935,044	-
.....	55,526,093	-	55,526,093	-
.....	111,341,292	-	111,341,292	-
.....	16,217,213	-	16,217,213	-
.....	17,553,911	-	17,553,911	1,384,765
.....	319,055,457	-	319,055,457	995,494,210
.....	9,311,836	-	9,311,836	1,000,064
.....	5,690,589	18,645,400	24,335,989	27,061,212
.....	7,758,701	4,488,833	12,247,534	20,227,428
.....	6,753,937	(682,409)	6,071,528	-
.....	132,000,000	-	132,000,000	-
.....	(79,275,808)	79,275,808	-	-
.....	1,134,206,927	101,727,632	1,235,934,559	1,303,312,312
.....	(4,168,838)	42,027,135	37,858,297	43,249,507
.....	434,720,488	1,548,733,739	1,983,454,227	316,052,632
.....	\$ 430,551,650	\$ 1,590,760,874	\$ 2,021,312,524	\$ 359,302,139

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

	Primary Government		
	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents.....	\$ 13,786,759	\$ 33,030,043	\$ 46,816,802
Investments.....	68,056,665	280,602,341	348,659,006
Accounts and Contracts Receivable:			
Due from Other Funds.....	30,900,797	11,083,236	41,984,033
Due from Fiduciary Funds.....	3,489,081	-	3,489,081
Due from Component Units.....	5,057,395	2,981	5,060,376
Due from Other Governmental Agencies.....	125,714,546	43,824,710	169,539,256
Estimated Withheld Income Taxes Receivable.....	30,865,999	-	30,865,999
Utility Users' Taxes Receivable.....	5,000,000	-	5,000,000
Casino Development Receivable.....	46,750,000	-	46,750,000
Other Receivables.....	32,795,932	422,834	33,218,766
Total Accounts and Contracts Receivable.....	280,573,750	55,333,761	335,907,511
Allowance for Uncollectible Accounts.....	(13,667,755)	(2,178,986)	(15,846,741)
Total Accounts and Contracts Receivable - Net.....	266,905,995	53,154,775	320,060,770
Short-Term Loans and Advances to Other Funds.....	147,000	-	147,000
Advances to Component Units.....	-	375,275	375,275
Land Contracts Receivable.....	8,375,859	-	8,375,859
Inventory-Forfeited Property.....	-	752,406	752,406
Inventories.....	29,665,663	454,055	30,119,718
Prepaid Expenditures.....	-	197,824	197,824
Property Tax Receivable , Net.....	17,968,444	6,658,081	24,626,525
Income Tax Assessments, Net.....	40,176,210	-	40,176,210
Special Assessments, Net.....	1,499,372	-	1,499,372
Interest and Penalties.....	6,080,000	2,320,000	8,400,000
Working Capital Advances to Other Funds.....	2,100,000	-	2,100,000
Restricted Assets:			
Cash and Cash Equivalents.....	29,854,301	46,054,263	75,908,564
Investments.....	10,000,000	-	10,000,000
Due from Other Funds.....	28,057,291	-	28,057,291
Total Restricted Assets.....	67,911,592	46,054,263	113,965,855
Utility Users' Taxes-Estimated Receivables.....	5,656,674	-	5,656,674
Other Advances.....	5,000	-	5,000
Other Assets.....	9,014	-	9,014
Total Assets	<u>\$ 528,344,247</u>	<u>\$ 423,599,063</u>	<u>\$ 951,943,310</u>

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

**City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003**

	Primary Government		
	General	Other	
		Fund	Governmental Funds
LIABILITIES			
Accounts and Contracts Payable.....	\$ 14,288,422	\$ 34,547,492	\$ 48,835,914
Due to Other Funds.....	16,688,233	20,795,608	37,483,841
Due to Fiduciary Funds.....	72,829,196	-	72,829,196
Loans and Other Advances from Other Funds.....	-	997,000	997,000
Due to Other Governmental Agencies.....	15,058,391	12,648,783	27,707,174
Due to Component Units.....	20,821,504	1,927,596	22,749,100
Accrued Salaries and Wages.....	19,361,996	1,631,876	20,993,872
Fringes Benefits Payable.....	5,445,461	16,834	5,462,295
Payroll Deductions Payable.....	7,229,523	-	7,229,523
Accrued Compensated Absences.....	869,384	-	869,384
Income Tax Refunds Payable.....	11,438,007	-	11,438,007
Deposits from Vendors and Customers.....	14,830,307	4,964,651	19,794,958
Accrued Liabilities.....	27,546,877	11,143,917	38,690,794
Other Liabilities.....	38,584,331	2,752,322	41,336,653
Liabilities Payable from Restricted Assets:			
Accounts and Contracts Payable.....	619,865	-	619,865
Accrued Public Liability.....	5,012,900	-	5,012,900
Accrued Worker's Compensation Payable.....	2,759,312	-	2,759,312
Due to Other Funds.....	328,617	-	328,617
Other Liabilities.....	223,725	-	223,725
Total Liabilities Payable from Restricted Assets.....	8,944,419	-	8,944,419
Deferred Revenue.....	114,103,789	16,082,116	130,185,905
Total Liabilities.....	388,039,840	107,508,195	495,548,035
FUND BALANCES			
Reserved Fund Balance:			
Reserved for Inventory.....	29,665,663	1,206,461	30,872,124
Reserved for Encumbrances.....	96,788,263	10,203,327	106,991,590
Reserved for Short-Term Loans and Advances to Other Funds.....	2,247,000	-	2,247,000
Reserved for Risk Management Operations.....	50,499,120	-	50,499,120
Reserved for Budget Stabilization Fund.....	8,468,053	-	8,468,053
Reserved for Blue Cross Blue Shield Insured Program.....	21,694,519	-	21,694,519
Reserved for Endowments and Trusts.....	5,000	1,210,005	1,215,005
Reserved for Debt Service.....	-	42,773,395	42,773,395
Reserved for Capital Projects.....	-	181,966,978	181,966,978
Total Reserved Fund Balance.....	209,367,618	237,360,166	446,727,784
Unreserved Fund Balance (Deficit):			
Undesignated, Reported In:			
General Fund Operations.....	(69,063,211)	-	(69,063,211)
Special Revenue Funds.....	-	78,730,702	78,730,702
Total Unreserved Fund Balances.....	(69,063,211)	78,730,702	9,667,491
Total Fund Balances.....	140,304,407	316,090,868	456,395,275
Total Liabilities, and Fund Balances.....	\$ 528,344,247	\$ 423,599,063	\$ 951,943,310

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2003

Fund balances - total governmental funds	\$	456,395,275
 Amounts reported for governmental activities in the statement of net assets are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Governmental capital asset	\$ 2,241,431,390	
Less: accumulated depreciation	<u>(1,124,915,774)</u>	1,116,515,616
 Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Bond Costs	22,206,853	
Less: accumulated amortization	<u>(11,302,606)</u>	10,904,247
 Long-term receivables applicable to governmental activities are not due and collectible in the current period and therefore are not deferred in governmental funds.		
		51,800,625
 Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund:		
Governmental bonds, notes, and other debt payable	(879,641,220)	
Premium	(10,142,034)	
Loss on Advance Refunding	1,835,809	
Accrued interest payable	(11,143,937)	
Compensated Absences	(134,939,704)	
Public Liability and Workers Compensation	<u>(171,033,027)</u>	<u>(1,205,064,113)</u>
 Net assets of governmental activities		
	\$	<u>430,551,650</u>

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

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	Primary Government		
	General Fund	Other Governmental Funds	Total
REVENUES:			
Taxes:			
Property Taxes.....	\$ 166,287,590	\$ 58,003,133	\$ 224,290,723
Municipal Income Tax.....	310,935,044	-	310,935,044
Utility Users' tax.....	55,329,177	-	55,329,177
Wagering Taxes.....	111,341,292	-	111,341,292
Gas and Weight Tax.....	-	61,048,895	61,048,895
Other Taxes and Assessments.....	13,533,086	3,482,288	17,015,374
State Hotel and Liquor Tax.....	-	16,217,213	16,217,213
State Shared Taxes.....	319,055,457	-	319,055,457
Shared Taxes-Liquor and Beer Licenses.....	538,537	-	538,537
Interest and Penalties on Taxes.....	9,311,836	-	9,311,836
Licenses, Permits and Inspection Charges.....	8,431,008	16,450,408	24,881,416
Intergovernmental:			
Federal.....	6,708,193	240,233,196	246,941,389
State.....	49,190,519	10,721,633	59,912,152
State Equity Grant.....	2,066,684	-	2,066,684
Other.....	8,017,687	23,327,671	31,345,358
Sales and Charges for Services.....	171,070,989	3,461,822	174,532,811
Ordinance Fines.....	20,571,308	3,575,616	24,146,924
Revenue from Use of Assets.....	29,583,763	2,299,441	31,883,204
Earnings on Investments.....	1,556,451	4,134,138	5,690,589
Other Revenue.....	96,412,047	5,973,482	102,385,529
Total Revenues.....	<u>1,379,940,668</u>	<u>448,928,936</u>	<u>1,828,869,604</u>
EXPENDITURES:			
Current:			
Public Protection.....	584,085,965	25,493,410	609,579,375
Health.....	102,199,493	92,370,547	194,570,040
Recreation and Culture.....	78,478,378	-	78,478,378
Economic Development.....	21,102,783	75,895,507	96,998,290
Educational Development.....	-	85,853,927	85,853,927
Housing Supply and Conditions.....	13,643,041	4,891,562	18,534,603
Physical Environment.....	252,006,036	-	252,006,036
Transportation Facilitation.....	-	44,217,657	44,217,657
Development and Management.....	399,417,971	-	399,417,971
Debt Service:			
Principal.....	-	86,770,163	86,770,163
Interest.....	-	43,761,038	43,761,038
Bond Issuance Costs.....	758,428	894,417	1,652,845
Capital Outlay.....	11,966,469	57,638,816	69,605,285
Total Expenditures.....	<u>1,463,658,564</u>	<u>517,787,044</u>	<u>1,981,445,608</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>(83,717,896)</u>	<u>(68,858,108)</u>	<u>(152,576,004)</u>
OTHER FINANCING SOURCES (USES):			
Sources:			
Proceeds of Capital Related Debt Issuance.....	52,725,000	60,805,000	113,530,000
Premium on Capital Related Debt.....	3,276,168	1,885,594	5,161,762
Transfers In.....	48,917,651	78,023,367	126,941,018
Uses:			
Transfers Out.....	137,709,574	68,507,252	206,216,826
Total Other Financing Sources (Uses).....	<u>(32,790,755)</u>	<u>72,206,709</u>	<u>39,415,954</u>
SPECIAL ITEM - Casino Development Revenue.....	63,750,000	30,000,000	93,750,000
Net Change in Fund Balances.....	(52,758,651)	33,348,601	(19,410,050)
Fund Balance at Beginning of Year.....	206,220,362	283,059,713	489,280,075
(Decrease) in Inventories.....	(13,157,304)	(317,446)	(13,474,750)
Fund Balance at End of Year.....	<u>\$ 140,304,407</u>	<u>\$ 316,090,868</u>	<u>\$ 456,395,275</u>

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

City of Detroit, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

Change in fund balances - total governmental funds	\$	(19,410,050)
 Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditure. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 69,605,285	
Less: current year depreciation	<u>(50,889,281)</u>	18,716,004
 Gain on sale of capital assets is reported in the statement of activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold:		
		(11,641,993)
 Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds:		
		35,494,855
 Some expenses reported in governmental funds are collected on a long-term basis and therefore are not reported as expenses in the statement of activities:		
Inventories		(13,474,750)
 Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.		
		86,770,163
 Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost that must be amortized over the life of the bond.		
		(117,038,917)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Increase in accrued interest expense	(311,045)	
Increase in accrued compensated absences	(7,181,163)	
Decrease in accrued public liability and workers compensation	24,497,230	
Amortization of current year bond premium and loss on defeasance	1,181,455	
Amortization of current year bond cost	<u>(1,770,627)</u>	<u>16,415,850</u>
 Change in net assets of governmental activities	 \$	 <u><u>(4,168,838)</u></u>

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

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes.....	\$ 174,716,484	\$ 174,716,484	\$ 166,287,590	\$ (8,428,894)
Municipal Income Tax.....	323,500,000	323,500,000	310,935,044	(12,564,956)
Utility Users' Tax.....	54,700,000	54,700,000	55,329,177	629,177
Wagering Taxes.....	105,000,000	105,000,000	111,341,292	6,341,292
Other Taxes and Assessments.....	14,722,904	14,722,904	13,533,086	(1,189,818)
Interest and Penalties on Taxes.....	9,000,000	9,000,000	9,311,836	311,836
Total Taxes, Assessments, Interest and Penalties.....	681,639,388	681,639,388	666,738,025	(14,901,363)
Licenses, Permits and Inspection Charges:				
Business Licenses.....	1,315,000	1,315,000	1,386,938	71,938
Permits.....	1,056,460	1,056,460	1,252,626	196,166
Inspection Charges.....	8,656,740	8,656,740	5,791,444	(2,865,296)
Other Licenses.....	102,774	102,774	-	(102,774)
Total Licenses, Permits and Inspection Charges.....	11,130,974	11,130,974	8,431,008	(2,699,966)
Shared Taxes:				
Liquor and Beer License.....	545,000	545,000	538,537	(6,463)
State Shared Tax.....	332,071,455	332,711,455	319,055,457	(13,655,998)
Total Shared Taxes.....	332,616,455	333,256,455	319,593,994	(13,662,461)
Intergovernmental:				
Federal.....	11,407,820	16,650,893	6,708,193	(9,942,700)
State.....	57,798,532	51,104,789	49,190,519	(1,914,270)
State Equity Grant.....	2,548,750	2,548,750	2,066,684	(482,066)
Other Grants.....	7,787,260	7,787,260	8,017,687	230,427
Total Grants.....	79,542,362	78,091,692	65,983,083	(12,108,609)
Sales and Charges for Services:				
Maintenance and Construction.....	1,234,102	1,234,102	2,457,061	1,222,959
Other Labor and Materials.....	115,700	115,700	311,178	195,478
Electrical.....	46,435,000	46,435,000	43,038,295	(3,396,705)
Steam.....	640,900	640,900	3,283,384	2,642,484
Sanitation Charges.....	759,245	759,245	678,080	(81,165)
Recreation Fees.....	6,336,131	6,184,325	6,205,483	21,158
Collection Fees.....	4,634,000	4,664,000	4,510,888	(153,112)
Other Fees.....	30,084,360	32,173,503	31,963,684	(209,819)
Personal Services.....	60,797,436	60,482,280	50,658,246	(9,824,034)
Other Departmental Sales.....	30,323,062	43,815,617	27,964,690	(15,850,927)
Total Sales and Charges for Services.....	181,359,936	196,504,672	171,070,989	(25,433,683)
Ordinance Fines.....	19,145,000	19,145,000	20,571,308	1,426,308
Revenue from Use of Assets:				
Earnings on Investments.....	5,009,000	3,897,564	1,556,451	(2,341,113)
Real Estate Rentals.....	7,174,936	7,174,836	6,918,684	(256,152)
Concessions.....	5,215,704	5,215,704	4,269,149	(946,555)
Sale of Real Property.....	45,660,732	23,019,196	18,395,930	(4,623,266)
Total Revenue from Use of Assets.....	63,060,372	39,307,300	31,140,214	(8,167,086)
Other Revenue.....	42,943,694	96,015,610	96,412,047	396,437
Total Revenues.....	1,411,438,181	1,455,091,091	1,379,940,668	(75,150,423)

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
Public Protection:				
Consumer Affairs.....	1,878,844	1,820,519	1,293,578	526,941
Fire.....	158,987,021	147,206,833	161,204,679	(13,997,846)
Human Rights.....	2,183,855	2,233,853	1,848,029	385,824
Ombudsman.....	1,344,122	1,390,122	1,388,092	2,030
Parking Enforcement.....	10,054,339	9,947,304	8,258,602	1,688,702
Police.....	358,023,666	349,505,487	362,362,682	(12,857,195)
36th District Court.....	50,846,511	48,558,564	47,730,303	828,261
Total Public Protection.....	583,318,358	560,662,682	584,085,965	(23,423,283)
Health.....	101,909,816	142,383,921	102,199,493	40,184,428
Recreation and Culture:				
Arts.....	712,975	712,975	705,783	7,192
Cultural Affairs.....	1,137,506	1,541,219	804,071	737,148
Historical.....	3,850,285	4,111,936	3,439,100	672,836
Recreation.....	61,459,380	73,115,641	59,312,440	13,803,201
Senior Citizens.....	1,302,300	1,868,931	998,143	870,788
Zoological Park.....	13,948,420	14,816,505	13,218,841	1,597,664
Total Recreation and Culture.....	82,410,866	96,167,207	78,478,378	17,688,829
Economic Development — Civic Center.....	24,213,672	18,082,984	21,102,783	(3,019,799)
Housing Supply and Conditions:				
Planning and Development.....	13,267,273	17,392,604	13,643,041	3,749,563
Total Housing Supply and Conditions.....	13,267,273	17,392,604	13,643,041	3,749,563
Physical Environment:				
Environmental Affairs.....	3,073,879	3,780,952	2,108,503	1,672,449
Public Lighting.....	66,851,410	66,067,693	61,889,652	4,178,041
Public Works.....	206,129,207	203,329,287	188,007,881	15,321,406
Total Physical Environment.....	276,054,496	273,177,932	252,006,036	21,171,896
Development and Management:				
Auditor General.....	3,081,533	3,271,320	2,217,174	1,054,146
Budget.....	3,018,373	3,097,973	2,944,588	153,385
City Clerk.....	5,289,082	5,289,082	3,696,060	1,593,022
City Council.....	14,590,514	19,553,636	12,295,932	7,257,704
Communications & Creative Services.....	2,350,744	2,405,233	2,065,033	340,200
Election	11,136,655	13,021,211	12,053,576	967,635
Finance.....	47,812,095	43,310,606	41,327,297	1,983,309
Law.....	34,606,542	32,962,989	28,172,886	4,790,103
Mayor's Office.....	11,167,786	12,284,362	9,346,761	2,937,601
Human Resources.....	29,483,888	29,414,204	25,615,777	3,798,427
Information Technology Services.....	46,863,683	38,423,002	31,051,310	7,371,692
Zoning Appeals Board.....	1,693,475	1,037,147	786,881	250,266
Non Departmental.....	208,666,051	278,617,239	227,844,696	50,772,543
Total Development and Management.....	419,760,421	482,688,004	399,417,971	83,270,033
Capital Outlay.....	-	11,966,469	11,966,469	-

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Debt Service:				
Bond Issuance Costs.....	-	758,428	758,428	-
Total Debt Service.....	-	758,428	758,428	-
Total Expenditures.....	1,500,934,902	1,603,280,231	1,463,658,564	139,621,667
Excess (Deficiency) of Revenues Over Expenditures.....	(89,496,721)	(148,189,140)	(83,717,896)	(64,471,244)
OTHER FINANCING SOURCES (USES):				
Sources:				
Premium on Capital Related Debt.....	-	3,276,168	3,276,168	-
Sale of General Obligation Bonds.....	-	52,725,000	52,725,000	-
Transfers In.....	62,041,204	76,715,233	48,917,651	(27,797,582)
Total Other Financing Sources.....	62,041,204	132,716,401	104,918,819	(27,797,582)
Uses:				
Transfers Out.....	148,055,415	168,538,193	137,709,574	30,828,619
Total Other Financing Uses.....	148,055,415	168,538,193	137,709,574	(31,557,260)
Total Other Financing Sources and Uses.....	(86,014,211)	(35,821,792)	(32,790,755)	3,759,678
SPECIAL ITEM - Casino Development Revenue.....	55,250,000	63,750,000	63,750,000	-
Net Change in Fund Balance.....	(120,260,932)	(120,260,932)	(52,758,651)	67,502,281
Fund Balance at Beginning of Year.....	120,260,932	120,260,932	206,220,362	85,959,430
Increase in Inventories.....	-	-	(13,157,304)	(13,157,304)
Fund Balance at End of Year.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,304,407</u>	<u>\$ 140,304,407</u>

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003

ASSETS	Sewage Disposal Fund	Transportation Fund
Current Assets:		
Cash and Cash Equivalents.....	\$ 5,025,535	\$ 69,562
Investments.....	12,706,261	273,842
Accounts and Contracts Receivable:		
Due from Other Funds.....	60,686,397	5,732,201
Due from Fiduciary Funds.....	-	-
Due from Other Governmental Agencies.....	-	15,008,786
Other Receivables- Trade.....	194,199,401	2,597,533
Total Accounts and Contracts Receivable.....	254,885,798	23,338,520
Allowance for Uncollectible Accounts.....	(57,638,985)	(51,870)
Total Accounts and Contracts Receivable - Net.....	197,246,813	23,286,650
Inventories.....	14,256,072	11,553,300
Prepaid Expenses.....	29,483,240	-
Restricted Cash and Cash Equivalants.....	40,409,376	-
Restricted Investments.....	765,214,976	-
Restricted Due from Other Funds.....	2,380,429	-
Total Current Assets.....	1,066,722,702	35,183,354
Noncurrent Assets:		
Restricted:		
Investments.....	69,697,000	-
Capital Assets:		
Land.....	13,825,671	4,114,574
Land Improvements.....	-	-
Buildings and Structures.....	805,223,844	65,487,188
Water and Sewer Lines.....	536,209,238	-
Equipment, Machinery, and Fixtures.....	573,013,498	32,603,653
Vehicles and Buses.....	-	126,064,318
Construction Work in Progress.....	887,576,854	15,075,092
Total Capital Assets.....	2,815,849,105	243,344,825
Less: Accumulated Depreciation.....	(589,431,742)	(127,894,600)
Net Capital Assets.....	2,226,417,363	115,450,225
Other Assets:		
Bond Issuance Costs.....	31,140,008	-
Other.....	-	650,000
Total Noncurrent Assets.....	2,327,254,371	116,100,225
Total Assets.....	3,393,977,073	151,283,579

(Continued)

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 7,394,716	\$ 630,935	\$ 2,543,694	\$ 15,664,442
10,106,541	1,901,440	-	24,988,084
31,920,393	332,521	1,924,749	100,596,261
446,237	-	-	446,237
-	-	10,440,445	25,449,231
88,406,497	1,408,454	1,065,842	287,677,727
120,773,127	1,740,975	13,431,036	414,169,456
(33,504,326)	-	(2,014,637)	(93,209,818)
87,268,801	1,740,975	11,416,399	320,959,638
7,454,375	-	618,425	33,882,172
535,421	-	326,275	30,344,936
40,699,474	-	2,418,611	83,527,461
395,310,607	-	-	1,160,525,583
3,897,130	-	-	6,277,559
552,667,065	4,273,350	17,323,404	1,676,169,875
30,454,410	33,014,631	-	133,166,041
6,358,342	7,014,114	20,292,450	51,605,151
91,118,140	214,908	9,998,410	101,331,458
431,915,880	152,122,469	132,901,788	1,587,651,169
672,467,862	-	-	1,208,677,100
432,868,661	2,251,164	3,263,654	1,044,000,630
-	-	3,401,902	129,466,220
608,364,217	52,191,196	29,227,637	1,592,434,996
2,243,093,102	213,793,851	199,085,841	5,715,166,724
(609,967,751)	(102,314,117)	(72,253,030)	(1,501,861,240)
1,633,125,351	111,479,734	126,832,811	4,213,305,484
26,186,122	-	-	57,326,130
-	435,005	7,380,841	8,465,846
1,689,765,883	144,929,370	134,213,652	4,412,263,501
2,242,432,948	149,202,720	151,537,056	6,088,433,376

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003 (Continued)

LIABILITIES AND NET ASSETS	Sewage Disposal Fund	Transportation Fund
Liabilities:		
Current Liabilities:		
Accounts and Contracts Payable.....	12,675,475	13,416,108
Due to Other Funds.....	35,157,677	19,565,393
Due to Fiduciary Funds.....	3,372,293	1,880,765
Due to Component Units.....	-	4,646,253
Refundable Deposits.....	-	-
Due to Other Governmental Agencies.....	-	-
Accrued Salaries and Wages.....	1,198,300	2,357,926
Accrued Compensated Absences.....	5,573,893	3,078,380
Accrued Public Liability and Workers Compensation.....	1,160,901	-
Other Liabilities.....	5,727,125	559,012
Bonds and Notes Payable	38,745,000	-
Accrued Interest on Bonds and Notes Payable.....	28,957,186	-
Restricted Accounts and Contracts Payable.....	74,763,109	-
Restricted Due to Other Funds.....	6,783,755	-
Restricted Other Liabilities.....	-	-
Deferred Revenue.....	-	117,630
Total Current Liabilities.....	214,114,714	45,621,467
Noncurrent Liabilities:		
Bonds and Notes Payable.....	2,272,875,907	-
Unamortized Discount and Gain on Defeasances.....	(13,497,164)	-
Bonds and Notes Payable - Net.....	2,259,378,743	-
Accrued Compensated Absences.....	4,392,084	769,595
Accrued Public Liability and Workers' Compensation.....	3,683,628	2,236,047
Advance From Other Funds.....	-	-
Total Noncurrent Liabilities.....	2,267,454,455	3,005,642
Total Liabilities	2,481,569,169	48,627,109
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	592,045,473	115,450,225
Restricted for Debt Service.....	92,574,778	-
Unrestricted (Deficit).....	227,787,653	(12,793,755)
Total Net Assets.....	\$ 912,407,904	\$ 102,656,470

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

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
20,242,906	1,592,212	1,468,868	49,395,569
64,322,091	1,353,661	3,431,161	123,829,983
1,440,726	669,153	499,075	7,862,012
-	-	-	4,646,253
-	-	90,256	90,256
-	-	16,083,368	16,083,368
1,590,668	-	370,682	5,517,576
8,347,479	38,269	1,706,715	18,744,736
4,608,935	-	3,194,227	8,964,063
3,805,687	-	68,480	10,160,304
20,145,000	6,215,000	-	65,105,000
34,050,879	2,238,804	-	65,246,869
26,294,114	-	2,780,667	103,837,890
8,488,948	-	-	15,272,703
626,068	-	-	626,068
-	-	1,330,594	1,448,224
<u>193,963,501</u>	<u>12,107,099</u>	<u>31,024,093</u>	<u>496,830,874</u>
1,698,840,000	67,100,000	-	4,038,815,907
(51,525,800)	(2,424,520)	-	(67,447,484)
<u>1,647,314,200</u>	<u>64,675,480</u>	<u>-</u>	<u>3,971,368,423</u>
5,578,370	242,561	345,400	11,328,010
9,169,640	-	1,805,880	16,895,195
-	1,250,000	-	1,250,000
<u>1,662,062,210</u>	<u>66,168,041</u>	<u>2,151,280</u>	<u>4,000,841,628</u>
<u>1,856,025,711</u>	<u>78,275,140</u>	<u>33,175,373</u>	<u>4,497,672,502</u>
246,886,415	71,168,990	126,832,813	1,152,383,916
28,096,536	-	-	120,671,314
111,424,286	(241,410)	(8,471,130)	317,705,644
<u>\$ 386,407,237</u>	<u>\$ 70,927,580</u>	<u>\$ 118,361,683</u>	<u>\$ 1,590,760,874</u>

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services.....	\$ 282,478,826	\$ 25,182,188
Rentals, Fees and Surcharges.....	1,918,934	-
Miscellaneous.....	3,713,383	-
Total Operating Revenues.....	288,111,143	25,182,188
Operating Expenses:		
Salaries, Wages and Benefits.....	42,492,794	112,577,019
Contractual Services.....	-	25,647,159
Operating	112,934,428	-
Repairs and Maintenance.....	12,319,582	-
Materials, Supplies and Other Expenses.....	-	43,062,272
Depreciation and Amortization.....	44,013,270	14,876,331
Total Operating Expenses.....	211,760,074	196,162,781
Total Operating Income (Loss).....	76,351,069	(170,980,593)
Non-Operating Revenues (Expenses):		
Earnings on Investments.....	11,594,449	28,666
Federal Subsidies.....	-	-
Contributions.....	-	65,723,339
Other Revenues.....	1,247,175	2,735,731
Interest on Bonds and Notes Payable.....	(49,911,330)	-
Gain on Disposal of Assets.....	-	-
Other Expenses.....	-	-
Total Non-Operating Revenues (Expenses).....	(37,069,706)	68,487,736
Net Income (Loss) Before Contributions and Transfers.....	39,281,363	(102,492,857)
Capital Contributions.....	-	10,656,854
Transfers In.....	-	75,488,107
Increase (Decrease) in Net Assets.....	39,281,363	(16,347,896)
Net Assets - Beginning of Year.....	873,126,541	119,004,366
Net Assets - End of Year.....	\$ 912,407,904	\$ 102,656,470

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

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 241,103,698	\$ -	\$ 79,799	\$ 548,844,511
-	19,228,476	6,667,780	27,815,190
3,678,190	25,448	6,936,956	14,353,977
<u>244,781,888</u>	<u>19,253,924</u>	<u>13,684,535</u>	<u>591,013,678</u>
47,467,515	2,432,543	9,750,781	214,720,652
-	4,876,398	-	30,523,557
112,495,865	2,886,807	4,886,372	233,203,472
-	761,252	10,942,888	24,023,722
1,400,820	198,995	50,164,745	94,826,832
32,657,392	5,373,522	3,885,637	100,806,152
<u>194,021,592</u>	<u>16,529,517</u>	<u>79,630,423</u>	<u>698,104,387</u>
<u>50,760,296</u>	<u>2,724,407</u>	<u>(65,945,888)</u>	<u>(107,090,709)</u>
6,453,901	516,478	51,906	18,645,400
-	-	50,258,182	50,258,182
-	-	-	65,723,339
-	-	-	3,982,906
(55,307,703)	(3,069,282)	-	(108,288,315)
-	-	(682,409)	(682,409)
505,927	(1,935,437)	-	(1,429,510)
<u>(48,347,875)</u>	<u>(4,488,241)</u>	<u>49,627,679</u>	<u>28,209,593</u>
2,412,421	(1,763,834)	(16,318,209)	(78,881,116)
-	-	30,975,589	41,632,443
-	-	3,787,701	79,275,808
<u>2,412,421</u>	<u>(1,763,834)</u>	<u>18,445,081</u>	<u>42,027,135</u>
383,994,816	72,691,414	99,916,602	1,548,733,739
<u>\$ 386,407,237</u>	<u>\$ 70,927,580</u>	<u>\$ 118,361,683</u>	<u>\$ 1,590,760,874</u>

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operations:		
Receipts from Customers.....	\$ 269,393,488	\$ 24,200,456
Repayments to Other Funds.....	(4,253,091)	-
Deposits Refunded to Customers.....	-	-
Payments to Suppliers.....	(103,299,761)	(58,904,708)
Payments to Employees.....	(44,226,852)	(113,160,642)
Net Cash Provided by (Used in) Operating Activities.....	117,613,784	(147,864,894)
Cash Flows from Non-Capital Financing Activities:		
Contributions from Other Governments.....	-	68,459,070
Transfers from Other Funds.....	-	77,530,873
Net Cash Provided by Non-Capital Financing Activities.....	-	145,989,943
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions.....	-	11,926,167
Acquisition and Construction of Capital Assets.....	(325,223,422)	(10,696,022)
Proceeds from Bond and Note Issuances.....	842,640,088	-
Unamortized Discount and Bond Issuance Cost.....	3,690,130	-
Principal Paid on Bonds and Notes.....	(31,515,000)	-
Interest Paid on Bonds - Net.....	(100,625,459)	-
Principal Paid on Refunded Debt.....	(204,145,000)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	184,821,337	1,230,145
Cash Flows from Investing Activities:		
Proceeds (Losses) from Sales and Maturities of Investments, Net.....	(277,276,772)	406,633
Interest on Investment Securities.....	11,594,449	28,666
Net Cash Provided by (Used in) Investing Activities.....	(265,682,323)	435,299
Net Increase (Decrease) in Cash and Cash Equivalents.....	36,752,798	(209,507)
Cash and Cash Equivalents at Beginning of Year.....	8,682,113	279,069
Cash and Cash Equivalents at End of Year.....	\$ 45,434,911	\$ 69,562

(Continued)

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

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 238,363,094	\$ 19,450,036	\$ 12,324,797	\$ 563,731,871
(3,024,297)	(279,268)	(10,466,279)	(18,022,935)
-	-	3,370	3,370
(97,175,068)	(8,637,229)	(51,847,595)	(319,864,361)
(50,266,743)	(2,556,733)	(11,517,708)	(221,728,678)
87,896,986	7,976,806	(61,503,415)	4,119,267
-	-	50,258,182	118,717,252
-	-	3,787,701	81,318,574
-	-	54,045,883	200,035,826
-	-	30,854,189	42,780,356
(155,426,850)	(5,593,418)	(21,840,513)	(518,780,225)
584,609,444	-	-	1,427,249,532
3,801,720	314,647	-	7,806,497
(19,400,000)	(5,205,000)	-	(56,120,000)
(71,599,890)	(2,447,281)	-	(174,672,630)
(180,660,000)	-	-	(384,805,000)
161,324,424	(12,931,052)	9,013,676	343,458,530
(211,268,338)	4,224,516	-	(483,913,961)
6,453,901	516,478	51,906	18,645,400
(204,814,437)	4,740,994	51,906	(465,268,561)
44,406,973	(213,252)	1,608,050	82,345,062
3,687,217	844,187	3,354,255	16,846,841
<u>\$ 48,094,190</u>	<u>\$ 630,935</u>	<u>\$ 4,962,305</u>	<u>\$ 99,191,903</u>

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2003

	Sewage Disposal Fund	Transportation Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)		
Operating Activities:		
Operating Income (Loss).....	\$ 76,351,069	\$ (170,980,593)
Adjustments to Operating Income (Loss):		
Depreciation	44,013,270	14,876,331
Allowance for Uncollectible Accounts.....	7,509,810	(421,031)
Late Charges and Other, Net.....	1,247,175	-
Changes in Assets and Liabilities:		
Other Receivables - Trade.....	(19,964,830)	(981,732)
Due from Other Governmental Agencies.....	-	-
Inventories.....	315,779	1,159,853
Prepaid Expenses.....	(775,993)	-
Due from Other Funds.....	-	-
Accounts and Contracts Payable.....	10,499,710	(431,138)
Due to Other Funds.....	(4,253,091)	10,427,796
Due to the Detroit Transportation Corporation	-	(846,847)
Due to Governmental Agencies.....	-	-
Other Liabilities.....	5,329,786	-
Accrued Compensated Absences.....	-	(945,110)
Accrued Public Liability and Worker Compensation.....	(2,743,512)	30,693
Refundable Deposits.....	-	-
Prepaid Revenue.....	-	-
Deferred Revenue.....	-	(114,604)
Accrued Salaries and Wages.....	84,611	361,487
	<u>84,611</u>	<u>361,487</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ 117,613,784</u>	<u>\$ (147,864,895)</u>

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

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 50,760,296	\$ 2,724,407	\$ (65,945,888)	\$ (107,090,709)
32,657,392	5,373,522	3,885,637	100,806,152
3,382,947	-	(185,032)	10,286,694
505,927	-	-	1,753,102
(6,924,721)	196,112	(255,446)	(27,930,617)
-	-	829,767	829,767
2,216,754	-	-	3,692,386
(439,191)	(26,419)	(179,049)	(1,420,652)
(3,024,297)	39,262	(1,334,823)	(4,319,858)
16,970,619	112,638	(3,605,719)	23,546,110
-	(78,530)	(9,131,456)	(3,035,281)
-	-	-	(846,847)
-	(240,000)	15,722,105	15,482,105
-	(49,173)	(107,431)	5,173,182
-	(75,015)	(658,657)	(1,678,782)
(8,320,448)	-	(527,192)	(11,560,459)
-	-	3,370	3,370
-	-	(12,038)	(12,038)
-	-	-	(114,604)
111,708	-	(1,563)	556,243
<u>\$ 87,896,986</u>	<u>\$ 7,976,806</u>	<u>\$ (61,503,415)</u>	<u>\$ 4,119,266</u>

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

ASSETS	Pension and Other Employee Benefit Funds	Agency Funds	Total
Cash and Cash Equivalents.....	\$ 1,745,100	\$ 4,202,829	\$ 5,947,929
Investments at Fair Value:			
Short-Term Investments.....	211,578,583	-	211,578,583
Commercial Paper.....	3,374,884	-	3,374,884
U. S. Government Obligations.....	201,309	-	201,309
Bonds and Stocks.....	3,586,054,483	-	3,586,054,483
Mortgage-Backed Securities.....	218,234,144	-	218,234,144
Mortgage and Construction Loans.....	208,566,203	-	208,566,203
Equity Interest in Real Estate.....	153,633,883	-	153,633,883
Real Estate Investment Trusts Held by Custodian.....	23,472,362	-	23,472,362
Pooled Investments.....	478,817,461	6,362,319	485,179,780
Private Placements.....	296,203,512	-	296,203,512
Total Investments.....	5,180,136,824	6,362,319	5,186,499,143
Accrued Interest Receivable.....	9,500	-	9,500
Accounts Receivable:			
Due from Primary Government.....	80,505,927	185,281	80,691,208
Due from Component Units.....	3,230,819	-	3,230,819
Other Receivables.....	148,175,121	-	148,175,121
Total Accounts Receivable.....	231,911,867	185,281	232,097,148
Cash and Investments Held as Collateral for Securities Lending	140,498,910	-	140,498,910
Other Assets.....	1,197,866	-	1,197,866
Total Assets.....	5,555,500,067	10,750,429	5,566,250,496
LIABILITIES AND NET ASSETS			
Liabilities:			
Bank Overdraft.....	1,665,263	-	1,665,263
Accounts and Contracts Payable.....	8,796,814	3,336,001	12,132,815
Due to Broker.....	130,271,853	-	130,271,853
Benefits and Claims Payable.....	9,758,822	-	9,758,822
Due to Primary Government.....	3,664,262	271,056	3,935,318
Amount Due to Broker for Securities Lending.....	140,498,910	-	140,498,910
Other Liabilities.....	30,590,505	7,143,372	37,733,877
Total Liabilities.....	325,246,429	10,750,429	335,996,858
Net Assets:			-
Net Assets Held in Trust for Pension and Employee Benefits.....	\$ 5,230,253,638	\$ -	\$ 5,230,253,638

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 94)

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

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2003

	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions.....	\$ 369,909,072
Plan Member Contributions.....	61,169,259
Other Income.....	2,843,687
Total Contributions.....	433,922,018
Investment Gain	160,612,209
Total Additions.....	594,534,227
DEDUCTIONS:	
Pension and Annuity Benefits.....	341,675,767
Premiums to Insurers and Damage Claims.....	255,869,980
Benefits.....	1,886,875
Refunds.....	163,077,084
General and Administrative Expenses.....	7,256,411
Total Deductions.....	769,766,117
Net Decrease.....	(175,231,890)
Net Assets, Beginning of Year.....	5,405,485,528
Net Assets, End of Year.....	\$ 5,230,253,638

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2003

	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Museum of African American History
ASSETS:					
Cash and Cash Equivalents.....	\$ 15,781	\$ 876,722	\$ 2,262,067	\$ -	\$ 904,561
Escrow Deposits.....	-	109,884	54,444,118	-	-
Investments, including Accrued Interest.....	11,537,128	125,863,828	14,657,129	-	34,257
Accounts and Contracts Receivable:					
Due from Primary Government.....	6,242,433	12,877,183	-	3,629,484	-
Due from Other Governments.....	2,030,223	-	-	2,979,894	-
Other Receivables.....	5,874	3,339,295	1,048,356	262,880	47,335
Total Accounts and Contracts Receivable	8,278,530	16,216,478	1,048,356	6,872,258	47,335
Allowance for Doubtful Accounts.....	-	(44,815)	-	-	-
Total Accounts and Contracts Receivable - Net.....	8,278,530	16,171,663	1,048,356	6,872,258	47,335
Inventory.....	3,224,487	-	-	-	96,759
Prepaid Expenditures/Expenses.....	-	117,287	-	-	9,230
Taxes, Interest, and Penalties Receivable.....	3,100,350	-	-	-	-
Loans and Notes Receivable.....	-	73,777,638	13,127,959	-	-
Unamortized Bond and Note Issue Costs- Net.....	-	3,793,918	-	-	-
Restricted Cash.....	1,045,769	-	-	-	-
Restricted Investments.....	6,169,101	-	-	25,600,531	-
Capital Assets:					
Land.....	1,371,996	7,544,670	-	-	-
Artwork.....	1,230,175	-	-	-	-
Plant and Equipment.....	150,349,609	26,778,975	-	-	4,231,012
Construction Work in Progress.....	5,539,494	-	-	-	-
Less: Accumulated Depreciation.....	(148,609,959)	(385,611)	-	-	(1,757,945)
Capital Assets, Net.....	9,881,315	33,938,034	-	-	2,473,067
Other.....	-	736,003	25,325	-	-
Deferred Charges.....	-	-	-	-	-
Total Assets.....	43,252,461	255,384,977	85,564,954	32,472,789	3,565,209
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Contracts Payable.....	4,146,842	1,427,712	54,032,829	-	737,616
Interest Payable.....	-	6,926,594	959,790	840,950	-
Due to Primary Government.....	1,483,906	636,963	-	4,816,894	-
Advances Due to Primary Government.....	-	-	375,275	-	-
Accrued Salaries and Wages.....	608,281	-	-	-	130,191
Deferred Revenues.....	584,500	-	315,954	-	-
Other Current Liabilities.....	2,560,255	516,800	-	-	-
Bonds, Notes, and Other Debt Payables-Current.....	-	9,950,000	4,388,217	2,405,000	679,218
Unamortized Premiums and Defeasances.....	-	(70,303)	-	-	-
Bonds, Notes and Other Debt Payable-Curent-Net.....	-	9,879,697	4,388,217	2,405,000	679,218
Accrued Compensated Absences.....	1,098,690	-	-	-	-
Accrued Public Liability and Workers Compensation.....	42,330	-	-	-	-
Noncurrent Liabilities:					
Bonds, Notes, and Other Debt Payables-Noncurrent.....	-	179,891,501	7,614,969	88,400,000	-
Unamortized Premiums and Defeasances.....	-	(1,633,337)	-	-	-
Bonds, Notes and Other Debt Payable-NonCurent-Net.....	-	178,258,164	7,614,969	88,400,000	-
Accrued Compensated Absences.....	1,526,254	-	-	-	-
Accrued Public Liability and Workers Compensation.....	248,185	-	-	-	-
Total Liabilities.....	12,299,243	197,645,930	67,687,034	96,462,844	1,547,025
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt.....	9,881,315	33,938,034	-	-	2,473,067
Restricted for:					
Endowments and Trust (Non-Expendable).....	7,214,870	-	-	-	-
Capital Projects.....	-	22,575,462	17,651,220	-	852,606
Debt Service.....	-	-	-	-	-
Unrestricted (Deficit).....	13,857,033	1,225,551	226,700	(63,990,055)	(1,307,489)
Total Net Assets (Deficit)	\$ 30,953,218	\$ 57,739,047	\$ 17,877,920	\$ (63,990,055)	\$ 2,018,184

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

Detroit Public Schools	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
\$ 1,253,734	\$ -	\$ 659,560	\$ -	\$ 5,972,425
-	-	-	-	54,554,002
145,955,566	-	2,977,249	-	301,025,157
-	-	4,646,253	-	27,395,353
274,672,659	-	-	-	279,682,776
<u>13,157,624</u>	<u>-</u>	<u>5,466,800</u>	<u>4,989,454</u>	<u>28,317,618</u>
287,830,283	-	10,113,053	4,989,454	335,395,747
-	-	-	-	(44,815)
287,830,283	-	10,113,053	4,989,454	335,350,932
4,380,166	-	2,928,482	-	10,629,894
-	-	539,605	4,214,022	4,880,144
79,229,747	-	-	-	82,330,097
-	-	-	-	86,905,597
-	-	-	2,409,760	6,203,678
-	-	-	17,208,625	18,254,394
762,376,106	-	8,670,402	184,487,155	987,303,295
16,029,722	-	5,122,237	8,873,234	38,941,859
-	-	1,986,000	-	3,216,175
857,281,538	-	196,204,166	513,550,453	1,748,395,753
621,331,015	-	1,620,442	-	628,490,951
(381,356,171)	-	(120,770,917)	(157,795,789)	(810,676,392)
<u>1,113,286,104</u>	<u>-</u>	<u>84,161,928</u>	<u>364,627,898</u>	<u>1,608,368,346</u>
76,415	-	-	-	837,743
-	-	-	2,167,998	2,167,998
<u>2,394,388,121</u>	<u>-</u>	<u>110,050,279</u>	<u>580,104,912</u>	<u>3,504,783,702</u>
124,808,185	-	4,626,432	20,441,264	210,220,880
15,879,645	-	-	1,551,387	26,158,366
-	-	-	1,353,432	8,291,195
-	-	-	-	375,275
60,375,503	-	91,448	-	61,205,423
9,477,468	-	1,880,881	-	12,258,803
3,729,880	-	-	-	6,806,935
250,986,607	-	-	44,985,000	313,394,042
5,440,823	-	-	-	5,370,520
256,427,430	-	-	44,985,000	318,764,562
2,325,877	-	-	-	3,424,567
-	-	-	-	42,330
1,508,751,994	-	-	466,163,936	2,250,822,400
45,705,626	-	-	(6,628,597)	37,443,692
1,554,457,620	-	-	459,535,339	2,288,266,092
151,403,607	-	220,267	-	153,150,128
56,268,822	-	-	-	56,517,007
<u>2,235,154,037</u>	<u>-</u>	<u>6,819,028</u>	<u>527,866,422</u>	<u>3,145,481,563</u>
192,179,669	-	84,161,928	26,760,641	349,394,654
-	-	-	-	7,214,870
-	-	10,670,402	-	51,749,690
28,544,508	-	-	25,477,849	54,022,357
(61,490,093)	-	8,398,921	-	(103,079,432)
<u>\$ 159,234,084</u>	<u>\$ -</u>	<u>\$ 103,231,251</u>	<u>\$ 52,238,490</u>	<u>\$ 359,302,139</u>

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2003

	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority
Expenses.....	\$ (36,014,718)	\$ (37,050,758)	\$ (10,385,598)	\$ (5,691,422)
Program Revenues:				
Charges for Services.....	251,275	22,095,771	7,304,965	-
Operating Grants and Contributions.....	7,664,866	1,431,520	-	-
Total Program Revenues.....	<u>7,916,141</u>	<u>23,527,291</u>	<u>7,304,965</u>	<u>-</u>
Net Program (Expenses) Revenue.....	(28,098,577)	(13,523,467)	(3,080,633)	(5,691,422)
General Revenues:				
Property Taxes - Levied for General Purposes.....	25,587,353	31,744,963	-	10,716,679
Property Taxes - Levied for Debt Service.....	-	-	-	-
Investment Income.....	312,093	-	2,804	265,496
Interest and Penalties on Taxes.....	1,000,064	-	-	-
Shared Taxes.....	2,925,470	-	-	-
Other Taxes and Assessments.....	1,845,384	-	-	-
Miscellaneous.....	672,508	389,611	300,000	-
General Revenues.....	<u>32,342,872</u>	<u>32,134,574</u>	<u>302,804</u>	<u>10,982,175</u>
Change in Net Assets.....	4,244,295	18,611,107	(2,777,829)	5,290,753
Net Assets - Beginning of Year,.....	<u>26,708,923</u>	<u>39,127,940</u>	<u>20,655,749</u>	<u>(69,280,808)</u>
Net Assets - End of Year.....	<u>\$ 30,953,218</u>	<u>\$ 57,739,047</u>	<u>\$ 17,877,920</u>	<u>\$ (63,990,055)</u>

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

<u>Museum of African American History</u>	<u>Detroit Public Schools</u>	<u>Tax Increment Finance Authority</u>	<u>Detroit Transportation Corporation</u>	<u>Greater Detroit Resource Recovery Authority</u>	<u>Totals</u>
\$ (5,806,459)	\$ (1,695,994,576)	\$ (14,281,876)	\$ (19,742,674)	\$ (116,587,766)	\$ (1,941,555,847)
1,372,153	9,194,895	-	425,575	42,199,482	82,844,116
4,499,900	502,072,876	-	11,346,993	71,632,771	598,648,926
<u>5,872,053</u>	<u>511,267,771</u>	<u>-</u>	<u>11,772,568</u>	<u>113,832,253</u>	<u>681,493,042</u>
65,594	(1,184,726,805)	(14,281,876)	(7,970,106)	(2,755,513)	(1,260,062,805)
-	77,463,860	14,281,876	-	-	159,794,731
-	98,349,902	-	-	-	98,349,902
406	9,711,711	-	1,065,961	15,702,741	27,061,212
-	-	-	-	-	1,000,064
-	992,568,740	-	-	-	995,494,210
-	(460,619)	-	-	-	1,384,765
<u>2,349,319</u>	<u>7,309,133</u>	<u>-</u>	<u>9,206,857</u>	<u>-</u>	<u>20,227,428</u>
<u>2,349,725</u>	<u>1,184,942,727</u>	<u>14,281,876</u>	<u>10,272,818</u>	<u>15,702,741</u>	<u>1,303,312,312</u>
<u>2,415,319</u>	<u>215,922</u>	<u>-</u>	<u>2,302,712</u>	<u>12,947,228</u>	<u>43,249,507</u>
<u>(397,135)</u>	<u>159,018,162</u>	<u>-</u>	<u>100,928,539</u>	<u>39,291,262</u>	<u>316,052,632</u>
<u>\$ 2,018,184</u>	<u>\$ 159,234,084</u>	<u>\$ -</u>	<u>\$ 103,231,251</u>	<u>\$ 52,238,490</u>	<u>\$ 359,302,139</u>

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NOTES

TO BASIC

FINANCIAL

STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Detroit (the City), incorporated in 1806, is a home rule city under State law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, and (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, housing, airport, and parking.

A. REPORTING ENTITY

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

1. Blended Component Unit:

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

2. Discretely Presented Component Units:

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

Detroit Public Library (DPL): The DPL is a statutory body created by the State of Michigan. The DPL was created to provide reference materials, research information, and publications to residents of the City and the County. Funding is provided by an ad valorem tax of 3.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. City Council is responsible for approving DPL's annual budget.

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

Economic Development Corporation (EDC): The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

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

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

Detroit Public Schools (the School District): The School District is a statutory body created by the State of Michigan and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 13.19 mills (homestead properties) and 31.19 mills (non-homestead) on real and personal property in the City and a “foundation allowance” provided by the State of Michigan.

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

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

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

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

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

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

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

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

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

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

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

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

Detroit Public Schools
3011 West Grand Blvd.
11th Floor
Detroit, MI 48202
(313) 873-4147

B. JOINT VENTURE

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

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

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease.

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

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

C. BASIS OF PRESENTATION

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

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate statements for each fund category? governmental, proprietary, and fiduciary? are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The following major funds are used by the City:

Governmental Funds:

- a. **General Fund** accounts for several of the City's primary services (Police, Fire, Public Works, Community and Youth Services, etc.) and is the primary operating unit of the City.
- b. **Other Funds** is a summarization of the non-major governmental funds. Each fund description and their individual fund statements are available in the Combining Section.

Proprietary Funds:

- a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant; sewers, including sanitary and combined sewers; combined sewer outfalls; and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.
- b. **Transportation Fund (D-DOT)** accounts for the City's mass transit system with a fleet of over 540 coaches. The fund operates three light repair garages and terminals.
- c. **Water Fund** accounts for the operations of 5 water treatment plants, 20 booster stations, and reservoirs. The fund provides service to Detroit and 125 other communities in southeastern Michigan.
- d. **Automobile Parking Fund** accounts for the activity of the City's Auto Parking and Arena System, but does not include parking fine revenues.
- e. **Other Funds** is a summarization of the non-major propriety funds. Below is a description of each fund:
 - 1. **Airport Fund** accounts for the operations of the City airport.
 - 2. **Housing Fund** accounts for the operation of the Housing Department that administers federally subsidized public housing program.

Fiduciary Fund Types:

The City additionally reports the following pension and other employee benefit funds:

- a. **Retirement Systems** – accounts for contributions received, invested, and expended for the General Retirement System and the Policemen and Firemen Retirement System.
- b. **Employee Benefit Fund** – accounts for the health, dental, life insurance, and eye care of City employees and retirees.
- c. **Employee Disability Income Protection Plan** – accounts for long-term disability benefits of employees who become disabled and are not yet eligible for service requirements. The plan provides monthly income, hospitalization insurance, and life insurance.

Agency Funds:

These funds account for assets that the City holds for others in an agency capacity.

D. BASIS OF ACCOUNTING

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds, which are included in the Fiduciary funds, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from self-assessed taxes, including income taxes and sales tax, is recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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, and compensated absences 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 which are susceptible to accrual include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

E. BUDGETARY DATA

Budgeting Policy:

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

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council no later than May 15. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of

each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

F. ASSETS, LIABILITIES, AND FUND EQUITY

1. Cash and Investments: Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices.

2. Interfund Transactions:

The City has the following types of interfund transactions:

- a. **Loans** – amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.
 - b. **Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.
 - c. **Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
 - d. **Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
- 3. Inventories:** Costs are expenditures at the time of purchase. Inventories at year-end for the General, Construction Code, Drug Law Enforcement Fund, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based on a physical inventory, with a reserve for inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.
- 4. Capital Assets:** Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and stormwater lines. All acquisitions of land and land improvements will be capitalized regardless of cost. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest, net of related debt, for the year ended June 30, 2003 for the Sewage Disposal, Water, and Automobile Parking Funds was \$24,991,172, \$20,279,731, and \$4,891,630, respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance

are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Land improvements	5 – 20
Buildings and building improvements	5 – 50
Improvements other than buildings	5 – 50
Machinery and equipment	5 – 20
Vehicles other than buses	3 – 10
Buses	9
Stormwater and wastewater lines and pump stations	10 – 65
Other infrastructure	7 – 60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained or enhanced over time, and thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

- 5. Bond Premiums, Discounts, and Issuance Costs:** In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and gains (losses) on defeasance. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The calculation for accrued compensated absences is based on an estimate of payments made in the following year. In the government fund statements, governmental funds report accrued compensated absences in accordance with GASB Interpretation No. 6, which is when matured or due.

- 8. Property Taxes:** The Constitution of the State of Michigan limits the proportion of true cash value at which real property can be uniformly assessed to 50%. The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50%

of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same level; then the State equalizes the various counties in relation to each other. State equalized values are important; aside from their use for local property tax levy purposes, because of their role in distribution of State school aid and in the calculation of debt limits. The only major items of personal property subject to property taxation in the City are commercial and industrial furniture, fixtures, and equipment. Though comprehensive authority is granted by the State to Michigan municipalities for governmental purposes, the Constitution and general laws of the State limit the municipal rate of taxation and restrict the amount of debt a municipality may incur. At the present time, the general ad valorem taxing power of the City is generally limited by State law and the City Charter to 20 mills. The City is levying at its current maximum rate limit. In addition, the City is authorized to levy additional taxes within specified amounts for specific purposes under specific legislation. At the present time, under such an authorization, the City is levying 3 additional mills for the purpose of garbage and rubbish collection. These millage limitations, however, do not apply to taxes levied by the City for payment of principal and interest on presently outstanding unlimited tax-supported bonds, nor do they apply to payment of principal and interest on tax-supported bonds issued in anticipation of presently outstanding contractual obligations of the City or presently outstanding assessments in the City.

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

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

- 9. Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2003 consists of an annualized tax of 2.55% on the income of resident individuals, 1.275% on income earned in the City by non-residents and for corporations, the annual rate for 2003 was 1.2%. The rates are being lowered over a 10-year period starting July 1, 1999. The resident rate will decrease by 1/10 of a percentage point, the non-resident rate by 1/20 of a percentage point, and the corporate rate by 2/10 of a percentage point over the same period. After the 10-year period, the calendar 2009 resident rate will be 2%, the non-resident rate will be 1%, and the corporate rate will be zero. However, due to current economic conditions there will be a temporary rollback of the tax rates for the calendar year 2004. The rates will be as follows: Residents 2.5%, Non Residents 1.25% and Corporations 1%. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City records municipal income tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.
- 10. Fund Balances:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative City plans that are subject to change.

- 11. Net Assets:** The government-wide and business-type financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.
- a. **Investment in Capital Assets (Net of Related Debt)** – consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.
 - b. **Restricted Assets** – consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, or laws.
 - c. **Unrestricted Assets** – represent unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revise or alter these managerial decisions.
- 12. Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance-related legal and contractual provisions.

B. EXCESS OF EXPENDITURES OVER APPROPRIATION IN INDIVIDUAL FUNDS

For the year ended June 30, 2003, expenditures exceeded appropriations in the General Fund for the Fire Department by \$13,997,846, Police Department by \$12,857,195, and the Civic Center Department by \$3,019,799.

C. DEFICITS

The General Fund, Detroit Building Authority, Automobile Parking, Transportation and the Housing Funds had deficits of \$69,063,211, \$393,349, \$241,410, \$12,793,755, and \$8,939,852 respectively at June 30, 2003. Each fund has a deficit reduction plan, which includes, among other things, subsidies from the General Fund and improved operations.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. ASSETS

- 1. Deposits and Investments:** Cash deposits are in financial institutions insured as members of the FDIC or NCUA. Cash held by fiscal agents or by trustees is secured in accordance with the covenants of the agency or trust agreement. Cash deposits related to federally funded programs are accounted for in accordance with applicable federal regulations. At June 30, 2003, the City's carrying amount of deposits was \$221,917,269 for governmental and business-type activities, and the bank balance was \$112,438,221. Of the bank balance, \$5,505,300 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2003, the fiduciary funds' carrying amount of deposits was \$5,947,929, and the bank balance was \$5,975,964. Of the bank balance, \$259,069, was covered by federal depository insurance. At June 30, 2003, the component units' carrying amount of deposits was \$24,226,819 and the bank balance was \$26,302,136. Of the bank balance, \$1,728,192 was covered by federal depository insurance. The remaining balances are not insured.

Primary Government

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Component Units
Deposits	\$ 122,725,366	\$ 99,191,903	\$ 5,947,929	\$ 227,865,198	\$ 24,226,819
Investments	358,659,006	1,318,679,708	5,186,499,143	6,863,837,857	1,288,328,452
	<u>\$ 481,384,372</u>	<u>\$ 1,417,871,611</u>	<u>\$ 5,192,447,072</u>	<u>\$ 7,091,703,055</u>	<u>\$ 1,312,555,271</u>

The City is authorized to invest in U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, and mutual funds of certain qualified investments. In accordance with GASB Statement No. 3, the City's investments have been categorized to indicate the level of credit risk assumed by the City as follows: (1) insured or registered for which the securities are held by the City (or component unit as applicable) or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's (or component unit's) name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. Pooled investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

The following are the City's investment balances at fair market value at June 30, 2003:

	Primary Government				Category
	Governmental	Business-type	Fiduciary	Total	
	Activities	Activities	Funds		
Repurchase Agreements	\$ 1,000,000	\$ 33,543,654	\$ —	\$ 34,543,654	1
Certificate of Deposit	23,060,142	—	—	23,060,142	1
Commercial Paper	42,488,271	8,428,115	3,374,884	54,291,270	1
U.S. Government Securities	8,149,343	—	201,309	8,350,652	1
Bonds, Notes, and Stocks	—	82,541,762	3,586,054,483	3,668,596,245	1
Pooled Investments	254,917,764	966,744,388	485,179,780	1,706,841,932	N/A
Short-term Investments	—	—	211,578,583	211,578,583	2
Mortgage-backed securities	29,043,486	227,421,789	218,234,144	474,699,419	1
Mortgage and Construction Loans	—	—	208,566,203	208,566,203	1
Equity Interest in Real Estate	—	—	153,633,883	153,633,883	1
Real Estate Investment Trusts					
Held by Custodian	—	—	23,472,362	23,472,362	2
Private Placements	—	—	296,203,512	296,203,512	2
Total	<u>\$ 358,659,006</u>	<u>\$ 1,318,679,708</u>	<u>\$ 5,186,499,143</u>	<u>\$ 6,863,837,857</u>	

	Component	
	Units	Category
Repurchase Agreements	\$ 2,007,004	1
Repurchase Agreements	16,176,582	2
Commercial Paper	130,518,732	2
U.S. Government Securities	319,144,332	1
U.S. Government Securities	107,937,706	2
Bonds, Notes, and Stocks	8,913,471	1
Pooled Investments	702,379,611	N/A
Short-term Investments	1,251,014	1
Total	<u>\$ 1,288,328,452</u>	

2. Other Receivables: Other receivables in the statement of net assets for governmental funds are shown in the aggregate. The following details the other receivable balance at June 30, 2003:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Estimated withheld income tax receivable	\$ 30,865,999	\$ —	\$ 30,865,999
Trade receivables	32,795,932	422,834	33,218,766
Casino Development receivable	46,750,000	—	46,750,000
Land contracts receivable	8,375,859	—	8,375,859
Property taxes	17,968,444	6,658,081	24,626,525
Income taxes	40,176,210	—	40,176,210
Special assessments	1,499,372	—	1,499,372
Interest and penalties	6,080,000	2,320,000	8,400,000
Utility users tax	10,656,674	—	10,656,674
Due from fiduciary funds	3,489,081	—	3,489,081
Allowance for doubtful accounts	(83,749,842)	(2,178,986)	(85,928,828)
Total other receivables, net	\$ 114,907,729	\$ 7,221,929	\$ 122,129,658

3. Due from/to Other Governmental Agencies: Due from/to other governmental agencies consists primarily of sales and charges for services to/from the County, the State of Michigan, and the Federal Government.

4. Interfund Receivables and Payables: During the course of operations, numerous transactions occur between the City funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as “due from other funds” (due from fiduciary funds) and “due to other funds” (due to fiduciary funds) on the balance sheet and statement of net assets and are expected to be collected within one year. Interfund receivables and payables at June 30, 2003 are as follows:

	<u>Due From</u>								<u>Total</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>	<u>Water Fund</u>	<u>Automobile Parking Fund</u>	<u>Non-major Proprietary Funds</u>	<u>Fiduciary Funds</u>	
Due to:									
General Fund	\$ —	\$ 19,018,324	\$ 6,709,279	\$ 19,563,977	\$ 9,868,332	\$ 1,331,166	\$ 2,467,010	\$ 3,489,081	\$ 62,447,169
Non-major Governmental Funds	8,489,306	1,607,284	—	—	—	22,495	964,151	—	11,083,236
Sewage Disposal Fund	124,119	—	—	—	62,942,707	—	—	—	63,066,826
Transportation Fund	5,732,201	—	—	—	—	—	—	—	5,732,201
Water Fund	585,370	—	35,232,153	—	—	—	—	446,237	36,263,760
Automobile Parking Fund	332,521	—	—	—	—	—	—	—	332,521
Non-major Proprietary Funds	1,753,333	170,000	—	1,416	—	—	—	—	1,924,749
Fiduciary Funds	72,829,196	—	3,372,293	1,880,765	1,440,726	669,153	499,075	—	80,691,208
Total	\$ 89,846,046	\$ 20,795,608	\$ 45,313,725	\$ 21,446,158	\$ 74,251,765	\$ 2,022,814	\$ 3,930,236	\$ 3,935,318	\$ 261,541,670

5. **Advances:** Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects Fund	\$ 850,000
	Automobile Parking Fund	1,250,000
	Federal Employment and Training Funds	147,000
		<u>\$ 2,247,000</u>

6. **Transfers:** During the course of operations transactions occur between the City funds for operating subsidies. Related interfund receipts and disbursements are classified as “transfers in” and “transfers out” on the statement of revenues, expenditures/expenses, and changes in fund balance/net assets. The transfers are routine and consistent with the activities of the funds, except for a transfer of \$1,245,000 from the General Fund to the Housing Fund. Such transfer was not routine—rather, a one-time transfer for police protection at various low-income housing facilities. Transfers between funds at June 30, 2003 are as follows:

	<u>Transfers In</u>				<u>Total Transfers In</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Transportation Fund</u>	<u>Non-major Proprietary Funds</u>	
Transfers Out					
General Fund	\$ —	\$ 58,433,766	\$ 75,488,107	\$ 3,787,701	\$ 137,709,574
Non-major governmental funds	48,917,651	19,589,601	—	—	68,507,252
Total transfers out	<u>\$ 48,917,651</u>	<u>\$ 78,023,367</u>	<u>\$ 75,488,107</u>	<u>\$ 3,787,701</u>	<u>\$ 206,216,826</u>

7. **Capital Asset Activity for the Year Ended June 30, 2003:**

	<u>Primary Government</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Governmental activities:				
Non-depreciable assets:				
Land	\$ 314,660,683	\$ —	\$ (121,400)	\$ 314,539,283
Works of art	29,845,410	—	—	29,845,410
Construction in progress	288,218,756	27,075,191	(64,660,246)	250,633,701
Total non-depreciable assets	<u>632,724,849</u>	<u>27,075,191</u>	<u>(64,781,646)</u>	<u>595,018,394</u>
Depreciable assets:				
Buildings and improvement	516,223,378	63,810,792	(21,000,014)	559,034,156
Machinery, equipment, and vehicles	342,113,059	21,006,921	(1,598,600)	361,521,380
Infrastructure	708,976,204	22,372,627	(5,491,371)	725,857,460
Total depreciable assets	<u>1,567,312,641</u>	<u>107,190,340</u>	<u>(28,089,985)</u>	<u>1,646,412,996</u>
Less accumulated depreciation for:				
Buildings and improvement	233,081,785	9,068,145	(10,004,960)	232,144,970
Machinery, equipment, and vehicles	260,297,984	28,244,020	(1,084,899)	287,457,105
Infrastructure	597,216,116	13,577,116	(5,479,533)	605,313,699
Total accumulated depreciation	<u>1,090,595,885</u>	<u>50,889,281</u>	<u>(16,569,392)</u>	<u>1,124,915,774</u>
Governmental activities capital assets, net	<u>\$ 1,109,441,605</u>	<u>\$ 83,376,250</u>	<u>\$ (76,302,239)</u>	<u>\$ 1,116,515,616</u>

Depreciation expense was charged to governmental functions as follows:

Public protection	\$ 5,630,263
Health	306,004
Education	103,912
Recreation and culture	2,922,501
Economic development	5,940,753
Housing supply and condition	32,085
Physical environment	21,241,830
Development and management	14,711,933
	<u>\$ 50,889,281</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Business-type activities:

Major Funds:	Beginning Balance	Increase	Decrease	Ending Balance
Sewage Disposal Fund:				
Non-depreciable Assets:				
Land and land rights	\$ 12,171,606	\$ 1,654,065	\$ -	\$ 13,825,671
Construction in Progress	<u>711,763,648</u>	<u>251,438,245</u>	<u>(75,625,039)</u>	<u>887,576,854</u>
Total non-depreciable assets	<u>723,935,254</u>	<u>253,092,310</u>	<u>(75,625,039)</u>	<u>901,402,525</u>
Depreciable Assets:				
Buildings and structures	697,685,428	252,909,033	(145,370,617)	805,223,844
Sewer lines	492,215,378	212,294,699	(168,300,839)	536,209,238
Machinery, equipment and fixtures	<u>553,541,522</u>	<u>190,204,736</u>	<u>(170,732,760)</u>	<u>573,013,498</u>
Total depreciable assets	<u>1,743,442,328</u>	<u>655,408,468</u>	<u>(484,404,216)</u>	<u>1,914,446,580</u>
Total capital assets	<u>2,467,377,582</u>	<u>908,500,778</u>	<u>(560,029,255)</u>	<u>2,815,849,105</u>
Less Accumulated depreciation:				
Buildings and structures	188,930,924	16,350,603	(507,201)	204,774,326
Sewer lines	85,653,672	5,770,195	(828,586)	90,595,281
Machinery, equipment and fixtures	<u>272,576,947</u>	<u>21,892,472</u>	<u>(407,284)</u>	<u>294,062,135</u>
	<u>547,161,543</u>	<u>44,013,270</u>	<u>(1,743,071)</u>	<u>589,431,742</u>
Net capital assets	<u>\$ 1,920,216,039</u>	<u>\$ 864,487,508</u>	<u>\$ (558,286,184)</u>	<u>\$ 2,226,417,363</u>
Transportation Fund:				
Non-Depreciable Assets:				
Land and land rights	\$ 4,114,574	\$ -	\$ -	\$ 4,114,574
Construction in Progress	<u>9,099,498</u>	<u>5,975,594</u>	<u>-</u>	<u>15,075,092</u>
Total non-depreciable assets	<u>13,214,072</u>	<u>5,975,594</u>	<u>-</u>	<u>19,189,666</u>
Depreciable Assets:				
Buildings and structures	61,640,952	3,846,236	-	65,487,188
Machinery, equipment and fixtures	31,729,461	874,192	-	32,603,653
Vehicle and buses	<u>142,669,033</u>	<u>-</u>	<u>(16,604,715)</u>	<u>126,064,318</u>
Total depreciable assets	<u>236,039,446</u>	<u>4,720,428</u>	<u>(16,604,715)</u>	<u>224,155,159</u>
Total capital assets	<u>249,253,518</u>	<u>10,696,022</u>	<u>(16,604,715)</u>	<u>243,344,825</u>
Less accumulated depreciation:				
Buildings and structures	42,575,277	2,152,186	-	44,727,463
Machinery, equipment and fixtures	29,123,910	2,373,652	-	31,497,562
Vehicle and buses	<u>57,923,798</u>	<u>10,350,492</u>	<u>(16,604,715)</u>	<u>51,669,575</u>
	<u>129,622,985</u>	<u>14,876,330</u>	<u>(16,604,715)</u>	<u>127,894,600</u>
Net capital assets	<u>\$ 119,630,533</u>	<u>\$ (4,180,308)</u>	<u>\$ -</u>	<u>\$ 115,450,225</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Business-type activities:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Water Fund:				
Non-depreciable Assets:				
Land and land rights	\$ 5,146,947	\$ 1,211,395	\$ -	\$ 6,358,342
Construction in progress	549,851,782	211,793,778	(153,281,343)	608,364,217
Total non-depreciable assets	<u>554,998,729</u>	<u>213,005,173</u>	<u>(153,281,343)</u>	<u>614,722,559</u>
Depreciable Assets:				
Land improvements	87,312,719	3,941,336	(135,915)	91,118,140
Buildings and structures	407,884,323	177,783,068	(153,751,511)	431,915,880
Water lines	648,999,324	80,326,630	(56,858,092)	672,467,862
Machinery, equipment and fixtures	370,274,409	181,262,445	(118,668,193)	432,868,661
Total depreciable assets	<u>1,514,470,775</u>	<u>443,313,479</u>	<u>(329,413,711)</u>	<u>1,628,370,543</u>
Total capital assets	<u>2,069,469,504</u>	<u>656,318,652</u>	<u>(482,695,054)</u>	<u>2,243,093,102</u>
Less Accumulated depreciation:				
Land improvements	52,615,815	1,137,279	(118,422)	53,634,672
Buildings and structures	159,546,998	5,431,115	(175,531)	164,802,582
Water lines	227,676,604	8,792,402	(326,973)	236,142,033
Machinery, equipment and fixtures	139,553,066	17,296,596	(1,461,198)	155,388,464
	<u>579,392,483</u>	<u>32,657,392</u>	<u>(2,082,124)</u>	<u>609,967,751</u>
Net capital assets	<u>\$ 1,490,077,021</u>	<u>\$ 623,661,260</u>	<u>\$ (480,612,930)</u>	<u>\$ 1,633,125,351</u>
Automobile Parking Fund:				
Non-depreciable Assets:				
Land and land rights	\$ 7,014,114	\$ -	\$ -	\$ 7,014,114
Construction in progress	48,569,096	3,622,100	-	52,191,196
Total non-depreciable assets	<u>55,583,210</u>	<u>3,622,100</u>	<u>-</u>	<u>59,205,310</u>
Depreciable Assets:				
Land improvements	205,738	9,170	-	214,908
Buildings and structures	152,445,066	1,612,843	(1,935,440)	152,122,469
Machinery, equipment and fixtures	1,901,860	349,304	-	2,251,164
Total depreciable assets	<u>154,552,664</u>	<u>1,971,317</u>	<u>(1,935,440)</u>	<u>154,588,541</u>
Total capital assets	<u>210,135,874</u>	<u>5,593,417</u>	<u>(1,935,440)</u>	<u>213,793,851</u>
Less accumulated depreciation:				
Land improvements	145,107	10,516	-	155,623
Buildings and structures	95,588,204	4,943,736	-	100,531,940
Machinery, equipment and fixtures	1,207,284	419,270	-	1,626,554
	<u>96,940,595</u>	<u>5,373,522</u>	<u>-</u>	<u>102,314,117</u>
Net capital assets	<u>\$ 113,195,279</u>	<u>\$ 219,895</u>	<u>\$ (1,935,440)</u>	<u>\$ 111,479,734</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Business-type activities:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Non-major Funds:				
Non-depreciable Assets:				
Land and Land Rights	\$ 20,171,050	\$ 121,400	\$ -	\$ 20,292,450
Construction in Progress	<u>26,942,704</u>	<u>20,687,161</u>	<u>(18,402,228)</u>	<u>29,227,637</u>
Total non-depreciable assets	<u>47,113,754</u>	<u>20,808,561</u>	<u>(18,402,228)</u>	<u>49,520,087</u>
Depreciable Assets:				
Land improvements	9,998,410	-	-	9,998,410
Buildings and structures	116,908,456	19,023,653	(3,030,321)	132,901,788
Machinery, equipment and fixtures	3,288,819	290,195	(315,360)	3,263,654
Vehicle and buses	<u>2,844,810</u>	<u>557,092</u>	<u>-</u>	<u>3,401,902</u>
Total depreciable assets	<u>133,040,495</u>	<u>19,870,940</u>	<u>(3,345,681)</u>	<u>149,565,754</u>
Total capital assets	<u>180,154,249</u>	<u>40,679,501</u>	<u>(21,747,909)</u>	<u>199,085,841</u>
Less accumulated depreciation:				
Land improvements	6,947,729	307,930	-	7,255,659
Buildings and structures	59,629,258	2,883,887	(2,347,913)	60,165,232
Machinery, equipment and fixtures	1,638,493	538,996	-	2,177,489
Vehicle and buses	<u>2,499,826</u>	<u>154,824</u>	<u>-</u>	<u>2,654,650</u>
	<u>70,715,306</u>	<u>3,885,637</u>	<u>(2,347,913)</u>	<u>72,253,030</u>
Net capital assets	<u>\$ 109,438,943</u>	<u>\$ 36,793,864</u>	<u>\$ (19,399,996)</u>	<u>\$ 126,832,811</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Component Units

	<u>Beginning</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Detroit Public Schools:					
Non-depreciable assets:					
Land and land rights	\$ 14,074,041	2,041,556	—	(85,875)	\$ 16,029,722
Construction in progress	<u>466,202,955</u>	<u>(187,712,805)</u>	<u>342,840,865</u>	<u>—</u>	<u>621,331,015</u>
Total non-depreciable assets	<u>480,276,996</u>	<u>(185,671,249)</u>	<u>342,840,865</u>	<u>(85,875)</u>	<u>637,360,737</u>
Depreciable:					
Buildings and structures	579,376,196	156,509,841	5,220,808	(5,276,978)	735,829,867
Land improvements	10,284,178	15,652,966	18,220	(22,831)	25,932,533
Buses and other vehicles	44,281,359	—	—	(2,396,020)	41,885,339
Machinery, equipment, and fixtures	<u>38,434,201</u>	<u>13,508,442</u>	<u>2,410,141</u>	<u>(718,985)</u>	<u>53,633,799</u>
Total depreciable assets	<u>672,375,934</u>	<u>185,671,249</u>	<u>7,649,169</u>	<u>(8,414,814)</u>	<u>857,281,538</u>
Total capital assets	<u>1,152,652,930</u>	<u>—</u>	<u>350,490,034</u>	<u>(8,500,689)</u>	<u>1,494,642,275</u>
Less accumulated depreciation:					
Building and structures	319,552,582	—	9,551,577	(3,819,795)	325,284,364
Land improvements	8,521,800	—	546,285	(17,500)	9,050,585
Buses and other vehicles	23,124,899	—	3,598,764	(2,614,746)	24,108,917
Machinery, equipment, and fixtures	<u>18,670,438</u>	<u>—</u>	<u>4,528,208</u>	<u>(286,341)</u>	<u>22,912,305</u>
	<u>369,869,719</u>	<u>—</u>	<u>18,224,834</u>	<u>(6,738,382)</u>	<u>381,356,171</u>
Net capital assets	<u>\$ 782,783,211</u>	<u>—</u>	<u>\$ 332,265,200</u>	<u>\$ (1,762,307)</u>	<u>\$ 1,113,286,104</u>
Other component units:					
Non-depreciable assets:					
Land and land rights	\$ 22,912,137	\$ —	\$ —	\$ —	\$ 22,912,137
Works of Art	3,216,175	—	—	—	3,216,175
Construction in progress	<u>17,923,299</u>	<u>(26,623,623)</u>	<u>15,860,260</u>	<u>—</u>	<u>7,159,936</u>
Total non-depreciable assets	<u>44,051,611</u>	<u>(26,623,623)</u>	<u>15,860,260</u>	<u>—</u>	<u>33,288,248</u>
Depreciable:					
Land and leasehold improvements	188,444	—	—	—	188,444
Buildings and structures	210,055,795	26,623,623	39,114	(2,202)	236,716,330
Facilities and steamline	513,008,682	—	—	—	513,008,682
Works of art	18,745,260	—	—	—	18,745,260
Machinery, equipment and fixtures	120,128,625	—	1,959,444	(15,594)	122,072,475
Vehicles and buses	<u>308,000</u>	<u>—</u>	<u>75,024</u>	<u>—</u>	<u>383,024</u>
Total depreciable assets	<u>862,434,806</u>	<u>26,623,623</u>	<u>2,073,582</u>	<u>(17,796)</u>	<u>891,114,215</u>
Total capital assets	<u>906,486,417</u>	<u>—</u>	<u>17,933,842</u>	<u>(17,796)</u>	<u>924,402,463</u>
Less accumulated depreciation					
	<u>406,346,626</u>	<u>—</u>	<u>22,973,595</u>	<u>—</u>	<u>429,320,221</u>
Net capital assets	<u>\$ 500,139,791</u>	<u>\$ —</u>	<u>\$ (5,039,753)</u>	<u>\$ (17,796)</u>	<u>\$ 495,082,242</u>

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

B. LIABILITIES AND NET ASSETS

1. Commitments and Contingencies

- a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are settled for amounts less than the stated demand. While it is not possible to estimate the final outcome of these lawsuits and claims with any reasonable degree of precision, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates \$142 million.
- b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2003 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, 2003. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.
- c. **Rate Matters:** The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.
- d. **Utility Users' Tax:** The City Utility Users' Tax Act imposes a 5% tax on utility use within the City, which was historically billed by the public utility companies. When natural gas was deregulated, certain corporate taxpayers started buying natural gas directly from wellheads and producers and stopped paying the corresponding utility users tax. In December 1987, the City adopted a Rule declaring these "direct natural gas purchases" were subject to tax. In 1988, a taxpayer group unsuccessfully challenged the Rule before the Revenue Commissioner. This decision was upheld in February 1990 by the Wayne County Circuit Court and in October 1992 by the Michigan Court of Appeals. The sole issue of whether application of the Rule prior to January 1, 1988 would be "unduly harsh" was remanded to the State Revenue Commissioner. In 1994, the City began issuing proposed assessments for January 1, 1988 through December 31, 1993. With respect to these assessments, taxpayers fell into three categories: (1) taxpayers who had paid and remitted taxes monthly; (2) other taxpayers who protested, were afforded a protest hearing, received a final assessment, and filed appeals to the Revenue Commissioner (in July and September 1996, the Revenue Commissioner ruled in the City's favor, and these rulings have been upheld by the Wayne County Circuit Court, which entered judgment in the City's favor); and (3) other taxpayers who failed to timely protest. The City filed collection actions in Wayne County Circuit Court, and the court again ruled in the City's favor. A dozen or so taxpayers then appealed to the Michigan Court of Appeals, which, in December 1998, upheld the judgments in a final, published decision. The remand proceeding has finally resulted in the Revenue Commissioner's decisions of April 1, 1999 in the City's favor, amounting to millions in outstanding taxes, interest, and penalties. This decision was unsuccessfully appealed to the Wayne County Circuit Court, and twice, leave to appeal was denied by the Michigan Court of Appeals.

On December 17, 1999, the Wayne County Circuit Court granted the City's motion for summary affirmance and entered judgments in favor of the City against each taxpayer/appellant. An attempt to appeal to the Michigan Court of Appeals was dismissed, on the City's motion, in March 2000, and the judgments became final. In December 2000, the taxpayer group filed an application for leave to appeal to the Michigan Supreme Court and are appealing both the remand issue and the October 1992 Court of Appeals decision upholding the Rule. It is unknown whether the Michigan Supreme Court will grant the application for leave to appeal.

There remains pending certain appeals before the State Commissioner of Revenue for tax years 1994-1996; however, in April 2001, the hearing officer issued proposals for decision in the City's favor. Some of the taxpayers filed objections, and the City is currently awaiting final decisions from the Revenue Commissioner.

As of June 30, 2003, the City has recorded \$5.7 million in estimated receivables pertaining to the utility users tax in the general fund statements.

- e. **Block Grant Funds:** Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government.

As of June 30, 2003, future Block Grant Funds of \$23,665,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended. In addition, the City was previously authorized to use Block Grant Funds totaling \$66,962,000 for the Central Industrial Park Project. At June 30, 2003, \$2,807,435 is outstanding against this advance.

- f. **Greater Detroit Resource Recovery Authority (Authority):** In 1991, the Authority sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127 million in cash, mortgage notes of \$342.7 million, and assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the Authority, which results in the Authority assuming most of the lease obligations. Upon expiration of the initial lease term, the Authority has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the Authority sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the Authority's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the Authority distributed \$54 million of the cash proceeds to the City, which was reflected as a reduction of the Authority's equity.

Future minimum lease payments for each of the next six years for the initial lease term are as follows: 2004 – \$49,693,969; 2005 – \$59,297,765; 2006 – \$51,419,062; 2007 – \$52,521,466; 2008 – \$ 34,719,333 and 2009 – \$34,719,333.

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

- h. Construction Commitment:** The City has commitments for future construction contracts. Construction in progress and remaining commitments at June 30, 2003 are as follows:

	Spent to June 30, 2003	Remaining
Public protection	\$ 35,702,407	\$ 7,322,994
Municipal facilities	37,351,379	30,534,891
Cultural and recreational	166,118,349	6,672,560
Human services	1,462,610	—
Municipal services	9,998,956	1,076,581
	\$ 250,633,701	\$ 45,607,026

- i. Risk Management:** The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued \$100 million of Self-insurance Bonds, and a portion of proceeds was used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments (\$41.0 million). The bonds require that remaining funds be used for self-insurance activities. Self-insured among other covered losses are liabilities for workers' compensation, legal, and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds and DDOT in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Amounts remaining related to self-insurance have been restricted. Because DDOT is included in the General Fund's risk management activities, it does not record a liability in its financial statements.

Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. The Library, a discretely presented component unit, reimburses the City for all costs incurred related to workers compensation. The Library records the liability in its financial statements.

At June 30, 2003, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at \$178.8 million. The City has recognized a liability that approximated \$7.8 million in the General Fund as of June 30, 2003 for public liability and workers compensation claims that were due as of year end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements. This liability is the City's best estimate based on available information. Changes in the reported liability for the years ended June 30, 2003 and 2002 were as follows:

	June 30, 2003	June 30, 2002
Balance at beginning of year	\$ 203.9	\$ 196.2
Current year claims and changes in estimates	61.0	59.9
Claims payments	(86.1)	(52.2)
Balance at end of year	\$ 178.8	\$ 203.9

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

As a result of the issuance of the Self-insurance Bonds and the operations of the Self-insurance Reserve Fund, at June 30, 2003 the General Fund has reserved \$50.5 million for the purpose of funding the City's future claims liabilities.

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

Fiscal year ending:		
2004	\$	13,717,176
2005		13,316,675
2006		6,846,211
2007		4,269,212
2008		5,209,176
2009		5,051,585
Total minimum payments	\$	48,410,035

Rental expense for all operating leases approximated \$29 million for the year ended June 30, 2003.

3. **Long-term Obligations:** Long-term obligations are reported by the City as general long-term obligations if the obligation is to be repaid from Governmental Fund resources, or as long-term obligations – Enterprise Funds if the obligation is to be repaid from funds other than Governmental Fund resources. Interest rates range from 4.2% to 7.97% for governmental activities, 2% to 6.79% for business-type activities and 2.90% to 9.375% for component units.

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.

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.

4. New Debt Issuances and Refunding Bonds

Governmental Activities:

In July 2002, the City issued \$52,725,000 of Limited Tax General Obligation Bonds to finance vehicle and land acquisitions, certain repairs, extensions, improvements, credit support and bond issuance cost for the City. The bonds mature on April 2007, with an average yield of 3.24%.

In August 2002, the City issued \$45,000,000 of Unlimited Tax General Obligation Bonds to finance various capital projects for the City. The bonds mature on April 1, 2022, with an average yield of 5%.

In prior years, the City defeased certain bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2003 approximated \$67.8 million.

Business-type Activities:

In October 2002, the Sewage Disposal Fund issued \$ 6,803,958 in Revenue Bonds, Series 2002. The net proceeds will be used to fund the City's Sewage Disposal Systems capital improvement plan, pay cost of issuance, and refund certain outstanding Senior Lien Bonds.

In September 2003, the Sewage Disposal Fund issued \$599,380,000 in Revenue Bonds, Series 2003-A; and \$150,000,000 of City of Detroit, Michigan Sewage Disposal Second Lien Revenue Bonds (Variable Rate Demand), Series 2003-B. The net proceeds will be used to fund the City's Sewage Disposal Systems capital improvement plan, pay cost of issuance and refund certain outstanding Senior Lien Bonds.

A portion of the Senior Lien Revenue and Revenue Refunding Bonds, Series 2003-A was used to advance-refund \$99,775,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1993-A, \$70,010,000 of Sewage Disposal System Revenue Bonds, Series 1995-A, and \$34,360,000 of Sewage Disposal System Revenue Bonds, Series 1997-A. The net proceeds of \$220,900,000 (after payment of \$8,793,815 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be partially defeased, and a portion of the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$21,367,016. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2030 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 18 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$15,824,763.

In fiscal 2003, the Fund received loans of \$76,715,182 from the Michigan Municipal Bond Authority Michigan State Revolving Loan Fund Program. The interest rate is 2.5% and monies will be used to reimburse part of the cost of the construction of certain repairs, extensions, and improvements to the City's Sewage Disposal System.

In January 2003, the Water Fund issued \$234,805,000 of City of Detroit Water Supply System Revenue Senior Lien Bonds, Series 2003-A; \$172,945,000 in Series 2003-B; \$46,355,000 in Series 2003-C; and \$151,370,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Senior Lien Bonds (Variable Rate Demand), Series 2003-D. The net proceeds will be used to fund the City's Sewage Disposal Systems capital improvement plan, pay premium for a debt reserve insurance policy, fund capitalized interest, issuance cost and refund certain Senior Lien Bonds.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2003-D was used to advance-refund \$51,785,000 of outstanding Water Supply System Revenue Bonds, Series 2001-A maturing on July 1, 2028; \$83,025,000 principal amount of the \$161,825,000 outstanding principal amount of the Series 2001-A Senior Lien Bonds maturing on July 1, 2033. The net proceeds of \$149,775,000 were used to purchase U.S. Government securities.

Those refunded securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series bonds and provided for partial future debt service payments on the 2001-A Series Bonds. As a result, the 1992 Series bonds and 2003-A Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$20,779,980. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2030 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 18 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$12,458,327.

In prior years, the Sewage Disposal Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. Similarly, the interest expense related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statement of revenues, expenses, and changes in fund net assets. As of June 30, 2003 and 2002, \$487,245,000 of bonds outstanding is considered defeased.

In prior years, the Water Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. Similarly, the interest expenses related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of revenues, expenses, and changes in fund net assets. As of June 30, 2003 approximately \$371 million of bonds outstanding is considered defeased.

Component Units:

As of June 30 2003 of this year, the School District had \$1.548 billion in bonds outstanding, plus \$51.1 million in unamortized bond premium, for a total of \$1.599 billion. This amount represents an increase of 76.3 % over the previous year, and due primarily to the sale of Series IV bonds for \$389 million in October 2002, and the sale of Series V bonds for \$327 million in April of 2003. The School Building and Site Improvement Bonds Series have a stated interest rates varying from 3% to 6%. The net proceeds will be used to fund the cost of certain repairs, extensions, and improvements to the School District as part of the long-term capital improvement plan.

During August 2002, the School District borrowed \$210 million in a State Aid Anticipation note. The note bears interest at 1.4% and is due August 2003. At June 30, 2003, the District has accrued interest of \$2,515,333 on this note. In addition, the District had approximately \$391,000 of other current notes payable at June 30, 2003.

Subsequent to year end, the School District repaid the \$210,000,000 note due August 2003 and borrowed \$195,535,000 at 1.02 percent annual interest on a new State Aid Note. The note, plus interest, is due August 2004.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the financial statements. The amount of defeased debt outstanding at June 30, 2003 approximated \$125.8 million. Advanced refunding in the approximate amount of \$16.1 million was performed and the proceeds were placed in a trust.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

a. The following is a schedule of the Bonds Payable at June 30, 2003:

Bond date	Amount issued	Retired year ended		Outstanding June 30, 2003			
		June 30, 2003		Range of interest rates	Maturity date	Amount	
		Interest rate	Amount				
Governmental Activities:							
General Fund							
General Obligation Bonds – Unlimited Tax:							
Series 1995-B	8-1-95	\$ 102,220,000	6.50%	\$ 15,970,000	6.25 to 7.00%	4/1/03-05	\$ 35,290,000
Series 1995-B	8-1-95	81,230,000	—	—	6.25 to 6.38	4/1/06-11	81,230,000
Series 1996-A	11-1-96	22,195,000	—	—	5.20 to 6.00	4/1/08-16	20,470,000
Series 1996-B	11-1-96	1,350,000	4.60	155,000	4.7 to 5.00	4/1/04-06	515,000
Series 1996-B	11-1-96	21,975,000	—	—	5.10 to 5.50	4/1/07-15	21,975,000
Series 1997-A	12-15-97	29,605,000	—	—	5.00 to 5.50	4/1/08-18	29,120,000
Series 1997-B	12-15-97	17,525,000	4.30	225,000	4.30 to 5.50	4/1/04-07	13,765,000
Series 1997-B	12-15-97	22,945,000	—	—	5.00 to 5.38	4/1/09-14	18,280,000
Series 1999-A	4-1-99	16,080,000	Various	1,635,000	4.10 to 5.00	4/1/04-09	4,110,000
Series 1999-A	4-1-99	28,020,000	—	—	5.00 to 5.25	4/1/10-19	28,020,000
Series 1999-B	11-15-99	14,725,000	Various	—	5.00	4/1/08-09	3,825,000
Series 1999-B	11-15-99	30,275,000	—	—	5.125 to 5.25	4/1/10-19	30,275,000
Series 2000-AMT	2-15-00	9,270,000	5.00	930,000	5.00 to 5.75	4/1/04-09	6,655,000
Series 2000-AMT	2-15-00	1,335,000	—	—	5.75	4/1/2010	1,335,000
Series 2001-A(1)	7-15-01	11,200,000	—	—	3.625 to 5.50	4/1/04-09	11,200,000
Series 2001-A(1)	7-15-01	88,800,000	—	—	4.20 to 5.50	4/01/10-21	88,800,000
Series 2001-A(2)	8-8-01	5,000,000	—	—	Variable	4/1/22	5,000,000
Series 2001-B	7-15-01	23,560,000	—	—	3.25 to 3.50	4/1/04-11	23,560,000
Series 2001-B	7-15-01	23,235,000	—	—	5.375	4/1/12-22	23,235,000
Series 2002	8-2-02	45,000,000	3.00	1,860,000	3.00	4/1/02-22	43,140,000
Distributable State Aid Bonds:							
Series 1993	12-1-93	105,015,000	5.80	9,490,000	5.20 to 5.90	5/1/04-09	36,755,000
Series 1993	12-1-93	31,660,000	—	—	4.90 to 5.10	5/1/04-06	31,660,000
Total General Bonds – Unlimited Tax							558,215,000
General Obligation Bonds – Limited Tax:							
General obligation:							
Series 1997	5-1-97	3,300,000	4.80	510,000	4.90 to 5.20	7/15/03-06	2,305,000
Series 1997	5-1-97	13,665,000	—	—	4.95 to 6.25	7/15/07-20	13,665,000
Series 2002A	7-1-02	52,725,000	3.00	1,155,000	3.00 to 5.00	4/1/03-07	51,570,000
Self-insurance bonds:							
Series 1995-A	6-1-95	60,000,000	5.75	2,440,000	—	—	—
Series 1995-B	6-1-95	40,000,000	6.83	11,130,000	Variable	5/1/04-05	28,870,000
Total General Bonds – Limited tax							96,410,000
Total General Bonds							\$ 654,625,000

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

a. The following is a schedule of the Bonds Payable at June 30, 2003: (continued)

	<u>Bond date</u>	<u>Amount issued</u>	<u>Retired year ended</u>		<u>Outstanding June 30, 2003</u>			
			<u>June 30, 2003</u>	<u>Amount</u>	<u>Range of interest rates</u>	<u>Maturity date</u>	<u>Amount</u>	
Governmental Activities:								
Detroit Building Authority Bonds:								
District Court Madison Center								
Project	9-1-96	\$ 2,770,000	—	%	\$ —	6.15 %	2/1/04-06	\$ 2,770,000
	9-1-96	7,230,000	—		—	6.15	2/1/07-11	7,230,000
	9-1-96	1,000,000	—		—	Variable	2/1/11	1,000,000
	9-1-96	6,910,000	7.97		1,078,530	7.97	9/1/02-06	<u>1,780,304</u>
Total Detroit Building Authority Bonds								<u>12,780,304</u>
Revenue bonds:								
Convention Facility Limited Tax Revenue Bonds – Cobo Hall Expansion:								
Series 1993	9-1-93	98,275,000	4.80		9,290,000	5.10 to 5.75	9/1/03-07	54,225,000
Series 1993	9-1-93	68,775,000	—		—	5.25	9/1/08-12	<u>68,775,000</u>
Total Convention Facility Revenue Bonds - Cobo Hall Expansion								<u>123,000,000</u>
Total General Fund Bonds								<u>\$ 790,405,304</u>

1 - interest rate equal to the Dutch Auction Rate.

2 - interest rate equal to 1 1/4% in excess of the cost of funds. The cost of funds shall be the rate quoted by the registered holder of the bonds.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

a. The following is a schedule of the Bonds Payable at June 30, 2003:

	<u>Bond date</u>	<u>Amount issued</u>	<u>Retired year ended</u>		<u>Outstanding June 30, 2003</u>		
			<u>June 30, 2003</u>	<u>Interest rate</u>	<u>Range of interest rates</u>	<u>Maturity date</u>	<u>Amount</u>
Business-type Activities:							
Sewage Disposal Fund							
Sewage Disposal System Revenue Bonds (note B):							
Series 1992-A-SRF(5044-01)	6/25/92	\$ 4,360,000	2.00%	\$ 215,000	2.00 %	4/1/02-13	\$ 2,395,000
Series 1992-B-SRF (5070-01)	9/10/92	1,915,000	2.00	95,000	2.00	10/1/01-13	1,145,000
Series 1993-A	2/15/93	45,850,000	4.85	11,025,000	5.00 to 5.05	7/1/03	11,785,000
Series 1993-A	3/9/93	68,235,000	Various	32,400,000	-	1/0/00	-
Series 1993-A	3/9/93	197,375,000	—	67,375,000	-	1/0/00	-
Series 1995-B-SRF (5091 & 5092)	9/30/93	6,603,996	2.00	310,000	2.00	10/1/03-14	4,225,000
Series 1995-A	11/1/95	17,515,000	4.60	2,480,000	4.70 to 6.00	7/1/03-05	8,200,000
Series 1995-A	11/1/95	114,915,000	Various	70,010,000	5.00 to 5.25	7/1/06-23	44,905,000
Series 1995-B	11/1/95	47,090,000	5.50	1,770,000	4.70 to 4.9	7/1/03-05	5,875,000
Series 1995-B	11/1/95	78,205,000	—	—	5.00 to 6.25	7/1/06-21	78,205,000
Series 1997-A	6/15/97	71,130,000	4.40	4,115,000	4.5 to 6.00	7/1/03-07	40,165,000
Series 1997-A	6/15/97	191,364,128	—	34,360,000	5.00 to 5.50	7/1/08-27	172,509,128
Series 1997-B-SRF (5125-01)	9/30/97	5,430,174	2.25	230,000	2.25	10/1/03-18	4,480,000
Series 1998-A	12/10/98	69,000,000	—	300,000	4.51	7/1/03-23	68,400,000 3
Series 1998-B	12/10/98	68,955,000	4.51	400,000	4.51	7/1/03-23	68,200,000 3
Series 1999-SRF-1 (5126-01)	6/24/99	21,475,000	2.50	885,000	2.50	10/1/03-20	18,890,000
Series 1999-SRF-2 (5143-01)	9/30/99	46,000,000	—	—	2.50	10/1/03-20	46,000,000
Series 1999-SRF-3 (5144-01)	9/30/99	28,631,792	2.50	2,140,000	2.50	10/1/03-20	26,181,792
Series 1999-SRF-4 (5175-01)	9/30/99	40,665,000	2.50	1,625,000	2.50	10/1/03-20	37,445,000
Series 1999-A	12/1/99	7,225,000	4.40	1,855,000	4.5 to 5.00	7/1/03-09	3,705,000
Series 1999-A	12/1/99	295,770,178	—	—	5.125 to 6.00	7/1/10-29	37,620,179
Series 2000-SRF-1(5143-02)	9/28/00	45,085,771	2.50	—	2.50	10/1/03-22	45,085,771
Series 2000-SRF-2(5175-02)	9/28/00	39,821,501	—	—	2.50	10/1/03-22	39,821,501
Series 2000-SRF-1(5175-03)	6/28/01	82,200,000	—	—	2.50	10/1/05-24	82,200,000
Series 2000-SRF-2(5175-04)	12/20/01	9,073,929	—	—	2.50	10/1/05-24	9,073,929
Series 2001 A	9/15/01	76,375,000	—	—	5 to 5.13	7/1/31	76,375,000
Series 2001 B	9/15/01	110,550,000	—	—	5.50	7/1/29	110,550,000
Series 2001 C(1)	9/23/01	159,970,000	4.43	2,765,000	4.43	7/1/03-27	157,205,000 3
Series 2001 C(2)	9/23/01	127,165,000	4.47	2,205,000	4.47	7/1/03-24	124,960,000 4
Series 2001 D	9/23/01	92,450,000	—	—	5.50	7/1/32	92,450,000 3
Series 2001 E	9/23/01	139,080,000	—	—	4.38	7/1/24-31	139,080,000
Series 2002 SRF-1(5204-01)	10/27/02	4,833,958	—	—	2.50	7/1/04-32	4,833,958
Series 2002 SRF-2(5204-02)	10/27/02	1,970,000	—	—	2.50	7/1/04-33	274,649
Series 2003-A	5/22/03	213,395,000	—	—	Variable	7/1/03-14	213,395,000
Series 2003-A	5/22/03	385,985,000	—	—	2.00 To 5.50	7/1/03-32	385,985,000
Series 2003-B	5/22/03	150,000,000	—	—	Variable	7/1/33	150,000,000
Total Sewage Disposal System Revenue Bonds							<u>\$ 2,311,620,907</u>

City of Detroit, Michigan
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JUNE 30, 2003

a The following is a schedule of the Bonds Payable at June 30, 2003:

	Bond date	Amount issued	Retired year ended		Outstanding June 30, 2003				
			June 30, 2003	Amount	Range of interest rates	Maturity date	Amount		
			Interest rate						
Business-type Activities:									
Water Fund									
Water Supply System Revenue Bonds (notes C and D):									
Series 1992	5/1/92	\$ 114,685,000	6.10 to 6.25%	\$ 21,465,000	— %	—	\$ —		
Series 1992	6/1/92	106,000,000	6.38	30,800,000	—	—	—		
Series 1993	10/15/93	38,225,000	4.55	3,345,000	4.65 to 6.5	7/1/03-15	28,790,000		
Series 1993	10/15/93	125,035,000	—	—	4.70 to 5.00	7/1/04-23	125,880,000		
Series 1993	10/28/93	30,000,000	—	—	5.25	7/1/10-13	30,000,000		
Series 1995A	10/15/95	102,100,000	4.60	3,780,000	4.70 to 5.55	7/1/03-12	84,945,000		
Series 1995A	10/15/95	70,830,000	—	—	5.50	7/1/13-25	70,830,000		
Series 1997A	9/1/97	29,080,000	4.30	3,685,000	4.30 to 5.25	7/1/03-06	16,500,000		
Series 1997A	9/1/97	186,220,000	—	—	4.80 to 6.00	7/1/07-27	186,220,000		
Series 1997B	9/1/97	30,555,000	4.30	175,000	4.20 to 5.25	7/1/03-06	28,695,000		
Series 1999A	11/1/99	18,000,000	4.30	2,000,000	4.5 to 5.25	7/1/03-09	14,000,000		
Series 1999A	11/1/99	238,340,000	—	—	5.125 to 5.75	7/1/10-28	58,700,000		
Series 2001A	5/1/01	302,485,000	Various	134,810,000	4.50 to 5.50	7/1/11-33	167,675,000		
Series 2001B	5/1/01	108,985,000	—	—	4.50 to 5.50	7/1/12-33	108,985,000		
Series 2001C	6/7/01	192,290,000	—	—	Variable	7/1/04-29	192,290,000		
Series 2003A	1/28/03	234,805,000	—	—	4.5 to 5.25	7/1/04-34	234,805,000		
Series 2003B	1/28/03	172,945,000	—	—	2.0 to 5.25	7/1/04-34	172,945,000		
Series 2003C	1/28/03	46,355,000	—	—	2.0 to 5.25	7/1/04-22	46,355,000		
Series 2003D	1/28/03	151,370,000	—	—	Variable	7/1/04-34	151,370,000		
Total Water Supply System Revenue Bonds									<u>1,718,985,000</u>
Automobile Parking Fund									
Detroit Building Authority Bonds - Revenue Refunding Bonds:									
Parking & Arena System - Series 1997A	2/15/97	3,050,000	4.30	325,000	4.40 to 4.80	7/1/03-06	1,450,000		
Parking & Arena System - Series 1997B	2/15/97	37,695,000	6.43	3,995,000	6.50 to 6.79	7/1/03-06	18,785,000		
Parking & Arena System - Series 1998A	7/1/98	8,385,000	4.50	885,000	4.50 to 5.25	7/1/03-03	5,065,000		
Parking & Arena System - Series 1998A	7/1/98	18,615,000	—	—	4.70 to 5.25	7/1/08-19	18,615,000		
Parking & Arena System - Series 1999A	10/22/99	29,900,000	7.75	300,000	Variable	7/18/03-29	29,100,000		
Total Detroit Building Authority Revenue Refunding Bonds									<u>73,015,000</u>
Total Business-type Bonds								\$	<u>4,103,620,907</u>

Note A - As of June 30, 2003, the city had \$45,240,000 in outstanding General Obligation Bonds which have been defeased or advanced refunded.

Note B - As of June 30, 2003, the city had \$ 112,694,352 in outstanding Sewage Disposal System Revenue Bonds which have been defeased or advanced refunded.

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

Note D - As of June 30, 2003, the City had \$370,800,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

Note E - The Parking schedule does not include \$300,000 of Bonds for the Parking Fund maturing during fiscal year 2003 which were still outstanding as of June 30, 2003.

3 - interest rate determined weekly at the minimum rate of interest that would result in the sale of the bonds at a price equal to 100% of the principal amount thereof

4 - interest rate equal to Applicable Auction Rate Securities (ARS) rate. ARS is defined as lesser of (a) the higher of the after-tax equivalent rate (interest rate per annum equal to product of the "AA" financial commercial paper rate and one minus the statutory corporate tax rate) or Kenny Index Rate (index based on 30-day yield evaluation at par of securities the interest on which is excluded from gross income for federal income tax purposes, or (b) maximum interest rate (either 12% or the maximum permitted by the State of Michigan).

b. The following is the schedule of Notes Payable at June 30, 2003:

<u>Governmental Activities Notes Payable</u>	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding June 30, 2003</u>
Urban Renewal Fund:				
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue)	8/1/02	1.75 to 4.16 %	8/1/08	\$ 6,105,000
New Amsterdam Project (Secured by Future Block Grant Revenue)	8/1/02	4.16 to 6.12	8/1/08-23	9,700,000
Ferry Street Project (Secured by Future Block Grant Revenue)	4/28/99	5.58 to 6.72	8/1/04-19	2,900,000
Garfield Project (Secured by Future Block Grant Revenue)	6/5/96	6.67 to 7.66	8/1/03-15	2,050,000
Michigan Repacking Project (Secured by Future Block Grant Revenue)	10/28/97	6.11 to 7.09	8/1/03-04	1,335,000
Riverbend Project (Secured by Future Block Grant Revenue)	6/5/96	6.59 to 7.66	8/1/03-15	805,000
Riverbend Project (Secured by Future Block Grant Revenue)	10/28/97	6.21 to 7.08	8/1/03-16	425,000
Stuberstone Project (Secured by Future Block Grant Revenue)	10/28/97	6.21 to 7.10	8/1/03-16	<u>345,000</u>
Total Governmental Activities Notes Payable				\$ <u><u>23,665,000</u></u>

c. The following is the schedule of Bonds Authorized and Unissued at June 30, 2003:

	<u>Authorized (Note A)</u>			<u>Unissued Amount</u>
	<u>Authority</u>	<u>Date</u>	<u>Amount</u>	
General Obligation Bonds (Tax Supported):				
Sewer Construction	Electorate	8/2/1960	\$ 50,000,000	\$ 24,000,000
Public Safety	Electorate	11/7/2000	12,000,000	9,943,352
Municipal Facilities	Electorate	11/7/2000	18,000,000	7,479,538
Public Lighting	Electorate	11/4/2000	30,000,000	25,945,000
Institute of Arts	Electorate	11/7/2000	25,000,000	15,000,000
Recreation and Zoo	Electorate	11/7/2000	56,000,000	44,530,258
Neighborhood & Economic Development	Electorate	11/7/2000	30,000,000	23,776,853
Historical Museum	Electorate	11/6/2001	20,000,000	<u>17,735,000</u>
Total Bonds Authorized – Unissued				\$ <u><u>168,410,001</u></u>

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

d. Summary of Annual Principal and Interest Requirements for Bonds, Notes, and Other Debt Payable

Year Ending	Principal					Component Units
	Business-type Activities					
	Governmental Activities	Automobile Parking Fund	Water Fund	Sewage Disposal Fund	Total	
2004	88,002,244	5,915,000	20,145,000	38,745,000	64,805,000	313,394,042
2005	82,041,055	6,300,000	22,455,000	49,720,000	78,475,000	143,109,744
2006	70,820,372	6,760,000	25,430,000	43,395,000	75,585,000	151,240,987
2007	73,273,944	7,160,000	26,225,000	49,655,000	83,040,000	161,319,156
2008	63,894,602	1,670,000	25,080,000	44,905,000	71,655,000	160,152,422
2009-2013	261,911,003	9,980,000	163,675,000	250,658,675	424,313,675	400,975,119
2014-2018	125,796,000	14,725,000	206,230,000	303,511,577	524,466,577	248,833,993
2019-2023	113,902,000	8,605,000	258,510,000	313,070,655	580,185,655	238,791,299
2024-2028	—	9,500,000	361,260,000	446,695,000	817,455,000	294,853,010
2029-2033	—	2,400,000	488,755,000	645,765,000	1,136,920,000	451,546,670
2034.....	—	—	121,220,000	125,500,000	246,720,000	—
Total	\$ 879,641,220	\$ 73,015,000	\$ 1,718,985,000	\$ 2,311,620,907	\$ 4,103,620,907	\$ 2,564,216,442

Note Schedule does not include \$300,000 of Bonds for the Automobile Parking Fund maturing during fiscal year 2003 which were still outstanding as of June 30, 2003

Year Ending	Interest					Component Units
	Business-type Activities					
	Governmental Activities	Automobile Parking Fund	Water Fund	Sewage Disposal Fund	Total	
2004	57,452,622	4,595,219	67,214,950	97,681,676	169,491,845	138,850,568
2005	54,782,608	4,445,348	67,322,909	107,410,597	179,178,854	145,311,096
2006	36,448,072	3,843,628	66,859,438	104,475,415	175,178,481	131,230,193
2007	32,759,713	3,613,573	65,976,834	102,654,291	172,244,698	124,606,790
2008	27,981,827	2,936,973	64,897,689	100,561,198	168,395,860	99,701,504
2009-2013	91,426,414	13,493,197	304,343,674	466,019,730	783,856,601	422,489,193
2014-2018	38,748,000	10,188,332	269,875,854	425,186,980	705,251,166	328,747,292
2019-2023	8,633,379	6,406,014	227,048,716	352,387,486	585,842,216	263,979,634
2024-2028	—	3,210,934	237,699,988	237,699,988	478,610,910	202,809,728
2029-2033	—	173,060	101,549,614	101,549,614	203,272,288	49,243,434
2034.....	—	—	432,661	432,661	865,322	—
Total	\$ 348,232,635	\$ 52,906,278	\$ 1,473,222,327	\$ 2,096,059,636	\$ 3,622,188,241	\$ 1,906,969,432

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

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

e. Long-term Liabilities Activity for the year ended June 30, 2003 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>June 30, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2003</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Long-term debt:					
Convention Facility – Cobo					
Center Expansion Revenue Bonds	\$ 132,290,000	\$ -	\$ 9,290,000	\$ 123,000,000	\$ 9,740,000
Detroit Building Authority Bonds –					
Madison Center Project	13,858,834	-	1,078,530	12,780,304	1,366,500
Distribution State Aid Bonds	77,905,000	-	9,490,000	68,415,000	10,050,000
Self-insurance Limited Tax Bonds	42,440,000	-	13,570,000	28,870,000	13,965,000
General Obligation – General Bonds	465,575,000	45,000,000	20,775,000	489,800,000	22,895,000
General Obligation Limited Tax Bonds	16,480,000	52,725,000	1,665,000	67,540,000	12,545,000
Total general fund bonds	<u>748,548,834</u>	<u>97,725,000</u>	<u>55,868,530</u>	<u>790,405,304</u>	<u>70,561,500</u>
Federal note – Caraco Pharmaceutical					
Project	-	6,105,000	-	6,105,000	897,000
Federal note – Caraco Pharmaceutical					
Project	6,105,000	-	6,105,000	-	-
Federal note – Central Industrial Park					
Project	7,205,000	-	7,205,000	-	-
Federal note – Fery Project					
Project	2,900,000	-	-	2,900,000	-
Federal note – Garfield Project					
Project	2,155,000	-	105,000	2,050,000	105,000
Federal note – Michigan Repacking					
Project	1,375,000	-	40,000	1,335,000	45,000
Federal note – Riverbend Project					
Project	1,295,000	-	65,000	1,230,000	80,000
Federal note – Stuberstone Project					
Project	360,000	-	15,000	345,000	15,000
Federal note - New Amsterdam Project					
Project	-	9,700,000	-	9,700,000	-
Loan payable to Downtown					
Development Authority	33,600,000	-	-	33,600,000	-
Loan payable – GE Capital – Airport					
Project	154,272	-	36,070	118,202	37,686
Loan payable – GE Capital – Cobo Hall					
Energy System	11,209,615	-	1,480,510	9,729,105	1,561,241
Loan payable – GE Capital – Election					
System	1,824,776	-	488,127	1,336,649	513,981
Loan payable – GE Capital – Fire					
System	1,770,753	-	425,044	1,345,709	436,563
Loan payable – GE Capital ITS – Unisys					
System	10,763,191	-	3,403,121	7,360,070	3,584,508
Loan payable – GE Capital ITS – Facility					
System	210,000	-	210,000	-	-
Loan payable – GE Capital – Income Tax					
System	497,837	-	118,908	378,929	122,535
Loan payable – IBM Credit Corporation					
System	22,907,105	-	11,204,853	11,702,252	11,702,252
Total general fund notes and loans	<u>104,332,549</u>	<u>15,805,000</u>	<u>30,901,633</u>	<u>89,235,916</u>	<u>19,100,766</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

	<u>Balance</u> <u>June 30, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Long-term debt:					
Total long-term bonds, notes, and loans	852,881,383	113,530,000	86,770,163	879,641,220	89,662,266
Other long-term obligations:					
Accrued compensated absences	128,422,331	7,386,757	-	135,809,088	108,912,000
Claims and judgments	133,707,664	46,079,686	68,635,885	111,151,465	5,012,900
Workers' compensation	70,164,520	14,929,352	17,440,098	67,653,774	16,556,000
Total other long-term obligations	332,294,515	68,395,795	86,075,983	314,614,327	130,480,900
Total general long-term obligations	<u>\$ 1,185,175,898</u>	<u>\$ 181,925,795</u>	<u>\$ 172,846,146</u>	<u>\$ 1,194,255,547</u>	<u>\$ 220,143,166</u>

Note: The City has recognized a liability in the general fund of \$869,384 for compensated absences, \$5,012,900 for claims and judgments, and \$2,759,312 for workers compensation as of June 30, 2003 for amounts that were due as of year end. The remaining compensated absences, claims and judgments, and workers compensation claims liability and all other long-term obligations are considered to be general long-term liabilities and are recognized only in the government-wide financial statements.

Sewage Disposal Fund:					
Bonds payable	1,721,185,089	834,368,801	(243,932,983)	2,311,620,907	38,745,000
Accrued compensated absences	9,659,491	536,944	(230,458)	9,965,977	5,573,893
Accrued public liability and workers' compensation	6,970,321	—	(2,125,792)	4,844,529	1,160,901
Water Fund:					
Bonds payable	1,313,570,000	593,759,746	(188,344,746)	1,718,985,000	20,145,000
Accrued compensated absences	13,243,946	2,121,445	(1,439,542)	13,925,849	8,347,479
Accrued public liability and workers' compensation	17,371,414	—	(3,592,839)	13,778,575	4,608,935
Transportation Fund:					
Accrued compensated absences	4,793,085	—	(945,110)	3,847,975	3,078,380
Accrued public liability and workers' compensation	2,211,493	24,554	—	2,236,047	—
Non-major Funds:					
Accrued compensated absences	2,710,773	—	(658,658)	2,052,115	1,706,715
Accrued public liability and workers' compensation	6,853,263	—	(1,853,156)	5,000,107	3,194,227
Total bonds payable	<u>3,113,275,089</u>	<u>1,428,128,547</u>	<u>(437,482,729)</u>	<u>4,103,920,907</u>	<u>65,105,000</u>
Total accrued compensated absences	<u>30,763,142</u>	<u>2,658,389</u>	<u>(3,348,785)</u>	<u>30,072,746</u>	<u>18,744,736</u>
Total public liability and workers' compensation	<u>33,406,491</u>	<u>24,554</u>	<u>(7,571,787)</u>	<u>25,859,258</u>	<u>8,964,063</u>
Total long-term debt and obligations	<u>\$ 3,177,444,722</u>	<u>\$ 1,430,811,490</u>	<u>\$ (448,403,301)</u>	<u>\$ 4,159,852,911</u>	<u>\$ 92,813,799</u>
Component Units					
Detroit Public Schools:					
Bonds, notes and leases payable	\$ 1,046,543,378	\$ 732,200,201	(19,004,978)	\$ 1,759,738,601	\$ 250,986,607
Accrued compensated absences	143,242,670	10,486,814	—	153,729,484	2,325,877
Accrued public liability and workers' compensation	52,050,018	4,218,804	—	56,268,822	—
Total Detroit Public Schools	1,241,836,066	746,905,819	(19,004,978)	1,969,736,907	253,312,484
Other Component Units:					
Bonds, notes and leases payable	849,282,108	—	(44,804,267)	804,477,841	62,407,435
Accrued compensated absences	3,348,144	220,267	(723,200)	2,845,211	1,098,690
Accrued public liability and workers' compensation	570,480	—	(279,965)	290,515	42,330
Total Other Component Units	853,200,732	220,267	(45,807,432)	807,613,567	63,548,455
Total Longterm Debt and Obligations	<u>\$ 2,095,036,798</u>	<u>\$ 747,126,086</u>	<u>\$ (64,812,410)</u>	<u>\$ 2,777,350,474</u>	<u>\$ 316,860,939</u>

5. Other Information

Automobile Parking Fund:

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

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

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

Sewage Disposal and Water Funds Construction Programs:

The Sewage Disposal Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$2.7 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2003 were approximately \$ 924 million.

The Water Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$1.9 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2003 were approximately \$343 million.

Housing Fund:

The Housing Fund has operating lease agreements with certain limited liability corporations (LLC's) under which the Housing Commission leased land and buildings to the LLC's for the purpose of redeveloping certain housing projects. Such redevelopment will be financed primarily by modernization grants received by the Commission from HUD.

At the end of each lease term, the leasehold improvements will revert back to the Housing Commission without charge. As of June 30, 2003, the amount expended under the lease agreements is reflected in the financial statements of the Commission as construction work in progress.

Pension Plans:

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

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

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

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is up to 19.12% of active annual payroll for the General Retirement System (depending on the bargaining unit) and 27.25% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds and the Library, including accounts receivable for the year ended June 30, 2003, amounted to \$72,859,246 and \$66,843,029 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5%, or 7% of the first \$87,000 of annual compensation and 5% or 7% of any excess over \$87,000. Contributions are voluntary for all union and non-union employees.
- Policemen and Firemen Retirement System — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 2003 amounted to \$25,046,453 and \$10,143,949 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

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

General Retirement System members may retire with full benefits after attaining 30 years of service; age 55 with 30 years of service if hired after January 1, 1996; age 60 with 10 years of service; or age 65 with 8 years of service. Employees may retire after 25 years of service and collect an actuarially reduced retirement benefit.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after twenty-five (25) years of service with full benefits and a yearly cost-of-living adjustment of 2.25%.

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

Members of the Policemen and Firemen Retirement System who separated prior to July 1, 1982, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1982 and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension. For those members of the Policemen and Firemen Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance if they have accumulated 25 years of service. The following details the schedule of employer contributions (in millions):

<u>General Retirement System</u>				<u>Policemen and Firemen Retirement System</u>			
<u>Year Ended June 30</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>	<u>Year Ended June 30</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 68.1	100%	—	2001	\$ 14.4	100%	—
2002	67.8	100	—	2002	8.4	100	—
2003	72.9	100	—	2003	66.8	100	—

Classes of Employees: The GRS covers all eligible employees other than police officers and firefighters, who are covered by the PFRS.

The plans' membership consisted of the following at June 30, 2003, the date of the latest actuarial valuation:

	Defined Benefit		Defined Annuity Contributions	
	GRS	PFRS	GRS	PFRS
	Retirees and beneficiaries receiving benefits	11,348	8,648	1,611
Terminated plan members entitled to but not yet receiving benefits	1,546	38	357	13
Active plan members	12,850	5,417	11,576	4,874

Cash and Investments: Cash balances for the two systems are held in financial institutions insured as members of FDIC in the Systems' names. As of June 30, 2003, the carrying amounts of \$1,665,263 bank overdraft for the General Retirement System and \$1,625,974 for the Policemen and Firemen Retirement System were equal to bank balances. Of the bank balance, \$400,000 (\$200,000 for each system) is covered by federal depository insurance. The remaining balance is uninsured.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2003.

Category 2: Includes investments, which are uninsured, unregistered, and held by an agent in the City's name.

N/A: Those investments identified by N/A are not categorized because they represent pooled funds.

The Retirement Systems have adopted an official investment policy that is in accordance with state statute. Authorized investments include U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, mutual funds of certain investment quality, secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not excluded by state statute, limited as to portfolio share.

The Systems invest in mortgage-backed securities. These securities are reported at fair value in the balance sheet and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments of mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investments would be higher than anticipated. The Systems invest in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

Below is a description of the investments by type and category at June 30, 2003.

Investment		<u>Category</u>
General Retirement System:		
Short-term investments	\$ 142,673,003	2
Bonds and stocks	1,592,711,016	1
Mortgage-backed securities	76,948,913	1
Mortgage and construction loans	104,476,451	1
Equity interest in real estate	76,558,487	1
Pooled investments	92,121,206	N/A
Private placements	<u>250,529,719</u>	2
Total	<u>\$ 2,336,018,795</u>	
Policemen and Firemen Retirement System:		
Short-term investments	\$ 68,905,580	2
Bonds and stocks	1,993,343,467	1
Mortgage-backed securities	115,066,417	1
Mortgage and construction loans	104,089,752	1
Equity interest in real estate	77,075,396	1
Real estate investment trusts	23,472,362	2
Pooled investments	386,696,255	N/A
Private placements	<u>45,673,793</u>	2
Total	<u>\$ 2,814,323,022</u>	

Securities Lending: Under the provisions of Securities Lending Authorization Agreements, the Retirement Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial banks manage the securities lending program and receive cash, securities, and 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 but not less than 100% of the market value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial banks made on its behalf, and the custodial banks indemnified the Systems by agreeing to purchase replacement securities or return cash collateral in the event a borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodial banks. The Systems and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested in two separate collective investment pools. The average duration of each investment pool as of June 30, 2003 was 70 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2003, the Systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of June 30, 2003 was \$140,498,910 and \$136,390,113, respectively. During the fiscal year ended June 30, 2003, the General Retirement System has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received with respect to such loans was invested, at the discretion of the Board of Trustees of the Retirement System, in Quality Funds for Short-term Investments (the Fund), a pooled external vehicle. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investment at fair value for reporting purposes. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Retirement System's position in the Fund is not the same as the value of the Fund shares. There was no involuntary participation in an

external investment pool by the System for the fiscal year. Further, State Street assigned no income from one fund to another fund during the fiscal year.

For accounting purposes, the statements of net assets and changes in net assets in the fiduciary funds reflect the increase in assets, liabilities, interest income, and expense associated with securities lent.

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

	GRS	PFRS
Investment Gain, net:		
Dividend income	\$ 20,324,376	\$ 26,443,845
Interest income	86,895,544	90,777,040
Net depreciation	(17,140,820)	(28,227,412)
Investment expense	(8,345,720)	(10,424,790)
Total	\$ 81,733,380	\$ 78,568,683

Other Post-employment Benefits: In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care, and life insurance. The number of City retirees at June 30, 2003 is 19,996. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post-retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2003, are as follows:

Benefit	City Cost	Retiree Cost	Total Cost
Hospitalization	\$ 124,616,194	\$ 12,474,138	\$ 137,090,332
Dental	5,553,175	—	5,553,175
Eye care	2,086,691	—	2,086,691
Life insurance	144,475	25,802	170,277
Total	\$ 132,400,535	\$ 12,499,940	\$ 144,900,475

Significant actuarial assumptions used in preparing the accompanying Systems' financial statements for the year ended June 30, 2003 follow:

	General Retirement System	Policemen and Firemen Retirement System
Valuation date	June 30, 2002	June 30, 2002
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period	19 years	15 years
Asset valuation method	3-year Smoothed Market	3-year Smoothed Market
Actuarial assumptions:		
Investment rate of return	7.9%	7.8%
Projected salary increases	4.0% – 10.0%	5.5% – 9.0%
Includes inflation at	4.0%	4.8%
Cost-of-living adjustments	2.25%	2.25%

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

Component Units:

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

For the year ended June 30, 2003, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping fees	\$	55,835,979
Supplemental tipping fees		<u>15,796,692</u>
Total	\$	<u><u>71,632,671</u></u>

Special Item:

On July 31, 2002 the City revised its Development Agreements with the Casinos operating within the city. As a result, the casinos agreed to pay the City an additional \$132 million in exchange for the right to defer the construction of 400 hotel rooms each for five years. All of this revenue has been recognized in the entity-wide Statement of Activities and \$93,750,000 has been recognized as revenue in the fund financial statements. The remaining \$38,250,000 will be recognized as revenue in the fund financial statement in fiscal 2004.

NOTE IV. SUBSEQUENT EVENTS

On August 25, 2003 the Sewage Disposal System issued approximately \$25.8 million in bonds to participate in the Michigan Municipal Bonds Authority State Revolving Fund. The proceeds are to finance Clean Water Revolving Fund projects. These bonds begin to mature April 1, 2006 and they reach full maturity in the year 2025.

On September 17, 2003 the City of Detroit issued approximately \$98.9 million Self-Insurance Bonds, Limited Tax General Obligation Bonds, and Series 2003 Bonds (Federally Taxable). The refunded \$28.9 Million of the previously issued debt resulted in a present value savings of \$1,474,310 or 4.994%. These bonds begin to mature May 1, 2006 and reach full maturity in the year 2013.

On September 19, 2003 the City of Detroit issued approximately \$90.8 million Convention Facility Special Tax Revenue and Revenue Refunding Bonds. There was a refunding of \$68,775,000 of previously issued debt for a present value savings of \$5,545,607 or 9.1433%. These bonds begin to mature September 30, 2004 and reach full maturity in the year 2013.

On October 9, 2003 the City of Detroit issued approximately \$54.8 million Unlimited Tax General Obligation Bonds and Unlimited Tax General Obligation Refunding Bonds. There was a refinancing of \$11,070,000 of previously issued debt for a present value savings of \$472,308 or 4.1219%. These bonds begin to mature April 1, 2006 and reach full maturity in the year 2023.

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

**REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC PENSION DATA - UNAUDITED**

Schedules of Employer Contribution (In millions):

<u>General Retirement System</u>			<u>Policemen and Firemen Retirement System</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1997	\$ 54.7	100%	1997	\$ 54.5	100%
1998	52.7	100	1998	48.1	100
1999	55.6	100	1999	15.7	100
2000	66.7	100	2000	20.0	100
2001	68.1	100	2001	14.4	100
2002	67.8	100	2002	8.4	100
2003	72.9	100	2003	66.8	100

Schedules of Funding Progress (In millions):

General Retirement System:

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
1997	\$ 2,333.4	\$ 2,528.5	92.3%	\$ 195.1	\$ 382.8	51.0%
1998	2,582.0	2,814.9	91.7	232.9	387.0	60.2
1999 (a) (b)	2,756.6	2,900.4	95.0	143.8	383.4	37.5
2000 (a) (b)	2,902.4	3,077.0	94.3	174.6	417.2	41.9
2001 (a) (b)	2,912.1	3,176.6	91.6	267.5	439.6	60.8
2002	2,761.2	3,276.6	84.3	515.4	440.7	117.0

Policemen and Firemen Retirement System:

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
1997	\$ 2,943.0	\$ 2,820.3	94.9%	\$ (104.4)	\$ 217.6	- %
1998	3,325.9	2,976.8	111.7	(349.1)	217.5	-
1999 (a) (b)	3,668.4	3,218.7	114.0	(449.7)	217.0	-
2000 (a) (b)	3,964.2	3,342.1	118.6	(622.1)	237.7	-
2001 (a) (b)	3,900.0	3,463.2	112.6	(436.7)	253.3	-
2002	3,635.1	3,523.4	103.2	(111.7)	248.7	-

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

COMBINING
FINANCIAL
INFORMATION_
NON-MAJOR
GOVERNMENTAL
FUNDS

SPECIAL REVENUE FUNDS

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

Community Development Block Grant Funds	To account for activities financed by Federal Government Grants under Title I of the Housing and Community Development Act of 1974.
Construction Code Fund	In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use and occupancy, and hearing appeals in accordance with this act.
Detroit Building Authority Fund	To account for financing activities associated with acquiring, improving, operating and maintaining buildings and other structures for public purposes.
Drug Law Enforcement Fund	To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement.
Empowerment Zone Fund	To account for activities financed by Federal Government Grants under provision of Section 2007 of Title XX of the Social Security Act as amended.
Federal Employment and Training Funds	To account for employment and training program grants received from government sources.
Human Services Fund	To account for Federal and State Grant revenues that are used to finance certain social service programs.
Major and Local Street Funds	To account for Michigan State Gas and Weight Tax revenues and other related grants used for the construction and maintenance of major and local streets.
Supportive Housing Programs and Homeless Initiatives Funds	To account for financing activities of Supportive Housing Programs for the Homeless received from the Federal Government.
Targeted Business Development Fund	To account for revenues received via the casino development agreements earmarked to foster the presence of minority businesses in the City.

CAPITAL PROJECTS FUNDS

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

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

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS ARE ESTABLISHED TO ACCOUNT FOR THE ACCUMULATION OF RESOURCES FOR THE PAYMENT OF DEBT REPORTED IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP AND PRINCIPAL AND INTEREST OF CERTAIN PROPRIETARY FUNDS' GENERAL OBLIGATIONS

PERMANENT FUNDS

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

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

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2003

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds Bequest Fund	Total
ASSETS					
Current Assets					
Cash.....	\$ 25,340,223	\$ 4,743	\$ 7,646,520	\$ 38,557	\$ 33,030,043
Investments.....	103,994,956	240,059	175,299,443	1,067,883	280,602,341
Accounts and Contracts Receivable:					
Due from Other Funds.....	5,103,347	2,554,241	3,425,648	-	11,083,236
Due from Other Governmental Agencies.....	33,192,030	-	10,632,680	-	43,824,710
Due from Component Units Funds.....	2,981	-	-	-	2,981
Other Receivables.....	169,617	-	253,217	-	422,834
Total Accounts and Contracts Receivable.....	38,467,975	2,554,241	14,311,545	-	55,333,761
Allowance for Uncollectible Accounts.....	(1,967,595)	-	(211,391)	-	(2,178,986)
Total Accounts and Contracts Receivable - Net.....	36,500,380	2,554,241	14,100,154	-	53,154,775
General Taxes Receivable on Real and Personal Property (Net).	-	6,658,081	-	-	6,658,081
Advances to Component Units.....	375,275	-	-	-	375,275
Taxes, Interest and Penalties--Net.....	-	2,320,000	-	-	2,320,000
Prepaid Expenditures.....	197,824	-	-	-	197,824
Inventory--Forfeited Property.....	752,406	-	-	-	752,406
Other Inventory.....	454,055	-	-	-	454,055
Total Current Assets.....	167,615,119	11,777,124	197,046,117	1,106,440	377,544,800
Restricted Assets:					
Cash.....	743,155	41,206,427	4,001,116	103,565	46,054,263
Total Assets.....	\$ 168,358,274	\$ 52,983,551	\$ 201,047,233	\$ 1,210,005	\$ 423,599,063
LIABILITIES, AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable.....	\$ 23,164,078	\$ -	\$ 11,383,414	\$ -	\$ 34,547,492
Due to Other Funds.....	18,832,492	61,479	1,901,637	-	20,795,608
Advances from Other Funds.....	147,000	-	850,000	-	997,000
Due to Component Units.....	-	1,927,596	-	-	1,927,596
Due to Other Governmental Agencies.....	12,648,783	-	-	-	12,648,783
Deposits from Vendors and Customers.....	4,964,651	-	-	-	4,964,651
Accrued Salaries and Wages Payable.....	1,631,876	-	-	-	1,631,876
Accrued Employee Benefits Payable.....	16,834	-	-	-	16,834
Accrued Liabilities.....	11,143,917	-	-	-	11,143,917
Other Liabilities.....	977,905	-	1,774,417	-	2,752,322
Deferred Revenue.....	4,690,248	8,221,081	3,170,787	-	16,082,116
Total Liabilities.....	78,217,784	10,210,156	19,080,255	-	107,508,195
Fund Balances:					
Reserve for Inventory.....	1,206,461	-	-	-	1,206,461
Reserve for Encumbrances.....	10,203,327	-	-	-	10,203,327
Reserved for Endowments and Trusts.....	-	-	-	1,210,005	1,210,005
Reserved for Debt Service.....	-	42,773,395	-	-	42,773,395
Reserved for Capital Projects.....	-	-	181,966,978	-	181,966,978
Undesignated.....	78,730,702	-	-	-	78,730,702
Total Fund Balances.....	90,140,490	42,773,395	181,966,978	1,210,005	316,090,868
Total Liabilities and Fund Balances.....	\$ 168,358,274	\$ 52,983,551	\$ 201,047,233	\$ 1,210,005	\$ 423,599,063

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Permanent Funds Bequest Fund	Total
REVENUES:					
Taxes:					
Property Taxes.....	\$ -	\$ 58,003,133	\$ -	\$ -	\$ 58,003,133
Other Taxes and Assessments.....	-	3,482,288	-	-	3,482,288
State Hotel and Liquor Tax.....	-	16,217,213	-	-	16,217,213
Licenses, Permits and Inspection Charges.....	16,450,408	-	-	-	16,450,408
Intergovernmental:					
Federal.....	204,675,704	-	35,557,492	-	240,233,196
State.....	10,721,633	-	-	-	10,721,633
Other.....	23,327,671	-	-	-	23,327,671
Gas and Weight Tax.....	61,048,895	-	-	-	61,048,895
Sales and Charges for Services.....	3,461,822	-	-	-	3,461,822
Ordinance Fines.....	3,575,616	-	-	-	3,575,616
Revenue from Use of Assets.....	-	2,299,441	-	-	2,299,441
Earnings on Investments.....	987,687	1,437,831	1,657,161	51,459	4,134,138
Other Revenue.....	4,823,400	-	1,150,082	-	5,973,482
Total Revenues.....	<u>329,072,836</u>	<u>81,439,906</u>	<u>38,364,735</u>	<u>51,459</u>	<u>448,928,936</u>
EXPENDITURES:					
Current:					
Public Protection.....	25,493,410	-	-	-	25,493,410
Health.....	92,370,547	-	-	-	92,370,547
Economic Development.....	69,536,520	6,358,987	-	-	75,895,507
Educational Development.....	85,853,927	-	-	-	85,853,927
Housing and Conditions.....	4,891,562	-	-	-	4,891,562
Transportation.....	44,217,657	-	-	-	44,217,657
Debt Service:					
Principal.....	-	86,770,163	-	-	86,770,163
Interest.....	-	43,761,038	-	-	43,761,038
Bond Issuance Costs.....	50,451	-	843,966	-	894,417
Capital Outlay.....	-	-	57,638,816	-	57,638,816
Total Expenditures.....	<u>322,414,074</u>	<u>136,890,188</u>	<u>58,482,782</u>	<u>-</u>	<u>517,787,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures....	6,658,762	(55,450,282)	(20,118,047)	51,459	(68,858,108)
OTHER FINANCING SOURCES (USES):					
Transfers In:					
General Fund.....	14,194,872	44,238,894	-	-	58,433,766
Special Revenue Funds.....	12,558,235	7,031,366	-	-	19,589,601
Proceeds from Capital Related Debt Issuance.....	15,805,000	-	45,000,000	-	60,805,000
Premium on General Obligation Bonds Issued.....	-	-	1,885,594	-	1,885,594
Transfers Out:					
General Fund.....	48,917,651	-	-	-	48,917,651
Debt Service Fund.....	7,031,366	-	-	-	7,031,366
Special Revenue Funds.....	12,558,235	-	-	-	12,558,235
Total Other Financing Sources (Uses).....	<u>(25,949,145)</u>	<u>51,270,260</u>	<u>46,885,594</u>	<u>-</u>	<u>72,206,709</u>
SPECIAL ITEM - Casino Development Revenue.....	30,000,000	-	-	-	30,000,000
Net Change in Fund Balances.....	10,709,617	(4,180,022)	26,767,547	51,459	33,348,601
Fund Balances at Beginning of Year.....	79,748,319	46,953,417	155,199,431	1,158,546	283,059,713
Increase/(Decrease) in Inventories.....	(317,446)	-	-	-	(317,446)
Fund Balances at End of Year.....	<u>\$ 90,140,490</u>	<u>\$ 42,773,395</u>	<u>\$ 181,966,978</u>	<u>\$ 1,210,005</u>	<u>\$ 316,090,868</u>

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2003

ASSETS	Community Development Block Grant Funds	Construction Code Fund	Detroit Building Authority Fund	Drug Law Enforcement Fund
Current Assets:				
Cash.....	\$ 248,389	\$ 2,611,890	\$ 2,602,464	\$ 184,188
Investments.....	11,531,106	-	-	15,163,850
Accounts and Contracts Receivable:				
Due from Other Funds.....	1,280,885	1,661,815	-	81,749
Due from Other Governmental Agencies.....	-	-	70,086	-
Due from Component Units Funds.....	-	2,981	-	-
Other Receivables.....	77,053	78,882	-	-
Total Accounts and Contracts Receivable.....	1,357,938	1,743,678	70,086	81,749
Allowance for Uncollectible Accounts.....	(37,608)	(6,620)	-	-
Total Accounts and Contracts Receivable - Net..	1,320,330	1,737,058	70,086	81,749
Advances to Component Units.....	375,275	-	-	-
Prepaid Expenditures.....	-	-	-	-
Inventory--Forfeited Property.....	-	-	-	752,406
Other Inventory.....	-	46,939	-	-
Total Current Assets.....	13,475,100	4,395,887	2,672,550	16,182,193
Restricted Assets:				
Cash.....	738,568	4,587	-	-
Total Assets.....	\$ 14,213,668	\$ 4,400,474	\$ 2,672,550	\$ 16,182,193
LIABILITIES, AND FUND BALANCES				
Liabilities:				
Accounts and Contracts Payable.....	\$ 2,025,421	\$ 31,171	\$ 371,263	\$ 84,757
Due to Other Funds.....	5,522,744	3,017,058	2,537,460	56,148
Advances from Other Funds.....	-	-	-	-
Due to Other Governmental Agencies.....	4,540,180	100,823	-	112,400
Deposits from Vendors and Customers.....	-	4,487	-	4,960,164
Accrued Salaries and Wages Payable.....	267,015	809,340	-	15,609
Accrued Employee Benefits Payable.....	-	16,834	-	-
Accrued Liabilities.....	880,403	223,215	157,176	147,989
Other Liabilities.....	977,905	-	-	-
Deferred Revenue.....	-	-	-	-
Total Liabilities.....	14,213,668	4,202,928	3,065,899	5,377,067
Fund Balances (Deficits):				
Reserve for Inventory.....	-	46,939	-	752,406
Reserve for Encumbrances.....	-	150,607	-	10,052,720
Undesignated.....	-	-	(393,349)	-
Total Fund Balances (Deficits).....	-	197,546	(393,349)	10,805,126
Total Liabilities and Fund Balances.....	\$ 14,213,668	\$ 4,400,474	\$ 2,672,550	\$ 16,182,193

Empowerment Zone Fund	Federal Employment and Training Funds	Human Services Fund	Major and Local Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
\$ 3,672,251	\$ 12,129,651	\$ 3,442,488	\$ 19,301	\$ 429,601	\$ -	\$ 25,340,223
-	-	-	47,300,000	-	30,000,000	103,994,956
-	1,398,796	581,144	98,958	-	-	5,103,347
5,354,434	7,109,025	5,239,438	14,609,672	809,375	-	33,192,030
-	-	-	-	-	-	2,981
-	-	13,682	-	-	-	169,617
5,354,434	8,507,821	5,834,264	14,708,630	809,375	-	38,467,975
-	-	-	(1,923,367)	-	-	(1,967,595)
5,354,434	8,507,821	5,834,264	12,785,263	809,375	-	36,500,380
-	-	-	-	-	-	375,275
-	197,824	-	-	-	-	197,824
-	-	-	-	-	-	752,406
-	-	-	407,116	-	-	454,055
9,026,685	20,835,296	9,276,752	60,511,680	1,238,976	30,000,000	167,615,119
-	-	-	-	-	-	743,155
<u>\$ 9,026,685</u>	<u>\$ 20,835,296</u>	<u>\$ 9,276,752</u>	<u>\$ 60,511,680</u>	<u>\$ 1,238,976</u>	<u>\$ 30,000,000</u>	<u>\$ 168,358,274</u>
\$ 182,067	\$ 11,948,638	\$ 3,447,741	\$ 5,073,020	\$ -	\$ -	\$ 23,164,078
1,437,131	2,319,240	795,238	2,467,953	679,519	-	18,832,492
-	147,000	-	-	-	-	147,000
-	6,109,168	-	1,786,212	-	-	12,648,783
-	-	-	-	-	-	4,964,651
15,363	311,250	183,220	-	30,080	-	1,631,876
-	-	-	-	-	-	16,834
7,392,124	-	160,305	1,653,328	529,377	-	11,143,917
-	-	-	-	-	-	977,905
-	-	4,690,248	-	-	-	4,690,248
9,026,685	20,835,296	9,276,752	10,980,513	1,238,976	-	78,217,784
-	-	-	407,116	-	-	1,206,461
-	-	-	-	-	-	10,203,327
-	-	-	49,124,051	-	30,000,000	78,730,702
-	-	-	49,531,167	-	30,000,000	90,140,490
<u>\$ 9,026,685</u>	<u>\$ 20,835,296</u>	<u>\$ 9,276,752</u>	<u>\$ 60,511,680</u>	<u>\$ 1,238,976</u>	<u>\$ 30,000,000</u>	<u>\$ 168,358,274</u>

City of Detroit, Michigan
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2003

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority	Drug Law Enforcement Fund
REVENUES:				
Licenses, Permits and Inspection Charges.....	\$ -	\$ 16,450,408	\$ -	\$ -
Intergovernmental:				
Federal.....	34,651,679	-	-	-
State.....	-	-	-	-
Other.....	-	-	-	-
Gas and Weight Tax.....	-	-	-	-
Sales and Charges for Services.....	3,356,841	104,981	-	-
Ordinance Fines and Forfeitures.....	-	-	-	3,575,616
Earnings on Investments.....	-	-	-	195,821
Other Revenue.....	-	10,168	1,761,156	59,598
Total Revenues.....	38,008,520	16,565,557	1,761,156	3,831,035
EXPENDITURES:				
Current:				
Public Protection.....	-	23,179,940	-	2,313,470
Health.....	-	-	-	-
Economic Development.....	47,405,087	-	1,800,697	-
Educational Development.....	-	-	-	-
Housing and Conditions.....	-	-	-	-
Transportation Facilitation.....	-	-	-	-
Note Issuance Costs.....	50,451	-	-	-
Total Expenditures.....	47,455,538	23,179,940	1,800,697	2,313,470
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(9,447,018)	(6,614,383)	(39,541)	1,517,565
OTHER FINANCING SOURCES (USES):				
Project Borrowings.....	15,805,000	-	-	-
Transfers in:				
General Fund.....	1,343,302	5,957,363	355,343	-
Community Development Block Grant Fund.....	-	669,918	-	-
Debt Service.....	-	-	-	-
Total Other Financing Sources.....	17,148,302	6,627,281	355,343	-
Transfers out:				
Construction Code Fund.....	669,918	-	-	-
General Fund.....	-	-	-	-
General Debt Service Funds.....	7,031,366	-	-	-
Local Street Fund.....	-	-	-	-
Total Transfers Out.....	7,701,284	-	-	-
Total Other Financing Sources (Uses).....	9,447,018	6,627,281	355,343	-
SPECIAL ITEM - Casino Development Revenue.....				
Net Change in Fund Balances.....	-	12,898	315,802	1,517,565
Fund Balances (Deficits) at Beginning of Year.....	-	185,343	(709,151)	9,440,231
Increase (Decrease) in Inventory.....	-	(695)	-	(152,670)
Fund Balances (Deficits) at End of Year.....	\$ -	\$ 197,546	\$ (393,349)	\$ 10,805,126

Empowerment Zone Fund	Federal Employment and Training Funds	Human Services Fund	Major and Local Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,450,408
20,330,736	85,853,927	58,947,800	-	4,891,562	-	204,675,704
-	-	3,556,212	7,165,421	-	-	10,721,633
-	-	23,327,671	-	-	-	23,327,671
-	-	-	61,048,895	-	-	61,048,895
-	-	-	-	-	-	3,461,822
-	-	-	-	-	-	3,575,616
-	-	-	791,866	-	-	987,687
-	-	-	2,992,478	-	-	4,823,400
<u>20,330,736</u>	<u>85,853,927</u>	<u>85,831,683</u>	<u>71,998,660</u>	<u>4,891,562</u>	<u>-</u>	<u>329,072,836</u>
-	-	-	-	-	-	25,493,410
-	-	92,370,547	-	-	-	92,370,547
20,330,736	-	-	-	-	-	69,536,520
-	85,853,927	-	-	-	-	85,853,927
-	-	-	-	4,891,562	-	4,891,562
-	-	-	44,217,657	-	-	44,217,657
-	-	-	-	-	-	50,451
<u>20,330,736</u>	<u>85,853,927</u>	<u>92,370,547</u>	<u>44,217,657</u>	<u>4,891,562</u>	<u>-</u>	<u>322,414,074</u>
-	-	(6,538,864)	27,781,003	-	-	6,658,762
-	-	-	-	-	-	15,805,000
-	-	6,538,864	-	-	-	14,194,872
-	-	-	-	-	-	669,918
-	-	-	11,888,317	-	-	11,888,317
-	-	6,538,864	11,888,317	-	-	42,558,107
-	-	-	-	-	-	669,918
-	-	-	48,917,651	-	-	48,917,651
-	-	-	-	-	-	7,031,366
-	-	-	11,888,317	-	-	11,888,317
-	-	-	60,805,968	-	-	68,507,252
-	-	6,538,864	(48,917,651)	-	-	(25,949,145)
-	-	-	-	-	30,000,000	30,000,000
-	-	-	(21,136,648)	-	-	10,709,618
-	-	-	70,831,896	-	-	79,748,319
-	-	-	(164,081)	-	-	(317,446)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,531,167</u>	<u>\$ -</u>	<u>\$ 30,000,000</u>	<u>\$ 90,140,490</u>

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2003

	Capital Projects	Urban Renewal	Total
ASSETS			
Cash.....	\$ 6,901,613	\$ 744,907	\$ 7,646,520
Investments.....	159,605,574	15,693,869	175,299,443
Accounts and Contracts Receivable:			
Due from Other Funds.....	3,421,997	3,651	3,425,648
Due from Other Governmental Agencies.....	10,632,680	-	10,632,680
Other Receivables - Trade.....	253,217	-	253,217
Total Accounts and Contracts			
Receivable -	14,307,894	3,651	14,311,545
Allowance for Uncollectible Accounts.....	(211,391)	-	(211,391)
Total Accounts and Contracts Receivable - Net.....	14,096,503	3,651	14,100,154
Restricted Investments.....	4,001,116	-	4,001,116
Total Assets.....	\$ 184,604,806	\$ 16,442,427	\$ 201,047,233

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts and Contracts Payable.....	\$ 11,253,871	\$ 129,543	\$ 11,383,414
Due to Other Funds.....	750,887	1,150,750	1,901,637
Advance from General Fund.....	850,000	-	850,000
Other Liabilities.....	24,054	1,750,363	1,774,417
Deferred Revenue.....	3,159,072	11,715	3,170,787
Total Liabilities.....	16,037,884	3,042,371	19,080,255
Fund Balances:			
Undesignated Fund Balance.....	168,566,922	13,400,056	181,966,978
Total Fund Balances.....	168,566,922	13,400,056	181,966,978
Total Liabilities and Fund Balances.....	\$ 184,604,806	\$ 16,442,427	\$ 201,047,233

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2003

	<u>Capital Projects</u>	<u>Urban Renewal</u>	<u>Total</u>
Revenues:			
Grants.....	\$ 6,538,121	\$ 29,019,371	\$ 35,557,492
Earnings on Investments.....	1,657,161	-	1,657,161
Other Revenues.....	<u>1,150,082</u>	<u>-</u>	<u>1,150,082</u>
Total Revenues.....	9,345,364	29,019,371	38,364,735
Expenditures:			
Bond Issuance Costs.....	843,966	-	843,966
Capital Outlay.....	<u>38,319,802</u>	<u>19,319,014</u>	<u>57,638,816</u>
Total Expenditures.....	39,163,768	19,319,014	58,482,782
(Deficiency) of Revenues			
(Under) Expenditures.....	(29,818,404)	9,700,357	(20,118,047)
Other Financing Sources:			
Proceeds from Bonds.....	45,000,000	-	45,000,000
Premium on Bonds Issued.....	<u>1,885,594</u>	<u>-</u>	<u>1,885,594</u>
Total Other Financing Sources.....	46,885,594	-	46,885,594
Net Change in Fund Balances.....	17,067,190	9,700,357	26,767,547
Fund Balances at Beginning of Year.....	<u>151,499,732</u>	<u>3,699,699</u>	<u>155,199,431</u>
Fund Balances at End of Year.....	<u><u>\$ 168,566,922</u></u>	<u><u>\$ 13,400,056</u></u>	<u><u>\$ 181,966,978</u></u>

City of Detroit, Michigan
COMBINING BALANCE SHEETS
NON-MAJOR PERMANENT FUNDS
BEQUEST FUND
June 30, 2003

ASSETS	Permanent Funds		
	Bequest Fund		
	Other Trust	Cemetery Trust	Total
Cash.....	\$ -	\$ 38,557	\$ 38,557
Restricted Cash.....	-	103,565	103,565
Investments.....	41,786	1,026,097	1,067,883
Total Assets.....	\$ 41,786	\$ 1,168,219	\$ 1,210,005
LIABILITIES, AND FUND BALANCES			
Liabilities:			
Total Liabilities.....	\$ -	\$ -	\$ -
Fund Balances:			
Reserved for Restricted Assets.....	41,786	1,168,219	1,210,005
Total Fund Balances.....	41,786	1,168,219	1,210,005
Total Liabilities and Fund Balances.....	\$ 41,786	\$ 1,168,219	\$ 1,210,005

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR PERMANENT FUNDS
BEQUEST FUND
For the Year Ended June 30, 2003

	<u>Permanent Funds</u>		<u>Total</u>
	<u>Bequest Fund</u>		
	<u>Other Trust</u>	<u>Cemetery Trust</u>	
Revenues:			
Investment Income	\$ 557	\$ 50,902	\$ 51,459
Total Revenues.....	557	50,902	51,459
Expenditures:			
Total Expenditures.....	-	-	-
Total Revenues Over Expenditures.....	557	50,902	51,459
Fund Balance, Beginning.....	41,229	1,117,317	1,158,546
Fund Balance, Ending.....	<u>\$ 41,786</u>	<u>\$ 1,168,219</u>	<u>\$ 1,210,005</u>

City of Detroit
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
ASSETS				
Cash.....	\$ 2,559,060	\$ 7,180,782	\$ 5,537,013.00	\$ 4,202,829
Investments.....	5,794,291	2,287,091	1,719,063.00	6,362,319
Due From Primary Government.....	185,281	-	-	185,281
Total Assets	\$ 8,538,632	\$ 9,467,873	\$ 7,256,076	\$ 10,750,429
LIABILITIES				
Accounts and Contracts Payable....	\$ 1,558,210	\$ 1,777,790	\$ -	\$ 3,336,001
Due to Primary Government.....	149,067	271,056	149,066	271,056
Other Liabilities.....	6,831,355	3,298,219	2,986,202	6,831,355
Total Liabilities	\$ 8,538,632	\$ 5,347,065	\$ 3,135,268	\$ 10,750,429

City of Detroit
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
Condemnation Award Fund				
Assets				
Cash.....	\$ 1,522,330	\$ 1,777,117	\$ -	\$ 3,299,447
Total Assets.....	\$ 1,522,330	\$ 1,777,117	\$ -	\$ 3,299,447
Liabilities				
Accounts and Contracts Payable.....	\$ 1,522,330	\$ 1,777,117	\$ -	\$ 3,299,447
Total Liabilities.....	\$ 1,522,330	\$ 1,777,117	\$ -	\$ 3,299,447
 Fire Insurance Escrow Fund				
Assets				
Cash.....	\$ 306,522	\$ 5,403,665	\$ 5,537,013	\$ 173,174
Investments.....	5,794,291	2,287,091	1,719,063	6,362,319
Due from Other Funds.....	185,281	-	-	185,281
Total Assets.....	\$ 6,286,094	\$ 7,690,756	\$ 7,256,076	\$ 6,720,774
Liabilities				
Accounts and Contracts Payable.....	\$ 35,881	\$ 673	\$ -	\$ 36,554
Due to Other Funds.....	149,066	271,056	149,066	271,056
Other Liabilities.....	6,101,147	3,298,219	2,986,202	6,413,164
Total Liabilities.....	\$ 6,286,094	\$ 3,569,948	\$ 3,135,268	\$ 6,720,774
 Other Agency Funds				
Assets				
Cash.....	\$ 730,208	\$ -	\$ -	\$ 730,208
Total Assets.....	\$ 730,208	\$ -	\$ -	\$ 730,208
Liabilities				
Other Liabilities.....	\$ 730,208	\$ -	\$ -	\$ 730,208
Total Liabilities.....	\$ 730,208	\$ -	\$ -	\$ 730,208
 Total Agency Funds				
Assets				
Cash.....	\$ 2,559,060	\$ 7,180,782	\$ 5,537,013	\$ 4,202,829
Investments.....	5,794,291	2,287,091	1,719,063	6,362,319
Due from Other Funds.....	185,281	-	-	185,281
Total Assets.....	\$ 8,538,632	\$ 9,467,873	\$ 7,256,076	\$ 10,750,429
Liabilities				
Accounts and Contracts Payable.....	\$ 1,558,211	\$ 1,777,790	\$ -	\$ 3,336,001
Due to Other Funds.....	149,066	271,056	149,066	271,056
Other Liabilities.....	6,831,355	3,298,219	2,986,202	7,143,372
Total Liabilities.....	\$ 8,538,632	\$ 5,347,065	\$ 3,135,268	\$ 10,750,429



The largest Farmer Jack store in Michigan - at 64,000 square feet - is in Detroit on East Jefferson. The full-service supermarket, which opened in 2003, is an asset for appreciative east side residents.



The new \$18.5-million Wayne State University Welcome Center, located at Woodward and Warren avenues, is a 70,000-square-foot facility for prospective and new students.

Photos courtesy of City of Detroit - Communications & Creative Services Department

COMBINING
FINANCIAL
INFORMATION –
NON-MAJOR
PROPRIETARY
FUNDS

City of Detroit, Michigan
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2003

ASSETS	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Current Assets:			
Cash and Cash Equivalents.....	\$ 203,160	\$ 2,340,534	\$ 2,543,694
Accounts and Contracts Receivable:			
Due from Other Funds.....	667,749	1,257,000	1,924,749
Due from Other Governmental Agencies.....	-	10,440,445	10,440,445
Other Receivables - Trade.....	744,770	321,072	1,065,842
Total Accounts and Contracts Receivable.....	1,412,519	12,018,517	13,431,036
Allowance for Uncollectible Accounts.....	(394,060)	(1,620,577)	(2,014,637)
Total Accounts and Contracts Receivable - Net.....	1,018,459	10,397,940	11,416,399
Inventories.....	-	618,425	618,425
Prepaid Expenses.....	96,072	230,203	326,275
Restricted Cash and Cash Equivalents.....	-	2,418,611	2,418,611
Total Current Assets.....	1,317,691	16,005,713	17,323,404
Noncurrent Assets:			
Capital Assets:			
Land.....	5,169,374	15,123,076	20,292,450
Land Improvements.....	8,020,719	1,977,691	9,998,410
Structures and Improvements.....	5,272,287	127,629,501	132,901,788
Equipment.....	1,703,438	1,560,216	3,263,654
Vehicles and Buses.....	1,047,010	2,354,892	3,401,902
Construction Work in Progress.....	-	29,227,637	29,227,637
Total Capital Assets.....	21,212,828	177,873,013	199,085,841
Less: Accumulated Depreciation.....	(11,483,062)	(60,769,968)	(72,253,030)
Net Capital Assets.....	9,729,766	117,103,045	126,832,811
Other Assets	-	7,380,841	7,380,841
Total Noncurrent Assets.....	9,729,766	124,483,885	134,213,652
Total Assets.....	11,047,457	140,489,599	151,537,056

(Continued)

LIABILITIES AND NET ASSETS	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Liabilities:			
Current Liabilities:			
Accounts and Contracts Payable.....	17,667	1,451,201	1,468,868
Due to Other Funds.....	47,999	3,383,162	3,431,161
Due to Fiduciary Funds.....	151,293	347,782	499,075
Refundable Deposits.....	90,256	-	90,256
Due to Other Governmental Agencies.....	15,714	16,067,654	16,083,368
Accrued Salaries and Wages.....	40,038	330,644	370,682
Accrued Compensated Absences.....	112,927	1,593,788	1,706,715
Accrued Public Liability and Workers Compensation.....	9,357	3,184,870	3,194,227
Other Liabilities.....	68,480	-	68,480
Restricted Accounts and Contracts Payable.....	-	2,780,667	2,780,667
Deferred Revenue.....	4,629	1,325,965	1,330,594
Total Current Liabilities.....	558,360	30,465,733	31,024,093
Noncurrent Liabilities:			
Accrued Compensated Absences	194,999	150,401	345,400
Accrued Public Liability and Workers' Compensation.....	95,608	1,710,272	1,805,880
Total Noncurrent Liabilities.....	290,607	1,860,673	2,151,280
Total Liabilities	848,967	32,326,406	33,175,373
Net Assets:			
Invested in Capital Assets, Net of Related Debt.....	9,729,767	117,103,046	126,832,813
Unrestricted (Deficit).....	468,723	(8,939,853)	(8,471,130)
Total Net Assets.....	\$ 10,198,490	\$ 108,163,193	\$ 118,361,683

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Operating Revenues:			
Sales and Charges for Services.....	\$ 79,799	\$ -	\$ 79,799
Rentals, Fees and Surcharges.....	1,077,311	5,590,469	6,667,780
Miscellaneous.....	36,676	6,900,280	6,936,956
Total Operating Revenues.....	1,193,786	12,490,749	13,684,535
Operating Expenses:			
Salaries, Wages and Benefits.....	1,466,850	8,283,931	9,750,781
Operating	1,235,477	3,650,895	4,886,372
Repairs and Maintenance	94,391	10,848,497	10,942,888
Materials, Supplies and Other Expenses.....	502,553	49,662,192	50,164,745
Depreciation and Amortization.....	546,167	3,339,470	3,885,637
Total Operating Expenses.....	3,845,438	75,784,985	79,630,423
Operating Loss.....	(2,651,652)	(63,294,236)	(65,945,888)
Non-Operating Revenues:			
Earnings on Investments.....	-	51,906	51,906
Federal Subsidies.....	-	50,258,182	50,258,182
Gain (Loss) on Disposal of Assets.....	-	(682,409)	(682,409)
Total Non-Operating Revenues.....	-	49,627,679	49,627,679
Net Loss Before Contributions and Transfers:	(2,651,652)	(13,666,557)	(16,318,209)
Capital Contributions.....	-	30,975,589	30,975,589
Transfers In.....	2,530,701	1,257,000	3,787,701
Change in Net Assets.....	(120,951)	18,566,032	18,445,081
Net Assets - Beginning of Year	10,319,441	89,597,161	99,916,602
Net Assets - End of Year.....	\$ 10,198,490	\$ 108,163,193	\$ 118,361,683

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Cash Flows From Operations:			
Receipts from Customers.....	\$ 1,086,702	\$ 11,238,095	\$ 12,324,797
Repayments to Other Funds.....	(309,494)	(10,156,785)	(10,466,279)
Deposits Refunded to Customers.....	3,370	-	3,370
Payments to Suppliers.....	(2,353,590)	(49,494,005)	(51,847,595)
Payments to Employees.....	(1,446,332)	(10,071,376)	(11,517,708)
Net Cash Used in Operating Activities.....	(3,019,344)	(58,484,071)	(61,503,415)
Cash Flows from Non-Capital Financing Activities:			
Federal Subsidies.....	-	50,258,182	50,258,182
Transfers from Other Funds.....	2,530,701	1,257,000	3,787,701
Net Cash Provided by Non-Capital Financing Activities.....	2,530,701	51,515,182	54,045,883
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions.....	-	30,854,189	30,854,189
Acquisition and Construction of Capital Assets.....	(33,561)	(21,806,952)	(21,840,513)
Net Cash Provided by Capital and Related Financing Activities.....	(33,561)	9,047,237	9,013,676
Cash Flows from Investing Activities:			
Interest on Investment Securities.....	-	51,906	51,906
Net Cash Provided by Investing Activities.....	-	51,906	51,906
Net Increase (Decrease) in Cash.....	(522,204)	2,130,254	1,608,050
Cash and Cash Equivalents at Beginning of Year.....	725,364	2,628,891	3,354,255
Cash and Cash Equivalents at End of Year.....	\$ 203,160	\$ 4,759,145	\$ 4,962,305

(Continued)

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Reconciliation of Operating Loss to Net Cash used in Operating Activities:			
Operating Loss.....	\$ (2,651,652)	\$ (63,294,236)	\$ (65,945,888)
Adjustments to Operating Loss.....			
Depreciation.....	546,167	3,339,470	3,885,637
Allowance for Uncollectible Accounts.....	(185,032)	-	(185,032)
Changes in Assets and Liabilities:			
Other Receivables -Trade.....	(107,084)	(148,362)	(255,446)
Due from Other Governmental Agencies.....	3,800	825,967	829,767
Prepaid items and other Assets.....	(25,921)	(153,128)	(179,049)
Due From Other Funds.....	(111,663)	(1,223,160)	(1,334,823)
Accounts and Contracts Payable.....	(312,119)	(3,293,600)	(3,605,719)
Due to Other Funds.....	(197,831)	(8,933,625)	(9,131,456)
Due to Other Governmental Agencies.....	15,714	15,706,391	15,722,105
Other Liabilities.....	(5,573)	(101,858)	(107,431)
Accrued Compensated Absences.....	54,320	(712,977)	(658,657)
Public Liability and Accrued Workers Compensation.....	(32,239)	(494,953)	(527,192)
Refundable Deposits.....	3,370	-	3,370
Prepaid Revenue.....	(12,038)	-	(12,038)
Accrued Salaries and Wages.....	(1,563)	-	(1,563)
Net Cash Used in Operating Activities.....	<u>\$ (3,019,344)</u>	<u>\$ (58,484,071)</u>	<u>\$ (61,503,415)</u>



Classic guest rooms and modern amenities are combined in the Inn on Ferry Street, a bed-and-breakfast in the Cultural Center/Wayne State area. The Inn offers 42 rooms in four Victorian-era mansions and two carriage houses for a place of lodging that is unlike any other. Rehabilitation of the property cost \$8 million.



The Brownstones on John R are part of Crosswinds Communities' Woodward Place project in Brush Park, just north of downtown. Six renovated luxury townhouse units, beginning in the \$400,000s, offer modern urban living in a historic 1890s rowhouse building.

Photos courtesy of City of Detroit - Communications & Creative Services Department

Table 1

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

<u>Revenue Classification (2)</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Taxes, Assessments, Interest and Penalties.....	\$ 728,223	\$ 748,723	\$ 716,014	\$ 720,077
Licenses, Permits, and Inspection Charges.....	24,881	24,857	28,824	29,829
Shared Taxes and Grants.....	737,126	759,365	747,085	747,033
Sales and Charges for Services.....	174,533	203,322	185,732	176,948
Ordinance Fines.....	24,147	28,374	22,151	23,573
Revenues from Use of Assets.....	37,574	39,918	60,541	45,220
Other Revenues.....	102,386	142,977	79,140	60,261
Total Revenues.....	\$ 1,828,870	\$ 1,947,536	\$ 1,839,487	\$ 1,802,941

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.

(2) Library revenues have been removed for all years. Prior to 2002 the Detroit Public Library was previously included in the Special Revenue Funds of the City. It is now being reported as a Component Unit.

Table 2

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

<u>Expenditure Classification (2)</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Public Protection.....	\$ 609,580	\$ 601,014	\$ 598,723	\$ 531,140
Health.....	194,570	177,826	170,703	164,662
Recreation and Culture.....	78,478	79,787	67,393	68,699
Economic Development.....	96,998	80,957	40,949	45,687
Educational Development.....	85,854	85,516	96,271	87,190
Housing Supply and Conditions.....	18,535	16,747	96,393	85,720
Physical Environment.....	252,006	292,579	275,369	282,840
Transportation.....	44,218	21,087	15,787	9,808
Development and Management.....	399,418	354,175	250,912	328,475
Debt Service.....	132,184	124,583	126,981	126,169
Capital Outlay.....	69,605	117,575	145,426	65,852
Total Expenditures.....	\$ 1,981,446	\$ 1,951,846	\$ 1,739,481	\$ 1,730,390

(1) Includes general, special revenue, debt service, capital projects, and permanent funds.

(2) Library expenses have been removed for all years. Prior to 2002 the Detroit Public Library was previously included in the Special Revenue Funds of the City. It is now being reported as a Component Unit.

Table 1

1999	1998	1997	1996	1995	1994
\$ 636,191	\$ 622,937	\$ 592,515	\$ 580,149	\$ 548,944	\$ 525,459
24,426	23,727	20,722	17,960	18,508	15,383
687,086	640,242	617,385	615,803	566,482	539,132
150,482	148,217	141,088	131,684	131,854	139,247
20,032	19,885	17,314	18,356	17,286	15,906
39,487	48,476	43,186	42,647	24,260	23,426
74,701	90,673	97,715	73,345	32,732	19,893
<u>\$ 1,632,405</u>	<u>\$ 1,594,157</u>	<u>\$ 1,529,925</u>	<u>\$ 1,479,944</u>	<u>\$ 1,340,066</u>	<u>\$ 1,278,446</u>

Table 2

1999	1998	1997	1996	1995	1994
\$ 502,980	\$ 516,516	\$ 510,304	\$ 498,620	\$ 484,225	\$ 480,246
140,777	146,389	146,563	131,142	128,098	131,843
65,077	70,908	68,494	67,437	60,374	61,581
31,344	23,960	20,188	17,734	17,569	16,736
52,563	43,505	53,179	40,927	39,979	29,013
74,866	74,809	63,262	77,210	48,335	54,682
242,809	274,824	259,858	225,414	197,796	226,994
38,892	21,735	12,398	10,540	8,168	5,942
322,395	246,876	193,005	204,305	137,194	159,844
116,679	116,249	123,472	92,047	133,418	90,914
91,740	75,326	83,452	63,332	45,860	42,366
<u>\$ 1,588,382</u>	<u>\$ 1,535,771</u>	<u>\$ 1,450,723</u>	<u>\$ 1,365,376</u>	<u>\$ 1,255,156</u>	<u>\$ 1,257,795</u>

Table 3

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1994 (1).....	\$ 192,019	\$ 169,066	88.05 %	\$ 7,093
1995 (1).....	197,314	173,646	88.00	11,674
1996 (1).....	201,028	180,615	89.85	11,949
1997 (1).....	208,546	189,097	90.67	15,028
1998 (1).....	218,533	193,536	88.56	15,968
1999 (1).....	224,248	199,594	89.01	14,302
2000 (1).....	231,310	210,805	91.14	17,606
2001 (1).....	254,397	218,915	86.05	15,854
2002 (3).....	243,710	212,435	87.17	23,433
2003 (3).....	246,284	207,628	84.30	16,663

(1) includes General, Library and Debt Service Funds
 (2) includes additions, deductions, cancellations and adjustments
 (3) Fiscal Years 2002 and 2003 do not include Library amounts.

Table 4

**City of Detroit, Michigan
Adjusted Tax Levies and Tax Collections by Levies
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

Fiscal Year	Total Tax Levy	Net Additions Deductions to (from) Tax Levy	Less Cancellations and Adjustments
1994 (1).....	\$ 192,019	\$ 2	\$ (6,824)
1995 (1).....	197,314	-	(8,119)
1996 (1).....	201,028	-	(4,807)
1997 (1).....	208,546	-	(3,901)
1998 (1).....	218,533	-	(4,982)
1999 (1).....	224,248	-	(3,764)
2000 (1).....	231,310	-	6,299
2001 (1).....	254,397	-	350
2002 (2).....	243,710	-	(3,365)
2003 (2).....	246,284	-	(3,446)

(1) includes General, Library and Debt Service Funds
 (2) Fiscal Years 2002 and 2003 do not include Library amounts.

Table 3

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Current and Prior Years' Adjustments (2)</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$ 176,159	91.74 %	\$ 12,177	\$ 81,102	42.24 %
185,320	93.92	(10,401)	82,695	41.91
192,564	95.79	(13,380)	77,780	38.69
204,125	97.88	(3,559)	78,642	37.71
209,504	95.87	(6,108)	79,267	36.27
213,896	95.38	(8,761)	80,858	36.06
228,411	98.75	(6,939)	76,896	33.24
234,769	92.28	(1,349)	95,285	37.46
235,868	96.78	(15,928)	79,136	32.47
224,291	91.07	(10,925)	90,204	36.63

Table 4

<u>Net Taxes Receivable</u>	<u>Collections to June 30, 2003</u>	
	<u>Amount</u>	<u>Ratio to Adjusted Tax Levy</u>
\$ 185,197	\$ 182,715	98.66 %
189,195	186,076	98.35
196,221	192,569	98.14
204,645	200,023	97.74
213,551	207,267	97.06
220,484	210,869	95.64
237,609	220,264	92.70
254,747	218,915	85.93
240,345	212,435	88.39
242,838	207,628	85.50

Table 5

City of Detroit, Michigan
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Real Property (Notes A and B)			Personal Property (Notes A, B and C)			Total (Notes A, B and C)		
	State Equalized		Estimated	State Equalized		Estimated	State Equalized		Estimated
	Value	Taxable	Actual	Value	Taxable	Actual	Value	Taxable	Actual
	(Notes D and E)	Value	Value	(Notes D and E)	Value	Value	(Notes D and E)	Value	Value
1995.....	\$ 4,565,440	\$ 4,565,440	\$ 9,130,880	\$ 1,330,336	\$ 1,330,336	\$ 2,660,672	\$ 5,895,776	\$ 5,895,776	\$ 11,791,552
1996.....	4,631,122	4,606,258	9,262,244	1,281,065	1,281,065	2,562,130	5,912,187	5,887,323	11,824,374
1997.....	4,943,227	4,703,635	9,886,454	1,443,983	1,443,983	2,887,966	6,387,210	6,147,618	12,774,420
1998.....	5,351,875	4,847,236	10,703,750	1,603,341	1,603,341	3,206,682	6,955,216	6,450,577	13,910,432
1999.....	5,940,201	5,005,031	11,880,402	1,626,585	1,626,585	3,253,170	7,566,786	6,631,616	15,133,572
2000.....	6,990,962	5,219,200	13,981,924	1,637,482	1,637,482	3,274,964	8,628,444	6,856,682	17,256,888
2001.....	8,106,178	5,486,262	16,212,356	1,718,119	1,718,119	3,436,238	9,824,297	7,204,381	19,648,594
2002.....	9,319,364	5,983,367	18,638,728	1,656,438	1,656,438	3,312,876	10,975,802	7,639,805	21,951,604
2003.....	10,298,344	6,226,065	20,596,688	1,749,983	1,749,983	3,499,966	12,048,327	7,976,048	24,096,654
2004.....	10,668,533	6,470,987	21,337,066	1,373,222	1,373,222	2,746,444	12,041,755	7,844,209	24,083,510

Note A — Excludes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities tax under the State Plant Rehabilitation and Industrial Development Districts Act of 1974.

Note B — Beginning with fiscal year 1995/1996 taxable values cannot exceed the statewide rate of inflation of the prior year on a per parcel basis, except where increases are due to physical changes in the parcel (P.A.415 of 1994). This represents the taxable amount of the state equalized value.

Note C — Excludes inventories which are exempted from the assessed values by the State Single Business Tax Act of 1974.

Note D — State Equalized Value (50% of true cash value).

Note E — Assessment Date -December 31 preceding year of levy.

Table 6

City of Detroit, Michigan
PROPERTY TAX RATES AND LEVIES —
ALL OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

Fiscal Year	Tax Rates — Mills					Total
	City (Note A)	Library	School	County (Note B)	State	
1995.....	30.8270	2.6400	22.6600	11.2000	6.0000	73.3270
1996.....	31.5060	2.6400	25.0400	11.2000	6.0000	76.3860
1997.....	31.2830	2.6400	25.5000	11.3800	6.0000	76.8030
1998.....	31.2380	2.6400	25.5900	11.3700	6.0000	76.8380
1999.....	31.1750	2.6400	24.4500	11.3200	6.0000	75.5850
2000.....	31.0950	2.6400	23.9000	11.1390	6.0000	74.7740
2001.....	31.6783	3.6331	25.0000	11.0565	6.0000	77.3679
2002.....	31.9000	3.6331	28.5000	12.5395	6.0000	82.5726
2003.....	30.8780	3.6331	31.1900	13.9895	6.0000	85.6906
2004.....	30.8808	3.6331	31.8000	13.9886	5.0000	85.3025

Fiscal Year	Tax Levies					Total
	City (Note A)	Library	School	County (Note B)	State	
1995.....	\$ 181,749	\$ 15,565	\$ 95,344	\$ 66,033	\$ 35,375	\$ 394,066
1996.....	185,486	15,542	108,177	65,938	35,324	410,467
1997.....	192,316	16,230	116,328	69,960	36,885	431,719
1998.....	201,503	17,030	123,999	73,343	38,703	454,578
1999.....	206,741	17,507	119,113	75,070	39,790	458,221
2000.....	213,208	18,102	119,281	76,375	41,140	468,106
2001.....	228,223	26,174	132,788	79,655	43,226	510,066
2002.....	243,710	27,756	166,268	95,799	45,839	579,372
2003.....	246,284	28,977	193,401	111,581	47,856	628,099
2004.....	180,074	28,498	192,090	109,730	39,221	549,613

Note A — Includes millage to pay cash rentals to the City of Detroit Building Authority to cover principal and interest on authority bonds issued to finance construction of a new Detroit General Hospital and to pay Wayne County for debt service on County Drainage District Bonds issued for Detroit N0. 1 thru 1994.

Note B — The County tax rates and tax levies shown are against properties situated within the City of Detroit. The total assessed valuation used in determining the County tax rate recognizes adjustments in assessed valuation made after the City tax rate is determined.

Table 7

City of Detroit, Michigan
SPECIAL ASSESSMENT ADDITIONS AND DEDUCTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Beginning Balance	Additions	Deductions		Ending Balance
			Collections	Cancellations and Adjustments	
1994.....	\$ 2,695,341	\$ -	\$ 84,659	\$ 82,556	\$ 2,528,126
1995.....	2,528,126	-	83,920	378,555	2,065,651
1996.....	2,065,651	-	149,976	58,180	1,857,495
1997.....	1,857,495	-	213,336	105,500	1,538,659
1998.....	1,538,659	231,733	84,970	22,655	1,662,767
1999.....	1,662,767	4,897,716	250,378	473,697	5,836,408
2000.....	5,836,408	39,622	19,811	152,117	5,704,102
2001.....	5,704,102	-	80,553	362,034	5,261,515
2002.....	5,261,515	19,427	118,793	184,202	4,997,947
2003.....	4,977,947	23,865,681	360,457	75,529	28,407,642

Table 8

City of Detroit, Michigan
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
Unaudited

Fiscal Year	Net Debt	Taxable Assessed Value (Note A)	Ratio of Net Debt to Taxable Assessed Value	Population (Note B)	Net Debt Per Capita
1994.....	\$1,119,885	\$ 5,815,412	19.26 %	1,005,931	\$ 1,113.28
1995	1,171,664	5,895,776	19.87	1,001,655	1,169.73
1996 (C).....	1,120,872	5,887,324	19.04	1,000,272	1,120.57
1997 (C).....	1,101,020	6,147,618	17.91	1,000,272	1,100.72
1998 (C).....	1,068,048	6,450,576	16.56	1,000,272	1,067.76
1999 (C).....	1,042,641	6,631,616	15.72	1,000,272	1,042.36
2000 (C).....	1,021,005	6,856,682	14.89	951,270	1,073.31
2001 (C).....	938,080	7,639,805	12.28	951,270	986.13
2002 (C).....	962,133	7,976,048	12.06	951,270	1,011.42
2003 (C).....	909,624	7,844,209	12.75	951,270	956.22

Note A - Assessed Values are the State equalized valuations.

Note B - Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports. The population count for the City released by the U.S. Bureau of census figure for 2000 was 951,270.

Note C - Beginning with Fiscal Year 1995-96, taxable values cannot exceed the statewide rate of inflation of the prior year on a parcel basis, except where increases are due to physical changes in the parcel (P.A. 415 of 1994).

Table 9

**City of Detroit, Michigan
LEGAL DEBT MARGIN
June 30, 2003
Unaudited**

	Net Debt	Legal Limitation		Legal Debt Margin
		Percent of Assessed Value	Amount	
Assessed Value Fiscal Year 2003-04 (State Equalized).....	\$ 12,041,756,256			
Add: Allowance under Act 198, Mich. 1974.....	718,498,590			
Allowance under Act 228, Mich. 1975.....	372,262,943			
Allowance under Act 147, Mich. 1992.....	23,225,634			
Total Assessed Value Fiscal Year 2003-04.....	\$ 13,155,743,423	10.00%	\$ 1,315,574,342	
Net Direct Debt Subject to General Debt Limitation:				
General Obligation Bonds (Note A).....	\$ 489,800,000			
General Bonds - Limited Tax.....	67,540,000			
Limited Obligation Economic Development Bonds - District Court, Madison Center Project.....	21,779,449			
Total Net Direct Debt Subject to General Debt Limitation.....	\$ 579,119,449		\$ 1,315,574,342	\$ 736,454,893
Net Direct Debt Not Subject to General Debt Limitation (Note B):				
Direct Debt:				
General Obligations:				
General Detroit Resource Recovery Bonds.....	\$ 211,779,920			
Limited Obligation Economic Development Bonds- Resource Recovery Project.....	89,855,000			
Self-Insurance Bonds - Limited Tax.....	28,870,000			
Revenue Bonds:				
Convention Facility - Cobo Center Expansion.....	83,039,184			
Detroit Building Authority - Parking and Arena System.....	68,724,005			
Local Development Finance Authority Tax Increment Bonds- Jefferson/Conner Revitalization Project.....	86,357,451			
Sewage Disposal System.....	2,152,851,253			
Tax Increment Finance Authority Bonds - DDA.....	175,829,070			
Water Supply System.....	1,565,108,051			
Downtown Development Authority - Trapper's Alley Project.....	2,800,000			
Federal Note - Caraco Pharmaceutical Project.....	6,105,000			
Federal Note - Ferry Street	2,900,000			
Federal Note - New Amsterdam Project	9,700,000			
Federal Note - Garfield Project.....	2,050,000			
Federal Note - Michigan Repacking Project.....	1,335,000			
Federal Note - Riverbend Project.....	1,230,000			
Federal Note - Stuberstone Project.....	345,000			
Total Not Subject to General Debt Limitation.....	\$ 4,488,878,934			

Note A — General Obligation Bonds are subject to the general debt limitation, as established under State Law. After the effective date (December 22,1978) of an amendment to the State Constitution, the City may not issue general obligation bonds payable from taxes levied for debt service without a vote of the electorate.

Note B — Pursuant to State Law, certain exclusions to the debt limitations are permitted for the following purposes: special assessment bonds and motor vehicle highway fund bonds, even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds, contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; bonds issued to acquire housing for which certain rent subsidies will be received by the City or an agency thereof; and bonds issued to refund money advanced or paid for certain special assessments.

TABLE 10

City of Detroit, Michigan
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2003
Unaudited

	Gross Debt	Less Redemption Funds	Net Debt	% Applicable To Detroit	Detroit Share
Direct Debt:					
General Obligation:					
General Bonds - Unlimited Tax.....	\$ 489,800,000	\$ -	\$ 489,800,000		
General Bonds - Limited Tax.....	96,410,000	-	96,410,000		
Detroit Building Authority Bonds -					
Madison Center Project.....	22,780,303	1,000,855	21,779,449		
Greater Detroit Resource Recovery Authority Bonds.....	251,215,000	39,435,080	211,779,920		
Limited Obligation Economic Development Bonds -					
Resource Recovery Project.....	89,855,000	-	89,855,000		
Total General Obligation.....	950,060,303	40,435,935	909,624,369	100.00%	\$ 909,624,369
Revenue Bonds:					
Convention Facility - Cobo Center Expansion.....	123,000,000	39,960,816	83,039,184		
Detroit Building Authority - Parking and Arena System.....	74,420,000	5,695,995	68,724,005		
Local Development Finance Authority Tax Increment					
Bonds - Jefferson/Conner Revitalization Project.....	93,485,000	7,127,549	86,357,451		
Sewage Disposal System (Note C).....	2,265,545,605	112,694,352	2,152,851,253		
Tax Increment Finance Authority Bonds - DDA.....	196,061,198	20,232,128	175,829,070		
Water Supply System (Note C).....	1,654,745,000	89,636,949	1,565,108,051		
Total Revenue Bonds.....	4,407,256,803	275,347,789	4,131,909,014	100.00%	4,131,909,014
Total Direct Debt.....	5,357,317,106	315,783,724	5,041,533,383		
Overlapping Debt:					
School District of the City of Detroit General					
Obligation Bonds and Notes.....	1,759,738,601	-	1,759,738,601	100.00%	1,759,738,601
Wayne County Bonds (Note A).....	117,534,666	-	117,534,666	19.03%	22,366,847
Wayne County Community College Bonds (Note A).....	84,070,000	-	84,070,000	30.19%	25,380,733
Total Overlapping Debt.....	1,961,343,267	-	1,961,343,267		1,807,486,181
Debt Not Pledging the Faith and Credit of the City:					
Federal Note - Caraco Pharmaceutical Project (Note A).....	6,105,000	-	6,105,000		
Federal Note - Ferry Street (Note A).....	2,900,000	-	2,900,000		
Federal Note - New Amsterdam Project (Note A).....	9,700,000	-	9,700,000		
Federal Note - Garfield Project (Note A).....	2,050,000	-	2,050,000		
Federal Note - Michigan Repacking Project (Note A).....	1,335,000	-	1,335,000		
Federal Note - Riverbend Project (Note A).....	1,230,000	-	1,230,000		
Federal Note - Stuberstone Project (Note A).....	345,000	-	345,000		
Installment Purchase Contract -					
GE Capital - Airport.....	118,202	-	118,202		
GE Capital - Cobo Hall Energy System.....	9,689,280	-	9,689,280		
GE Capital - Election System.....	1,336,648	-	1,336,648		
GE Capital - Fire.....	1,345,709	-	1,345,709		
GE Capital - UNISYS Equipment.....	7,360,070	-	7,360,070		
GE Capital - Income Tax.....	378,929	-	378,929		
IBM Credit Corporation - DRMS.....	11,702,251	-	11,702,251		
Total Debt Not Pledging the Faith and Credit of the City.....	55,596,089	-	55,596,089		
Total Debt (Note B).....	\$ 7,374,256,462	\$ 315,783,724	\$ 7,058,472,739		\$ 6,849,019,565

Note A — Note is secured by future Block Grant Revenues.

Note B — Industrial Development Revenue Bonds as described in the General Fund notes are excluded from the exhibit.

Note C — Amount shown is Cash funded redemption funds; additionally secured by surety bonds.

Table 11

City of Detroit, Michigan
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Dollars Expressed in Thousands)
Unaudited

Year Ending June 30,	Principal	Interest	Other Expenditures	Total Debt Service	Total General Governmental Expenditures	Ratio of Total Debt Service to Total General Governmental Expenditures
1994.....	\$ 52,530	\$ 38,384	\$ -	\$ 90,914	\$ 1,257,795	7.23%
1995.....	72,244	61,174	-	133,418	1,255,156	10.63%
1996.....	44,219	47,828	-	92,047	1,365,376	6.74%
1997.....	71,736	51,736	-	123,472	1,450,723	8.51%
1998.....	56,375	59,774	100	116,249	1,535,771	7.57%
1999.....	58,842	57,737	100	116,679	1,588,382	7.35%
2000.....	71,061	55,008	100	126,169	1,730,390	7.29%
2001.....	79,319	47,584	78	126,981	1,739,481	7.30%
2002.....	79,569	42,443	2,571	124,583	1,951,846	6.38%
2003.....	86,770	43,761	1,652	126,028	1,981,446	6.36%

Table 12

City of Detroit, Michigan
REVENUE BOND COVERAGE
Last Ten Fiscal Years
Unaudited

Type	Fiscal Year	Gross Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
Automobile								
Parking.....	1994	\$ 15,731,259	\$ 8,011,639	\$ 7,719,620	\$ 2,515,000	\$ 4,501,991	\$ 7,016,991	1.10
	1995	14,438,628	7,456,007	6,982,621	2,710,000	4,297,523	7,007,523	1.00
	1996	15,227,762	7,972,813	7,254,949	2,875,000	3,056,467	5,931,467	1.22
	1997	15,996,228	7,825,610	8,170,618	1,925,000	2,924,314	4,849,314	1.68
	1998	17,001,259	8,036,833	8,964,426	2,725,000	2,517,277	5,242,277	1.71
	1999	17,879,662	8,512,116	9,367,546	3,420,000	3,638,052	7,058,052	1.33
	2000	19,407,117	9,406,799	10,000,318	4,840,000	4,411,302	9,251,302	1.08
	2001	18,220,185	9,621,295	8,598,890	5,140,000	5,588,135	10,728,135	0.80
	2002	20,682,973	9,654,607	11,028,366	5,245,000	5,269,153	10,514,153	1.05
	2003	19,253,924	11,155,995	8,097,929	5,505,000	5,165,605	10,670,605	0.76
Sewerage.....	1994	\$ 173,785,379	\$ 124,926,721	\$ 48,858,658	\$ 8,225,000	\$ 27,113,401	\$ 35,338,401	1.38
	1995	178,075,492	122,242,099	55,833,393	8,535,000	27,518,120	36,053,120	1.55
	1996	191,437,594	129,940,772	61,496,822	9,495,000	26,160,558	35,655,558	1.72
	1997	203,577,524	148,367,972	55,209,552	19,145,000	30,955,529	50,100,529	1.10
	1998	213,156,570	152,103,431	61,053,139	19,960,000	30,888,895	50,848,895	1.20
	1999	216,030,409	156,676,750	59,353,659	19,975,000	28,348,056	48,323,056	1.23
	2000	222,923,491	160,848,641	62,074,850	20,035,000	48,018,523	68,053,523	0.91
	2001	252,378,530	172,283,255	80,095,275	21,221,008	47,640,877	68,861,885	1.16
	2002	267,993,505	179,184,870	88,808,635	24,880,174	59,013,182	83,893,356	1.06
	2003	288,111,143	167,746,804	120,364,339	33,600,000	75,313,586	108,913,586	1.11
Water.....	1994	\$ 141,689,029	\$ 112,356,661	\$ 29,332,368	\$ 6,695,000	\$ 20,629,127	\$ 27,324,127	1.07
	1995	150,774,924	112,179,917	38,595,007	7,725,000	22,573,402	30,298,402	1.27
	1996	156,540,046	113,227,862	43,312,184	7,675,000	21,973,576	29,648,576	1.46
	1997	162,897,412	123,272,350	39,625,062	10,115,000	27,269,396	37,384,396	1.06
	1998	177,159,391	134,202,605	42,956,786	11,135,000	26,904,834	38,039,834	1.13
	1999	185,962,699	125,855,197	60,107,502	11,135,000	27,607,083	38,742,083	1.55
	2000	193,345,324	146,559,155	46,786,169	15,775,000	50,669,173	66,444,173	0.70
	2001	194,445,009	146,794,104	47,650,905	17,775,000	44,669,855	62,444,855	0.76
	2002	209,227,939	155,246,936	53,981,003	18,140,000	59,848,300	77,988,300	0.69
	2003	244,781,888	159,314,200	85,467,688	19,400,000	68,404,598	87,804,598	0.97

(1) Operating Expenses-Excluding Depreciation.

Table 13

City of Detroit, Michigan
REAL PROPERTY VALUE, CONSTRUCTION PERMITS AND BANK DEPOSITS
 Last Ten Fiscal Years
 (Dollars Expressed in Millions)
 Unaudited

Fiscal Year	Real Property Value (Note 1)			New Construction (Note 2)				Alterations/Additions (Note 2)				Commercial Bank Deposits (Note 3)
				Residential		Non-Residential		Residential		Non-Residential		
				No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	
1994.....	\$ 3,094	\$ 1,461	N/A	51	\$ 22.10	313	\$52.60	1,649	\$16.30	590	\$108.40	\$ 10.80
1995.....	3,047	1,518	N/A	84	29.42	364	169.64	1,672	17.66	814	163.88	10.35
1996.....	3,119	1,488	N/A	53	17.40	313	237.91	2,119	37.66	685	255.53	10.51
1997.....	3,145	1,559	N/A	69	7.99	370	223.10	3,416	91.49	890	253.46	10.30
1998.....	3,237	1,610	N/A	90	33.32	343	256.17	4,093	77.02	815	431.88	10.38
1999.....	3,328	1,677	N/A	129	47.00	370	287.64	4,726	53.46	823	381.65	11.80
2000.....	3,440	1,780	N/A	140	29.78	331	475.38	5,593	91.17	864	592.39	12.70
2001.....	3,530	1,956	N/A	116	34.31	292	336.62	5,126	122.93	884	575.30	N/A
2002.....	3,925	2,058	N/A	84	10.63	340	385.82	5,087	75.88	1,053	622.18	N/A
2003.....	4,197	2,028	N/A	244	55.18	290	339.78	5,516	86.90	1,141	467.36	N/A

Note 1 Source: City of Detroit 2002-2003 Budget

Note 2 Source: City of Detroit Department of Buildings and Safety Engineering

Note 3 Source: The Sheshunoff Data Report for all years prior to 2001. N/A - Data not available.

Table 14

City of Detroit, Michigan
PRINCIPAL TAXPAYERS
For the Year Ended June 30, 2003
Unaudited

Taxpayer	Type of Business	Real Estate		Personal Property		Total	
		Taxable Valuation	% of Total	Taxable Valuation	% of Total	Taxable Valuation	% of Total
Daimler-Chrysler Corporation.....	Automotive	\$ 93,173,100	1.50 %	\$ 675,425,660	38.60 %	\$ 768,598,760	9.64 %
Detroit Edison.....	Utility	34,130,326	0.55	247,472,191	14.14	281,602,517	3.53
General Motors Corporation.....	Automotive	59,446,771	0.95	139,206,760	7.95	198,653,531	2.49
Riverfront Holdings.....	Real Estate	124,459,515	2.00		0.00	124,459,515	1.56
Michigan Consolidated Gas.....	Utility	16,138,685	0.26	75,650,890	4.32	91,789,575	1.15
One Detroit Center.....	Real Estate	50,841,612	0.82	102,330	0.01	50,943,942	0.64
MGM Grand Detroit LLC.....	Gaming	30,458,272	0.49	7,372,880	0.42	37,831,152	0.47
150 W. Jefferson Partnership.....	Real Estate	32,000,000	0.51		0.00	32,000,000	0.40
MC Office Investment.....	Real Estate	20,895,297	0.34	46,070	0.00	20,941,367	0.26
Detroit Newspaper Agency.....	Media	9,563,307	0.15	10,627,160	0.61	20,190,467	0.25
Total.....		\$ 471,106,885	7.57 %	\$ 1,155,903,941	66.05 %	\$ 1,627,010,826	20.40 %
Total City Taxable Value Fiscal Year 2002-03.....		\$ 6,226,065,313		\$ 1,749,983,210		\$ 7,976,048,523	

Table 15

City of Detroit, Michigan
MISCELLANEOUS STATISTICS
June 30, 2003
Unaudited

Year Founded.....	1701
Year of Incorporation.....	1806
Year of Adoption of Present City Charter.....	1996
Form of Government: Nonpartisan - Mayor and Nine-Member Council	
Area in Square Miles.....	137.9
Miles of Shore Line on Detroit River (Excluding Belle Isle).....	10.66
Population (United States Census):	
1930.....	1,568,662
1940.....	1,623,452
1950.....	1,849,568
1960.....	1,670,144
1970.....	1,511,482
1980.....	1,203,339
1990.....	1,027,974
2000.....	951,270
Building Permits:	
Number of Building Permits Issued.....	8,344
Estimated Cost of Construction.....	\$ 951,975,846
Election of November 2001:	
Number of Registered Voters.....	606,609
Number of Ballots Cast.....	80,035
Percentage of Registered Voters Voting.....	13.19 %
Fire Department:	
Number of Fire Stations.....	47
Number of Employees.....	1,796
Number of Fire Fighting Vehicles.....	225
Number of Fire Hydrants.....	33,000
Responses to Fire Alarms (Including 13,089 False Alarms).....	35,690
Responses to Special Calls and Emergency Medical Service Calls.....	124,122
Estimated Fire Loss of Property (FYE 6/30/2002).....	\$ 81,320,274
Health Department:	
Number of Employees.....	620
Birth Rate per Thousand (2001).....	16.1
Death Rate per Thousand (2001).....	10.3
Infant Mortality Rate per Thousand Live Births (2001).....	14.0
Libraries:	
Number of Libraries (Including Two Bookmobiles).....	23
Estimated Number of Books.....	3,262,776
Circulation.....	1,151,952
Number of City Owned Vehicles (Excluding 548 Transportation Department Revenue Vehicles)	
Fire Department Vehicles (Includes 52 EMS Vehicles).....	252
Police Department Vehicles.....	1,688
Transportation Department non- revenue vehicles.....	183
All Other Departments (Passenger Vehicles, Commercial Vehicles and Trucks).....	2,337
Police Department:	
Number of Stations (Including 22 Mini-Station).....	35
Number of Employees (Uniform).....	4,810
Number of Traffic Violations Issued (including 526,346 Parking Tickets).....	761,436
Number of Traffic Ordinance Violations Issued.....	124,087
Number of Arrests (Traffic 23,138) + (Other 63,735).....	86,873
Public Works Department:	
Number of Employees.....	1,422
Miles of Streets (Paved 2,770) + (Unpaved 15).....	2,785
Miles of Alleys (Paved 581.29) + (Unpaved 686.94).....	1,268
Miles of Sidewalks.....	4,247

(Continued)

Table 15

Public Lighting:	
Electric Plant:	
Number of Street Lights.....	87,000
Number of Revenue Customers.....	1,302
Size of Generating Station in Kilowatts.....	185,000
Kilowatt Hours Generated (Net).....	220,476,700
Kilowatt Hours Delivered to System.....	542,839,900
Steam Heating Plants - Steam Produced in Pounds.....	67,976,300
Recreation Department:	
Number of Parks, Ornamental Areas, Playfields and Playgrounds Owned (5,863 Acres).....	391
Number of Summer Camps (199 Acres).....	1
Number of Recreation Centers, Playgrounds and School Facilities Operated.....	110
Number of Skating Rinks.....	3
Number of Swimming Pools Operated (Including 2 School Pools).....	18
Number of Municipal Beaches.....	1
Total Playing Permits Issued at 6 Municipal Golf Courses.....	269,870
Sewage Disposal System:	
Number of Sewage Disposal Plants.....	1
Number of Pumping Stations.....	14
Miles of (Trunk Line 774) + (Lateral 2,125) Sewers.....	2,899
Transportation Department:	
Number of Employees.....	1,781
Number of Revenue Vehicles.....	540
Seating Capacity.....	23,452
Number of Route Miles.....	1,309
Total Number of Passengers (Estimated).....	39,756,458
Regular Fare.....	\$ 1.50
Tickets.....	5 for \$6.50
Transfers.....	\$ 0.25
Water System:	
Number of Customer Accounts.....	260,639
Average Pumpage - Millions of Gallons per Day.....	653.9
Greatest Pumpage for a Single Day During Fiscal Year (6-30-03) - July 16, 2002 Gallons	1,194,500,000
Greatest Pumpage for a Single Hour During Fiscal Year (6-30-03)	
- July 16, 2002 10 pm Gallons.....	53,750,000
Filtration Plant Rated Capacity - Millions of Gallons per Day.....	1,700.0
Number of Miles of Water Mains.....	13,251
Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet.....	\$ 9.74
Employees on Payroll on June 30, 2003:	
Classified (Tax Supported 7,756) + (Revenue Supported 5,017).....	12,773
Elective (Tax Supported 42) + (Revenue Supported 0).....	42
Appointive (Tax Supported 321) + (Revenue Supported 19).....	340
Uniform Police (Tax Supported 4,523) + (Revenue Supported 0).....	4,523
Library (Tax Supported 477) + (Revenue Supported 0).....	477
Total Employees (Tax Supported 13,012) + (Revenue Supported 5,143).....	<u>18,155</u>
Total Pensioners as of June 30, 2003.....	19,996

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



The 20,000-square-foot Julian-Scott department store opened in late 2003 in the landmark, circa-1900 State Savings Bank building at West Fort and Shelby. The upscale retailer is the largest store in downtown Detroit and has become a popular spot to keep up with the latest trends in fashion. Julian-Scott features a doorman in the lobby and a cigar bar.



The Fifth Avenue nightclub at Comerica Park showcases top national and local talent, with an emphasis on blues and roots music. The venue, which overlooks the Fox Theatre area of Woodward Avenue, has become a popular evening destination for Detroit residents and visitors alike.

Our Special Thanks To:

City of Detroit, Michigan

www.ci.detroit.mi.us

Finance Department

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Grants Management Sections
and Staff**

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David Capobres Jr., Manager I
Cynthia Lampkin, Manager I
and all Finance Department staff for their commitment and
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