CITY OF DETROIT, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Kwame M. Kilpatrick
Mayor

Sean K. Werdlow
Chief Financial Officer/Finance Director

A view of Jefferson Avenue from the GM World Headquarters Building.

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, 2004

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 911,402

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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

Ford Field

CITY OF DETROIT
FINANCE DEPARTMENT

1200 COLEMAN A. YOUNG MUNICIPAL CENTER
DETROIT, MICHIGAN 48226

March 25, 2005

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 the fiscal year ending June 30, 2004 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 for our 2002-2003 CAFR. This is the second consecutive year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish a well-organized and easily understandable CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

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.

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 the fiscal year 1980, the Mayor and City Council agreed to have an annual financial statement audit by an independent auditor. The independent auditor's report on the financial statements is included in the financial section of this report. The City of Detroit must also 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.*

CITY OF DETROIT GOVERNANCE STRUCTURE

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

The Legislative Branch

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

Other Agencies

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

Background and Overview

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

MAJOR INITIATIVES AND ACHIEVEMENTS

A number of significant initiatives, outlined below, are underway in the City of Detroit that will have a positive effect on the City's economic health and its ability to provide services to residents and businesses.

Public Safety

Continuing a three-year trend, violent crimes decreased 15 percent and major crimes were down by 12 percent this year. Over the past three years, violent crimes have been reduced by more than 26 percent and major crimes fell almost 20 percent to a level last experienced in 1963.

- The number of uniformed police officers out in the streets has been increased. Assignments have been changed to increase police presence during peak hours and in areas identified as hot spots.

- A $20 million public safety mall will open in southwest Detroit, the first new precinct built in the City since 1991.

- A new state of the art Computed Aided Dispatch Communications Center will, for the first time coordinate the work of our 9-1-1 operators with Fire, EMS, and Police dispatchers replacing a 32-year-old system.

- The Detroit Fire Department reorganized its Emergency Medical Service (EMS) division in June. The restructuring has improved the effectiveness of EMS response times. More paramedics and larger quantities of medical supplies can be deployed more rapidly than before.

- In an era of tight municipal budgets, Fire's Emergency division secured nearly $12.7 million in state and federal grants for homeland security and other safety measures. This funding helps protect and secure every Detroiter.

- Passage of Proposal S will allow work to begin soon on a new $30 million detention facility to meet the requirements of the Department of Justice Consent Decree.

After decades of neglect, 27,000 of the City's 85,000 streetlights were out of service three years ago. Today that number has been reduced to 5,000 as the result of improvements launched in the Public Lighting Department.

Despite stormy weather that caused downed power lines, power outages, and malfunctioning traffic lights throughout the City, a record 56,480 volunteers took up their posts to keep their neighborhoods and the City safe during the Halloween period.

Recreation and Entertainment

- Belle Isle Park looks better than it has in years with resurfaced streets, opening of a state-of–the-art playscape, the Giant Slide, additional comfort stations, and upgraded athletic fields. New chimes were installed in the Nancy Brown Peace Carillon Tower. The island was the scene of more than 600 family reunions and hosted nearly 8 million visitors.

- All parks remain on a 10-day mowing cycle to make them safe and inviting.

- Ten parks in each sector of the City were renovated. Improvements include new benches, beautiful landscaping, brightly colored play equipment on soft rubber safety surfaces, new walking/jogging paths, picnic areas, tennis and basketball courts and football/soccer fields. Renovation decisions were based upon community input, available funding, and space availability.

- The streets of Detroit were alive as people came in record numbers to eat, dance, dream, and celebrate every season.

- The North American International Auto Show drew more than 815,000 visitors in January. More than 6,600 reporters representing 40 U.S. states and 68 countries converged on Detroit. The show had a $553 million economic impact on the Metro area.

- Movement 2004 was the largest electronic music festival in the world, making Detroit *the* destination for avid techno music fans from around the globe. The May event featured more than 70 acts performing for more than a million fans.

- In June, more than one million enthusiastic fans jammed downtown to celebrate the NBA Champion Detroit Pistons with a parade down Jefferson Avenue followed by a rally at Hart Plaza.

- The New Center Area was the destination in July as more than a half million people attended Comerica Taste-Fest 2004 – the largest crowd ever in the street festival's 16 year history.

- More than 6,600 runners entered the Detroit Free Press/Flagstar Bank Marathon, the largest field in the Detroit marathon's 27-year history.

- The lighting of the Detroit Christmas Tree was part of the grand opening of Campus Martius Park.

- Campus Martius Park and the surrounding area was the scene of the Winter Blast. The event featured a toboggan run, dog sled races, rides in antique cars, and of course skating and food.

- Detroit is preparing to host the Major League Baseball All Star Game at Comerica Park in July and the Super Bowl XL in January 2006.

Economic Development

- This past year has seen significant movement of new jobs into Detroit:

    - Excel Automotive moved into a 360,000 square foot new facility in the I-94 Industrial Park, located at Van Dyke and I-94, creating 254 new jobs

    - TDS Automotive moved into a 360,000 square foot new facility on Freud that created 250 new jobs.

    - Arvin Meritor opened its Light Vehicle Systems headquarters in Southwest Detroit, with a manufacturing facility and tech center creating a total of 530 jobs.

    - Mobius Microsystems, a start-up technology company that could have located anywhere, chose to locate its headquarters in Grand Circus Park.

    - PriceWaterhouseCoopers is relocating its headquarters to Ford Field, retaining 300 jobs and moving 150 jobs from its suburban office to the City.

    - Onstar, EDS and Saab have moved 1,600 new jobs into the Renaissance Center.

- Using Empowerment Zone and foundation funding to spur private investment, the City partnered again with community development corporations to renovate 689 building facades in 11 neighborhood commercial districts across the City.

- One of the most exciting indicators of progress in Detroit is the number of permits that have been issued for new housing construction. For the first time in 50 years, Detroit is near the top of the list in southeastern Michigan for new housing construction.

- The Riverwalk is becoming a reality along the Detroit River with the opening of the plaza located behind General Motors.

- The new Joe Dumars Field House opened last fall at the State Fairgrounds.

- Other developments of significance include:

  - *Campus Martius Development, a* partnership of developers began construction in 2001 of a $1 billion development located on a 9.2-acre site in downtown Detroit. The development includes a $400 million office building that houses the corporate offices of Compuware, retail space (including a Hard Rock café and Borders book store) and 2,700 parking spaces.

    In addition, the Campus Martius Development will include Merchant's Row, a $30 million redevelopment project that will include 163 loft condominiums, a 264-space parking garage and 28,400 square feet of retail space. Merchants Row is expected to add approximately 50 new small businesses to the central Detroit area. In addition, there will be significant façade and streetscape improvements to the area.

    Campus Martius Park opened in November 2004. The Detroit 300 Conservancy, a nonprofit organization, is funding the construction of this $20 million park. Major donors toward this project include; Compuware, DaimlerChrysler Corp. Fund, Ford Motor Co. Fund, General Motors Foundation, Hudson Webber Foundation, Carls Foundation, Kresge Foundation and Skillman Foundation. Construction began in the fall of 2002.

  - *Orchestra Place,* the second phase of an $80 million restoration and expansion of Orchestra Hall was completed in spring 2004.

  - *Hilton Garden Inn*, the newest ground-up hotel built in Detroit is in Harmonie Park, near Comerica Park, home of the Detroit Tigers. The $27-million project, offers 198 rooms, conference provisions, dining, swimming pool, fitness center and a 3-story glass atrium rotunda. The 10-story, 135,000-square-foot hotel was completed March 2004.

  - *Woodward Millennium, a* $37 million mixed-use development is being constructed in the Medical Center Area. Construction is expected to be completed in spring 2005. The

development will include 180 units of loft-style condominiums and garden-style apartments, a parking garage and retail space.

- *Brush Park Manor,* a 91,000 sq. ft. senior apartment residence on 3.3 acres of land on Brush Street was recently completed. The 3-story complex consists of 113 apartments. The estimated cost of the project is $9.9 million.

- The YMCA began construction of a $38 million 5-story recreational facility located in the City's downtown area. The new facility will house an auditorium, a swimming pool, health and fitness center, wellness center, parking garage and a childcare center. Completion is expected in late 2005.

Infrastructure Improvements

- Since 2003 and including this construction year, the City will resurface 346 miles of City streets.

- To improve customer service, the City will institute a new 311 system in May. Twenty operators trained in customer service and telephone etiquette will handle the calls to allow "One call to City Hall."

- The City launched eDetroit, a portal that allows people to transact business with the City via the Internet. The current online services include payment services for payment of DPW Commercial Bills and parking violations and access to Birth/Death Certificates, Property Auctions, information about Detroit properties, crime statistics, location of police precincts, etc.

- The Detroit Department of Water and Sewage (DWSD) maintained its "AA" bond rating for both the water and sewer systems, which means the City can borrow money at much lower interest rates to fund major DWSD capital improvement projects.

Economic Considerations

This is not an easy time for Detroit. But, we are not alone. The latest numbers tell us that around the world, a quarter of the world's urban centers are declining in population – twice the number of just a decade ago.

Nationally, the economy continues to be troubled. We are fighting two foreign wars that have diverted billions of dollars away from domestic programs at a time when the need for those programs has grown. Gasoline prices are reaching record levels that could seriously impact the auto industry. The federal government is running record deficits.

The federal government is systematically cutting assistance to local units of government across a broad range of programs such as community development block grants, homeless assistance and others. For example the funding under the federal COPS program to hire new police declined from $2.5 million to under $150,000 in three years.

Closer to home, Michigan's economy continues to be one of the weakest in the nation, ranking 49th out of 50 states in unemployment. For Detroit, that has meant deep cuts in income taxes and state revenue sharing.

In Detroit, rising health care and pension costs are costing the City $200 million more than they did just three years ago at a time when our revenues are falling. In the past three years –

- Health care costs have risen $78 million or 46%
- Pension costs have risen by $120 million

BUDGETARY INITIATIVES

To address fiscal year 2003-04 General Fund deficit of $95 million, the City's budgetary initiatives in fiscal year 2004-05 include:

- Implemented a 10% salary cut for Mayor, appointees, and non-union employees
- Requested unions to accept a 10% wage cut in the form of Days Without Pay
- Requested City vendors to sacrifice with 10% concessions on their contracts
- Eliminated 237 vacant City jobs
- Laid off 686 City employees
- Implemented user fee increases and/or new fees for 6 City departments
- Issuing pension obligation certificates to cover unfunded pension liabilities

For fiscal year 2005-06, some of the City's budget cutting initiatives include:

- Eliminating all general-assigned City vehicles and all vehicles for mayoral appointees
- Restructuring employee benefit programs to reduce costs
- Reviewing workers compensation, to reduce cases and amount paid
- Fully implementing a defined contribution pension plan
- Reengineering and consolidating City departments
- Introducing state legislation to permit the City to levy a prepared food and beverage tax and a real estate property tax transfer

OUR VIEW OF THE FUTURE

Financial position is one of the key indicators of an organization's strength. While financial statements are an objective measure of the strength of the City, there are other factors, which taken together, provide the framework for our view of the City. Last year this report included a quote from Mayor Kwame M. Kilpartrick's 2003 Annual Report to the Community that continues to drive the administration of the City of Detroit: "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."

ACKNOWLEDGEMENTS

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

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, 2003

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

City of Detroit
OFFICE OF THE AUDITOR GENERAL
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 208
Detroit, Michigan 48226
Phone: (313) 224-3101
Fax: (313) 224-4091
www.ci.detroit.mi.us

Joseph L. Harris, CPA, CIA
Auditor General

Sharon L. Gipson, CPA
Deputy Auditor General

AUDITOR GENERAL'S LETTER

March 21, 2005

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, 2004, 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.

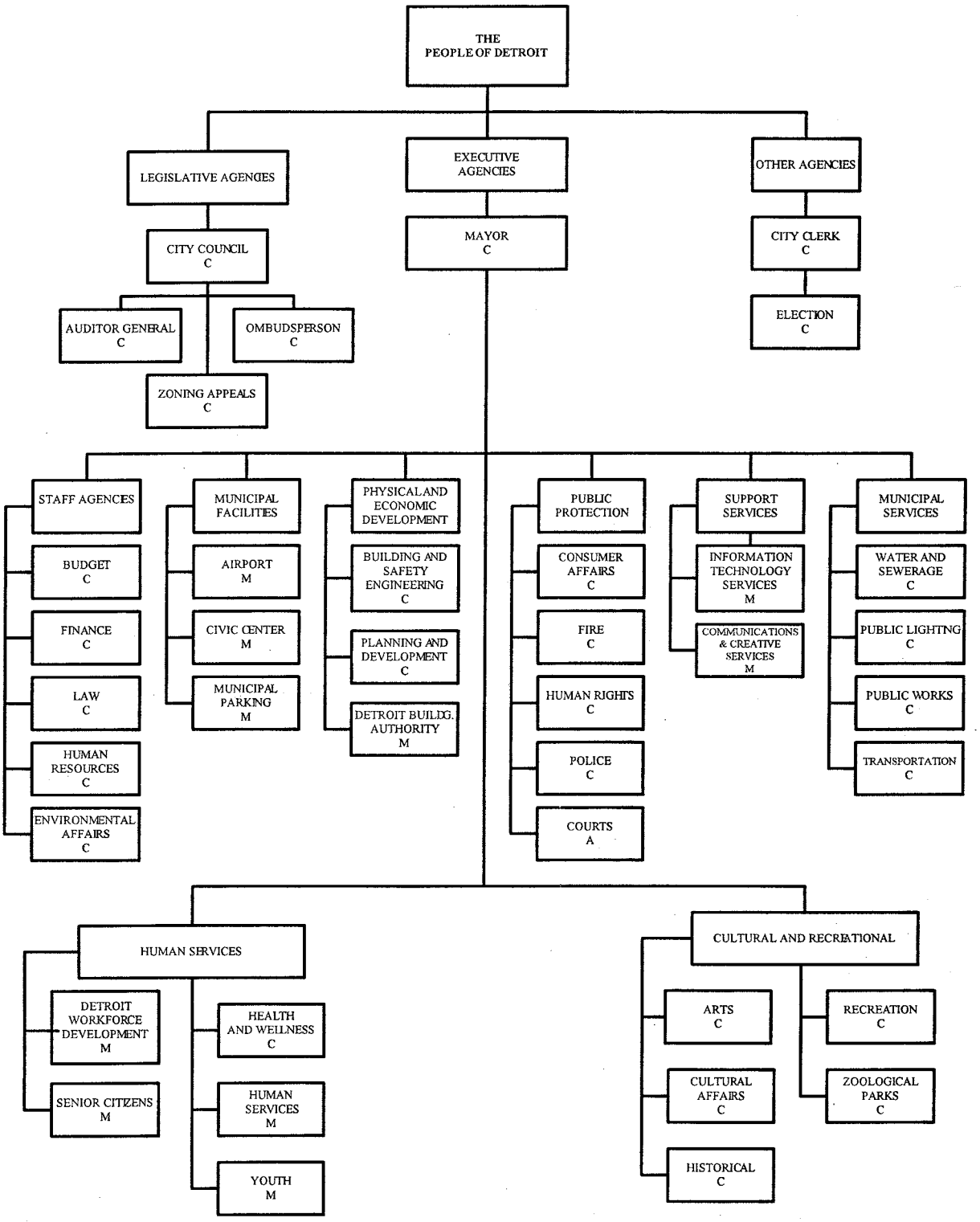
Based on the results of their audit, KPMG LLP has issued their report on the aforementioned financial statements, dated March 21, 2005.

Respectfully,

Joseph L. Harris
Auditor General

CITY OF DETROIT ORGANIZATION CHART

June 30, 2004



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
(Deceased - November 24, 2004)

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

MIKE D. BRIDGES, CPA
Chief Accounting Officer

Spirit of Detroit - The spirit of Detroit is one of invigorated revitalization. Champions call Detroit home including the World Champion Detroit Pistons and the Detroit Red Wings. Ford Field is the site of the Super Bowl XL, which could feature the Detroit Lions with a home field advantage on February 5, 2006.

SPIRIT OF DETROIT

FINANCIAL

The Financial Section contains:

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

House Construction

San Juan Townhomes

Bridgeview Townhomes

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, 2004, 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, the Detroit Housing Commission, and the Greater Detroit Resource Recovery Authority, which represent 97.9% and 96.5%, 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 93.1% and 36.8%, 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 the 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.

As described in note 3(B)1(c), the financial statements of the Detroit Housing Commission Component Unit did not include a liability to the Department of Housing and Urban Development in the amount of $14,236,946 related to unallowable costs claimed for federal reimbursement. Accounting principles generally accepted in the United States of America require that all liabilities that are probable and can be estimated should be recorded as liabilities, which would increase expenses and decrease net assets.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

In our opinion, based on our audit and the reports of other auditors, except for the effects of not recording the liability of the Detroit Housing Commission Component Unit as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Detroit, Michigan as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2004, 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 our report dated March 21, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 1(C), the City changed the reporting of the Detroit Housing Commission from a proprietary fund to a discretely presented component unit as of July 1, 2003.

The Management's Discussion and Analysis on pages 7 through 25 and the schedules of employer contributions and the schedules of funding progress on page 104 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

Detroit, Michigan
March 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

(Left to Right)
Mike D. Bridges, CPA, CAO,
Sean K. Werdlow, CFO/Finance Director, and
Matthew A. Grady III, Deputy Finance Director

CITY OF DETROIT FINANCE TEAM

This section of the City of Detroit's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2004 by $1.7 billion (net assets).
- The City's total net assets decreased during fiscal year 2004 by $174 million, a significant reduction over the previous year's net asset of $1.9 billion.
- Total revenues for governmental funds were approximately $1.9 billion for the current fiscal year, an increase of approximately 2.1% over the prior fiscal year. Expenditures for governmental funds totaled $2.2 billion, an increase of approximately 9.5 % from the same period.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of $387.9 million. The unreserved fund balance had a deficit of $20.6 million.
- At the end of the fiscal year, the City had an unreserved general fund deficit balance of $95 million. Significant contributing factors were decreases in major revenue sources such as, income taxes, and shared state taxes. In addition, there were increases in certain unanticipated expenditures, particularly in the areas of public protection and capital outlay.
- The City's total long-term liabilities, per the Statement of Net Assets were $5.3 billion as of June 30, 2004, with $5.1 billion related to bonds, notes, and other debt payable.

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 City's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the Basic Financial Statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Organization of City of Detroit's Comprehensive Annual Financial Report

CAFR	Introductory Section	**INTRODUCTORY SECTION**			
	Financial Section	+			
		Management's Discussion and Analysis			
		Government-wide Financial Statements	**Fund Financial Statements**		
		Statement of net assets	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
			Balance Sheet	Statement of net assets	Statement of fiduciary net assets
		Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets	Statement of changes in fiduciary net assets
			Budgetary comparison statement	Statement of cash flows	
		Notes to the Financial Statements			
		Required Supplementary Information Other Than MD &A			
		Information on individual non-major funds and other supplementary information that is not required			
		+			
	Statistical Section	**STATISTICAL SECTION**			

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for other
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expense during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 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. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- **The statement of activities** - presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying 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, health, education development, recreation and culture, economic development, transportation, housing supply and conditions, physical environment and development and management functions. The business-type activities of the City include an airport, automobile parking, water and sewage disposal operations, 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 Brownfield Redevelopment Authority, Detroit Public Library, Downtown Development Authority, Economic Development Corporation, Detroit Housing Commission, Local Development Finance Authority, Museum of African American History, Tax Incremental Finance Authority, Detroit Public Schools, Detroit Transportation Corporation and the Greater Detroit Resource Recovery Authority. These legally separate entities are "discretely presented component units".

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 that 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. All of the funds of the City can be divided into the following three categories: **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. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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. To facilitate this comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide financial statements.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund statement of revenues expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds
Proprietary funds are generally used to account for services for which the City charges customers. The City of Detroit has five proprietary or "enterprise" funds. The City's enterprise funds are Sewage Disposal, Transportation, Water, Automobile Parking and Airport. 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 Basic Financial Statements

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

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 its obligation to provide pension benefits to its employees.

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, 2004 and 2003:

	Primary Government (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003 As Restated	2004	2003 As Restated
Assets						
Current and Other Assets	$ 781,052	$ 853,956	$ 1,384,886	$ 1,714,772	$ 2,165,938	$ 2,568,768
Capital Assets	1,194,050	1,116,516	4,593,455	4,096,202	5,787,505	5,212,718
Total Assets	1,975,102	1,970,472	5,978,341	5,810,974	7,953,443	7,781,446
Liabilities						
Long-term Liabilities Outstanding	1,300,807	982,419	4,077,927	3,997,731	5,270,593	4,980,150
Other Liabilities	481,145	557,501	354,373	330,645	943,659	888,146
Total Liabilities	1,781,952	1,539,920	4,432,300	4,328,376	6,214,252	5,868,296
Net Assets						
Invested in Capital Assets, net of Related Debt	423,119	419,594	1,063,418	1,035,281	1,486,537	1,454,875
Restricted	85,250	113,243	199,037	120,671	284,287	233,914
Unrestricted (Deficit)	(315,219)	(102,285)	283,586	326,646	(31,633)	224,361
Total Net Assets	$ 193,150	$ 430,552	$ 1,546,041	$ 1,482,598	$ 1,739,191	$ 1,913,150

Analysis of the Statement 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 $1.7 billion at the close of fiscal year 2004.

The largest portion of the City's net assets reflects its investment of $1.5 billion (85.5%) 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.

Another portion of the City's net assets is restricted. $284.3 million (16.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a deficit unrestricted net assets, $31.6 million (1.8 %). Together, these two categories of net assets totaled 14.5%.

At the end of the current fiscal year, net assets for the governmental activities were $193.2 million. The unrestricted net assets had a deficit of $315.2 million. Major reasons for the decrease are noted in the "Governmental Activities" under the "Statement of Activities" section.

The "Business-type Activity" net assets decreased by $44.7 million during the fiscal year. The Detroit Housing Commission (DHC) was reported as a non-major proprietary fund for fiscal year ended June 30, 2003. Effective July 1, 2003 the DHC was determined to be a separate legal entity based on a ruling by the Michigan Supreme Court. The City determined that the DHC should be reported as a discrete component unit of the City, in accordance with the provisions of Government Accounting Standards Board Statement No.14, the 'Reporting Entity". Therefore, the City restated the net asset balance, beginning of year for the Proprietary Funds and Component Units. Refer to "Business-type Activities" under the "Statement of Activities" section for further explanation of the decrease in net assets.

Statement of Activities

The following is a summary of activities for the year ended June 30, 2004 and 2003:

	Governmental Activities		Primary Government (In Thousands) Business-type Activities		Total	
	2004	2003	2004	2003 As Restated	2004	2003 As Restated
Revenues						
Program Revenues:						
Charges for Services	$ 318,536	$ 270,783	$ 464,344	$ 578,523	$ 782,880	$ 849,306
Operating Grants and Contributions	315,322	365,858	89,345	65,723	404,667	431,581
Capital Grants and Contributions	115,529	35,557	33,759	10,657	149,288	46,214
General Revenues:						
Property Taxes	253,881	221,339	-	-	253,881	221,339
Municipal Income Tax	290,615	310,935	-	-	290,615	310,935
Utility User Tax	47,423	55,526	-	-	47,423	55,526
Wagering Tax	116,146	111,341	-	-	116,146	111,341
Hotel and Liquor Tax	16,217	16,217	-	-	16,217	16,217
Shared Taxes	286,479	319,055	-	-	286,479	319,055
Other Local Taxes	18,118	26,866	-	-	18,118	26,866
Investment Earnings	4,500	5,691	12,516	18,593	17,016	24,284
Other (Miscellaneous)	13,173	14,513	3,813	4,489	16,986	19,002
Total Revenues	1,795,939	1,753,681	603,777	677,985	2,399,716	2,431,666
Expenses						
Public Protection	755,816	593,346	-	-	755,816	593,346
Health	172,602	194,876	-	-	172,602	194,876
Educational Development	95,655	85,958	-	-	95,655	85,958
Recreation and Culture	82,149	81,401	-	-	82,149	81,401
Economic Development	102,680	102,939	-	-	102,680	102,939
Transportation Facilitation	49,858	44,218	-	-	49,858	44,218
Housing Supply and Conditions	21,190	18,567	-	-	21,190	18,567
Physical Environment	267,233	273,248	-	-	267,233	273,248
Development and Management	350,970	372,617	-	-	350,970	372,617
Interest on Long-term Debt	58,080	44,661	-	-	58,080	44,661
Airport	-	-	4,031	3,845	4,031	3,845
Automobile Parking	-	-	21,991	21,534	21,991	21,534
Sewage Disposal	-	-	186,980	261,672	186,980	261,672
Transportation	-	-	206,320	196,163	206,320	196,163
Water	-	-	198,120	249,329	198,120	249,329
Total Expenses	1,956,233	1,811,831	617,442	732,543	2,573,675	2,544,374
Increase (Decrease) in Net Assets before Transfers and Special Item	(160,294)	(58,150)	(13,665)	(54,558)	(173,960)	(112,708)
Transfers	(77,108)	(78,019)	77,108	78,019	-	-
Special Item – Casino Development Revenue	-	132,000	-	-	-	132,000
Change in Net Assets	(237,402)	(4,169)	63,443	23,461	(173,960)	19,292
Net Assets, Beginning of Year, as restated	430,522	434,721	1,482,598	1,459,137	1,913,150	1,983,858
Net Assets, End of Year	$ 193,150	$430,552	$1,546,041	$ 1,482,598	$1,739,190	$ 1,913,150

Analysis of Statement of Activities

The City's net assets overall decreased by $174.0 million during fiscal year 2004 as compared to $37.9 million increase last fiscal year. The governmental activities component of this change was $237.4 million, a significantly larger decrease than in the prior year. Business-type activities' aggregate increased by $63.4 million over last year. Major reasons for these changes are noted in the "Government and Business-type Activities" discussion below.

Governmental Activities

Governmental activities decreased the City's net assets by $237.4 million during fiscal year 2004, which are $233.3 million more than the decrease in fiscal year 2003. Significant changes from 2003 to 2004 in revenue and expenses for the City include the following:

- Property tax revenue increased by $32.5 million due to the Michigan state legislature passing Public Act 246 of 2003. This enactment brought Detroit in line with other municipalities in Michigan regarding the collection of delinquent property taxes. Beginning March 1, 2004 the City's delinquent real property taxes became the responsibility of the Wayne County Treasurer.

- State Share tax revenue decreased by $32.6 million due to a declining State economy and State budget cutbacks.

- Municipal Income Tax revenue decreased by $20.3 million due to the continued downturn in the economy and a 1999 rate rollback schedule agreement with the state legislature.

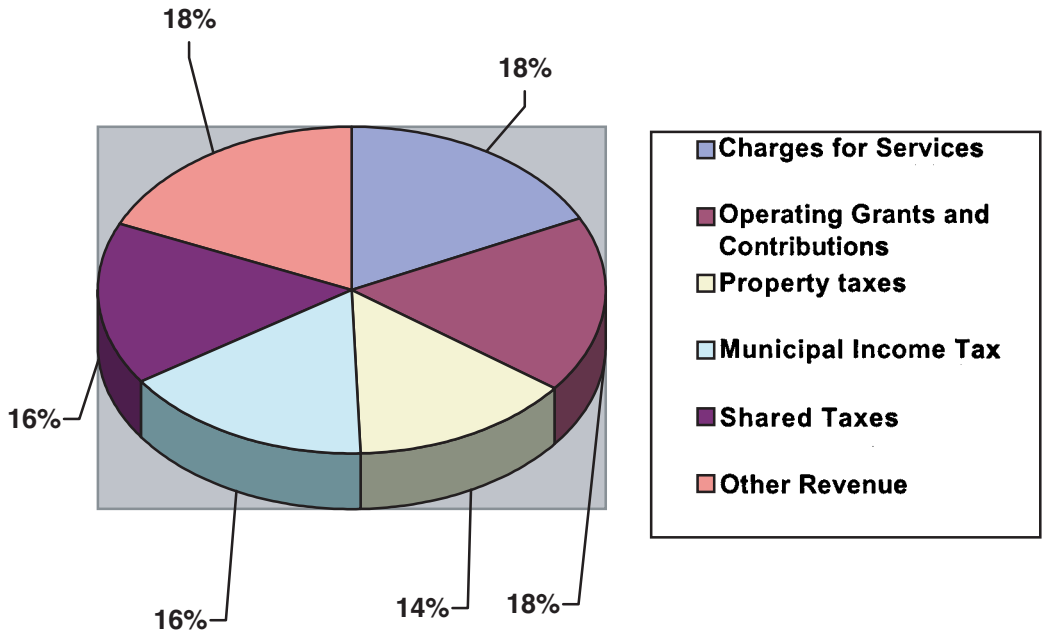
- Investment earnings decreased by $1.2 million as a result of a low interest rate environment.

- Casino Development Revenue (special item) decreased by $132 million (a 100% decrease). The decrease is the result of a one-time increase of $132 million in fiscal year 2003 as a result of renegotiation of the City's agreement with the casinos operating within Detroit.

- General government expenses increased $144.4 million due to a significant increase public protection expenses. The increase in public protection expenditures resulted mainly from salary and fringe benefit expenditures for uniform police officers and firefighters. As with other governmental agencies, the increase in pension costs and medical benefit premiums were the major causes of benefit increases. There also was an increase in homeland security expenditures, which were funded through federal grants. The implementation of the 800-megahertz system for public safety also increased public protection expenditures.

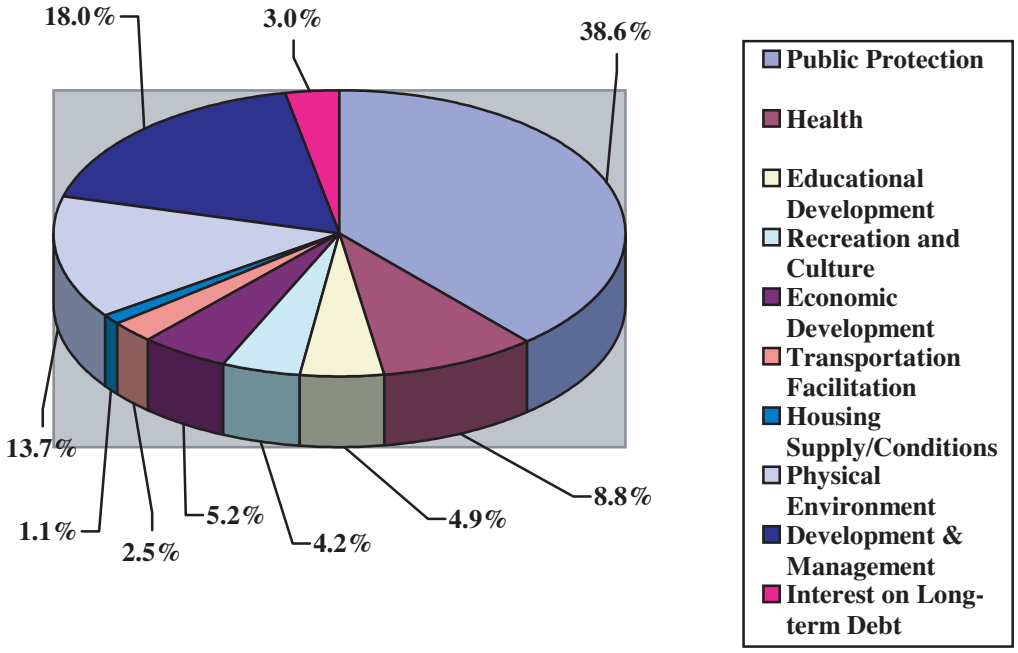
Revenues - General revenues such as property and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, charges for services are the largest single source of funds (17.7 %), followed by operating grants and contributions (17.6%), municipal income taxes (16.2 %), shared taxes (16.0%), and property taxes (14.1%).

Governmental Activities - 2004 Revenues by Sources



Expenses - As shown, public protection (38.6%) is the largest function in expenditures, followed by development and management (18.0%), physical environment (13.7%) and health (8.8 %).

Governmental Activities - 2004 Expenses by Function Type



Business-type Activities

Business-type activities increased the City's net assets by $63.4 million. The overall decrease is a combination of the following:

- The Airport Fund's net assets increased by approximately $30,000 due to an increase in the General Fund subsidy of approximately $258,000 over 2003.
- The Water and Sewage Fund's net assets increased by $51.5 million due to an increase in water and sewage rates.
- The Transportation Fund's net assets increased by $14 million due to an increase in Federal and State contributions. A portion of the contributions was used for the acquisition of 75 buses.

For all of the business-type activities, charges for services provided the largest share of revenues (68.2%) followed by operating grants and contributions (13.2%), transfers (11.1%), and capital grants and contributions (5.0%), and general revenues (2.4%).

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. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

As of the end of fiscal year ended 2004, City's governmental funds reported combined ending fund balances of $ 387.9 million, a decrease of $ 68.5 million in comparison with the prior year. The fund balance includes an unreserved deficit of $20.6 million. The remaining fund balance is already committed as follows:

- To liquidate existing contracts and purchase orders - $61.3 million.
- To fund capital projects in future fiscal periods - $159.1 million.
- To reserve for risk management operations - $35.9 million.
- To reserve for debt service - $70.5 million.
- To reserve for inventory - $37.6 million.
- To reserve motor vehicle operations - $39.3 million.
- To fund a variety of other restricted purposes - $4.8 million.

Revenues for governmental functions overall totaled approximately $1.87 billion in the fiscal year ended June 30, 2004 which represents an increase of $37.8 million from the prior year. Expenditures for governmental functions totaled approximately $2.17 billion, which represents an increase of $188.5 million from the prior fiscal year. In the current fiscal year, expenditures for governmental functions exceeded revenues by approximately $303.3 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 was $95 million, while the total fund balance was $69.2 million. Undesignated fund deficit represents 6.0 % of total

The undesignated fund balance in the City's general fund decreased by $25.9 million, from a deficit of $69.1 million to a deficit of $95.0 million. Some key factors include:

- Expenditures of $27 million incurred due to the implementation of the 800 Mega-Hertz Radio System for Public Safety, prior to obtaining bond financing.
- General Revenue shortfalls of $45.4 million in Income Tax and State Shared revenues
- Unanticipated Payroll Tax expenditures of $13 million

Overall, the General Fund's performance resulted in expenditures in excess of revenues in the fiscal year ended June 30, 2004 of $202.5 million, or 12.8% of total expenditures.

General Fund Budgetary Highlights

During the year, budgetary estimates exceeded actual revenues and other resources by $182.5 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 $1.9 billion but actual expenditures were $1.6 billion, a difference of $0.3 billion.

Differences between the original budget and the final amended budget consisted of approximately a total net increase in estimated revenues of $67 million and a total net increase in appropriations of $204 million. The difference was offset by a total net increase in Other Financing Sources and Uses of $137 million.

A major reason for the increase in estimated revenues can be briefly summarized as follows:

- $118 million increase in grants (Federal, State and other)

Some major reasons for the increase in appropriations can be briefly summarized as follows:

- $51 million in increases allocated to the Police department
- $44 million in increases allocated to the Health department
- $62 million in increases allocated to Development and Management

The Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the Water fund had unrestricted net assets of $101.6 million. This is primarily attributed to water rate increases, as water sales have not increased. Annual system operating revenues have increased approximately $62 million or 32% since fiscal year 2000. Total operating expenses have increased 13% since 2000 and were lower in 2004 than they were in 2003. The relatively stable cost levels are primarily attributable to the cost efficiency measures implemented by departmental management over the last two fiscal years.

The Sewage Disposal Fund had unrestricted net assets of $201.7 million. This is primarily attributed to increases in sewer rates, as billed volumes have remained relatively stable. Annual system operating revenues have increased approximately $96.9 million or approximately 43 percent since fiscal 2000. Total operating expenses have increased 17.1 percent since 2000, but only 5.8 percent since 2002. The relatively stable cost levels are primarily attributable to the cost efficiency measures installed by departmental management over the last two fiscal years.

The Airport Fund had unrestricted net assets of $0.66 million.

Deficits in unrestricted net assets were reported for the Transportation Fund of $14.0 million, and the Automobile Parking Fund of $6.4 million. Transportation services include the City's mass transit system with a fleet of over 540 bus and operation of three light repair garages and terminals. The program costs $206.6 million annually. The General Fund provided the Transportation fund with a $74 million subsidy for this fiscal year. Transportation net asset represents a prior year deficit of $12.8 million. The Parking operations have been running an operating deficit due to garages not being filled to capacity. The new facility, the Premier Garage did not generate anticipated revenues. Structural problems and fewer events in 2004 had a big impact on the customers using the garage. In the meantime, debt service payments and management fees for operating the garage had to be made. Also, the Detroit Red Wings', (the local National Hockey League team) early elimination in the 2004 National Hockey League playoffs had a significant impact on the parking revenues.

The total net assets for the proprietary funds were $1.5 billion. Of this amount, $1.1 billion represents investment in capital assets and $283.6 million was unrestricted.

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, the net assets of the Retirement System totaled $5.6 billion, representing an increase of $442 million in total net assets from the prior year. The change is primarily related to increases 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	
	2004	2003	2004	2003 As Restated	2004	2003 As Restated
Land and Land Rights	$ 355,512	$ 314,539	$ 36,702	$ 36,482	$ 392,214	$ 351,021
Land Improvements	-	-	43,371	40,006	43,371	40,006
Building and Structures	434,835	326,889	1,058,727	941,159	1,493,562	1,268,048
Sewer and water lines,	-	-	879,131	881,940	879,131	881,940
Machinery, Equipment, Fixtures and Vehicles	80,405	74,064	681,482	633,408	761,887	707,042
Works of Art	29,788	29,846	-	-	29,788	29,846
Infrastructure	140,403	120,544	-	-	140,403	120,544
Construction-in- Progress	153,107	250,634	1,894,041	1,563,207	2,047,148	1,813,841
Total	$ 1,194,050	$ 1,116,516	$ 4,593,454	$ 4,096,202	$ 5,787,504	$ 5,212,718

The City's capital assets for its governmental and business-type activities as of June 30, 2004 were $5.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, vehicles, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the current fiscal year was $574.8 million, or 11.0% .The $77.5 million increase in governmental activities is primarily attributable to infrastructure, building additions and land acquisitions. The $497.3 million 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 programs. Also, seventy-five new buses were added to the Transportation Department's fleet.
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 $5.6 billion. Of this amount, $974.2 million are general obligation bonds backed by the full faith and credit of the City and $4.2 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 September 2003, the City issued $70.0 million of Self-Insurance Bonds Limited Tax to fund the payment of claims and $29.5 million in bonds to refund prior debt. The bonds mature beginning June 30, 2006, with an average yield of 4.59%.

In September 2003, the City issued $55.3 million of Convention Facility Special Tax Revenue for improvements to Cobo Hall and $35.6 million in Revenue Refunding Bonds to refund prior debt. The bonds mature beginning on September 30, 2004, with an average yield of 3.8%.

In October 2003, the City issued $44.0 million of G.O. Unlimited Tax Bonds for capital improvements to various General City Agencies. $10.8 million in refunding bonds were issued to relieve prior debt. The bonds mature beginning April 1, 2006, with an average yield of 4.36%.

In March 2004, the City issued $29.8 million of Capital Improvement Bonds (Limited Tax General Obligation) to acquire vehicles and equipments. $11.9 million in refunding bonds were issued to relieve prior debt. The bonds mature, beginning April 1, 2005, with an average yield or 2.3%.

In June 2004, the City issued $61 million of General Obligation Fiscal Stabilization Bonds (Limited Tax General Obligation) to fund a portion of the City's accumulated operating deficit. The bonds mature, beginning April 1, 2005, with an average yield of 3.37%.

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:

	FY 2004	FY 2003
Net General Bonded debt	$1,104,034	$909,624
Net General Bonded debt per capita	$1,211.37	$998.05
Ratio of net General Bonded debt to net assessed value (50% of present market value)	13.24%	12.75%
Ratio of debt to present market value	6.62%	6.375%

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, 2004 was $1.3 billion of which $582 million is available for use.

The City's ratings on uninsured general obligation bonds as of June 30, 2004 were:

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

Subsequent to June 30, 2004, the Standard & Poor's Corporation reduced the City's underlying bond ratings to BBB+.

Additional information on the City's long-term debt can be found in Notes III B 4,5 and 6 to the basic financial statements.

VI. ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City made strategic budget cuts in 2004-2005 that did not impact City services:

- The number of vehicles assigned to City employees was cut by 57%. Additionally, $2 million was saved through aggressive management of leases.

- Professional and contractual services were cut citywide by over $20 million, or 9%. Also, contracts in the General Fund were reduced by in excess of $8.5 million, or 13% in 2004-2005.

- 263 vacant positions were eliminated in various City departments and the city was forced to lay off 347 employees in 2004-2005.

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 decreased from 15.4% in June 2003 to 15.1% by June 2004. As of November 2004, the rate had decreased to 13.6%.

Both Real and Personal Property taxable values continued to grow in the City. The City will issue pension bonds to satisfy all the unfunded liabilities associated with our pension funds. This is a one-time contribution for FY 2004-05 that will produce savings for the City over the next 10 to 12 years by paying these obligations up front.

The 2004-05 Budget has 962 fewer positions including layoffs.

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.

Nortown Homes - With more than 4,400 new residential units under development, Detroit is in the midst of a housing boom. New housing units continue to revitalize residential areas throughout the city. The Nortown neighborhood, near Bessemore and Georgia streets on Detroit's east side, features 50 single-family dwellings with three or four bedrooms, basements and garages. The homes will attract moderate-income tenants offering a rent-to-own option.

NORTOWN HOMES

BASIC

FINANCIAL

STATEMENTS

(BFS)

City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 49,366,275	$ 8,042,755	$ 57,409,030	$ 20,226,370
Investments	278,478,406	55,398,148	333,876,554	228,646,426
Escrow Deposits	-	-	-	52,444,684
Accounts and Contracts Receivable:				
Internal Balances	(986,712)	986,712	-	-
Due from Primary Government	-	-	-	18,272,467
Due from Component Units	19,847,369	-	19,847,369	-
Due from Other Governmental Agencies	186,403,316	20,494,877	206,898,193	292,559,450
Other Receivables - Net	61,678,985	214,775,510	276,454,495	94,617,846
Total Accounts and Contracts Receivable - Net	266,942,958	236,257,099	503,200,057	405,449,763
Inventories	37,557,354	27,620,127	65,177,481	11,355,046
Prepaid Expenses	127,636	320,687	448,323	4,561,167
Short-Term Loans and Advances to Component Units	358,205	-	358,205	-
Total Current Assets	632,830,834	327,638,816	960,469,650	722,683,456
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	69,361,602	53,622,374	122,983,976	8,357,104
Investments	64,620,924	943,746,429	1,008,367,353	732,870,459
Restricted Loans and Notes Recievable	-	-	-	68,642,830
Total Non-Current Restricted Assets	133,982,526	997,368,803	1,131,351,329	809,870,393
Deferred Charges	-	-	-	1,719,417
Capital Assets:				
Non-Depreciable	538,406,664	1,930,743,648	2,469,150,312	558,683,239
Depreciable, Net	655,643,141	2,662,710,878	3,318,354,019	1,402,955,477
Total Capital Assets, Net	1,194,049,805	4,593,454,526	5,787,504,331	1,961,638,716
Other Assets	14,238,261	59,878,846	74,117,107	15,881,346
Total Non-Current Assets	1,342,270,592	5,650,702,175	6,992,972,767	2,789,109,872
Total Assets	1,975,101,426	5,978,340,991	7,953,442,417	3,511,793,328

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Contracts Payable	172,892,718	58,855,488	231,748,206	167,492,022
Due to Other Governmental Agencies	49,076,833	-	49,076,833	-
Due to Primary Government	-	-	-	21,607,800
Due to Component Units	11,957,828	5,526,824	17,484,652	-
Deposits and Refunds	29,774,963	93,067	29,868,030	-
Accrued Interest Payable	13,300,998	60,160,084	73,461,082	23,770,338
Loans and Advances from Primary Government	-	-	-	358,205
Accrued Salaries and Wages	48,008,494	6,078,401	54,086,895	93,017,407
Deferred Revenue	2,711,367	122,331	2,833,698	9,810,804
Other Current Liabilities	50,252,146	13,021,194	63,273,340	281,149,623
Restricted Liabilities:				
Accounts Payable	3,503,843	110,945,867	114,449,710	-
Accrued Public Liability and Worker's Compensation	22,704,836	-	22,704,836	-
Other Liabilities	690,683	-	690,683	-
Total Restricted Liabilities	26,899,362	110,945,867	137,845,229	-
Bonds, Notes and Other Debt Payable - Current	72,033,883	73,520,000	145,553,883	2,195,542,696
Unamortized Premium and Defeasances	-	-	-	33,919,892
Bonds, Notes and Other Debt Payable - Current-Net	72,033,883	73,520,000	145,553,883	112,460,920
Accrued Compensated Absences	4,236,630	19,391,069	23,627,699	2,803,205
Accrued Public Liability and Workers' Compensation	-	6,658,418	6,658,418	324,506
Total Current Liabilities	481,145,222	354,372,743	835,517,965	712,794,830
Long-Term Liabilities:				
Bonds, Notes and Other Debt Payable	977,371,156	4,082,167,599	5,059,538,755	2,195,542,696
Deferred Swap Termination Fees	-	31,000,000	31,000,000	-
Unamortized Premium/(Discount) and Loss (Gain) on Defeasances	22,615,806	(66,239,165)	(43,623,359)	33,919,892
Bonds, Notes and Other Debt Payable -Net	999,986,962	4,046,928,434	5,046,915,396	2,229,462,588
Accrued Compensated Absences	136,234,385	13,001,247	149,235,632	150,074,583
Accrued Public Liability and Workers' Compensation	164,585,116	17,997,269	182,582,385	56,665,005
Total Long-Term Liabilities	1,300,806,463	4,077,926,950	5,378,733,413	2,436,202,176
Total Liabilities	1,781,951,685	4,432,299,693	6,214,251,378	3,148,997,006
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	423,118,665	1,063,418,365	1,486,537,030	541,600,728
Restricted for:				
Endowments and Trust (Non-Expendable)	1,237,820	-	1,237,820	-
Capital Projects	31,229,238	-	31,229,238	31,082,216
Debt Service	52,782,890	199,037,340	251,820,230	24,241,754
Unrestricted (Deficit)	(315,218,872)	283,585,593	(31,633,279)	(248,370,403)
Total Net Assets	$ 193,149,741	$ 1,546,041,298	$ 1,739,191,039	$ 362,796,322

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Protection	$ 755,816,119	$ 88,817,490	$ -
Health	172,601,779	11,875,150	128,616,159
Recreation and Culture	82,148,669	10,363,646	-
Economic Development	102,680,484	20,512,694	60,709,539
Educational Development	95,655,097	-	95,579,152
Housing Supply and Conditions	21,190,178	16,617,400	7,105,957
Physical Environment	267,232,775	85,667,448	-
Transportation	49,857,971	-	8,364,954
Development and Management	350,969,773	84,682,688	14,946,203
Interest on Long-Term Debt	58,080,402	-	-
Total Governmental Activities	1,956,233,247	318,536,516	315,321,964
Business-type Activities:			
Sewage Disposal	186,979,859	195,947,900	-
Transportation	206,319,905	24,712,839	89,345,418
Water	198,120,130	223,092,260	-
Automobile Parking	21,990,714	19,618,019	-
Airport	4,030,607	972,659	-
Total Business-type Activities	617,441,215	464,343,677	89,345,418
Total Primary Government	$ 2,573,674,462	$ 782,880,193	$ 404,667,382
Component Units:			
Brownfield Redevelopment Authority	$ 200,328	$ 139,463	$ 104,070
Detroit Public Library	37,989,764	304,294	5,712,417
Downtown Development Authority	62,463,896	11,095,995	-
Economic Development Authority	12,227,756	17,123,677	-
Detroit Housing Commission	66,240,398	69,036,445	-
Local Development Finance Authority	14,513,509	-	6,950,000
Museum of African American History	6,834,923	1,583,936	5,075,412
Detroit Public Schools	1,777,402,877	7,580,249	525,155,465
Tax Increment Finance Authority	11,636,682	-	-
Detroit Transportation Corporation	18,881,512	367,012	9,621,165
Greater Detroit Resource Recovery Authority	116,723,107	43,792,111	71,146,881
Total Component Units	$ 2,125,114,752	$ 151,023,182	$ 623,765,410

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 Penalities on Taxes
- Investment Earnings
- Miscellaneous
- Gain (Loss) on Disposal of Capital Assets

Transfers

Total General Revenues and Special Item

Change in Net Assets

Net Assets-Beginning of the Year, as Restated

Net Assets-End of Year

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

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
$ -	$ (666,998,629)	$ -	$ (666,998,629)	$ -
3,970,591	(28,139,879)	-	(28,139,879)	-
-	(71,785,023)	-	(71,785,023)	-
43,401,679	21,943,428	-	21,943,428	-
-	(75,945)	-	(75,945)	-
-	2,533,179	-	2,533,179	-
-	(181,565,327)	-	(181,565,327)	-
68,156,341	26,663,324	-	26,663,324	-
-	(251,340,882)	-	(251,340,882)	-
-	(58,080,402)	-	(58,080,402)	-
115,528,611	(1,206,846,156)	-	(1,206,846,156)	-
-	-	8,968,041	8,968,041	-
29,420,774	-	(62,840,874)	(62,840,874)	-
4,038,816	-	29,010,946	29,010,946	-
-	-	(2,372,695)	(2,372,695)	-
299,161	-	(2,758,787)	(2,758,787)	-
33,758,751	-	(29,993,369)	(29,993,369)	-
$ 149,287,362	(1,206,846,156)	(29,993,369)	(1,236,839,525)	-
$ -	-	-	-	43,205
-	-	-	-	(31,973,053)
-	-	-	-	(51,367,901)
-	-	-	-	4,895,921
-	-	-	-	2,796,047
-	-	-	-	(7,563,509)
-	-	-	-	(175,575)
-	-	-	-	(1,244,667,163)
-	-	-	-	(11,636,682)
-	-	-	-	(8,893,335)
-	-	-	-	(1,784,115)
$ -	-	-	-	(1,350,326,160)
.....	189,273,351	-	189,273,351	156,517,515
.....	64,607,621	-	64,607,621	104,758,050
.....	290,614,837	-	290,614,837	-
.....	47,422,918	-	47,422,918	-
.....	116,145,598	-	116,145,598	-
.....	16,217,263	-	16,217,263	-
.....	4,337,425	-	4,337,425	12,324,026
.....	286,479,535	-	286,479,535	935,142,434
.....	13,780,520	-	13,780,520	1,108,699
.....	4,500,270	12,516,207	17,016,477	9,830,412
.....	13,624,695	3,812,743	17,437,438	25,976,014
.....	(451,750)	-	(451,750)	-
.....	(77,108,036)	77,108,036	-	-
.....	969,444,247	93,436,986	1,062,881,233	1,245,657,150
.....	(237,401,909)	63,443,617	(173,958,292)	(104,669,010)
.....	430,551,650	1,482,597,681	1,913,149,331	467,465,332
.....	$ 193,149,741	$ 1,546,041,298	$ 1,739,191,039	$ 362,796,322

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Primary Government		
	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents	$ 15,264,299	$ 34,101,976	$ 49,366,275
Investments	19,894,600	258,583,806	278,478,406
Accounts and Contracts Receivable:			
Due from Other Funds	21,530,355	9,099,438	30,629,793
Due from Fiduciary Funds	4,495,129	-	4,495,129
Due from Component Units	19,818,618	28,751	19,847,369
Due from Other Governmental Agencies	147,674,929	38,728,387	186,403,316
Estimated Withheld Income Taxes Receivable	26,684,072	-	26,684,072
Utility Users' Taxes Receivable	1,267,347	-	1,267,347
Other Receivables	27,026,133	860,766	27,886,899
Total Accounts and Contracts Receivable	248,496,583	48,717,342	297,213,925
Allowance for Uncollectible Accounts	(13,614,758)	(452,744)	(14,067,502)
Total Accounts and Contracts Receivable - Net	234,881,825	48,264,598	283,146,423
Advances to Component Units	-	358,205	358,205
Land Contracts Receivable	6,224,469	-	6,224,469
Inventory-Forfeited Property	-	572,568	572,568
Inventories	36,543,693	441,093	36,984,786
Prepaid Expenditures	-	127,636	127,636
Property Tax Receivable, Net	15,803,134	5,730,160	21,533,294
Income Tax Assessments, Net	40,250,167	-	40,250,167
Special Assessments, Net	1,370,579	335,844	1,706,423
Interest and Penalties	5,530,000	2,000,000	7,530,000
Working Capital Advances to Other Funds	3,557,000	-	3,557,000
Restricted Assets:			
Cash and Cash Equivalents	1,251,069	68,110,533	69,361,602
Investments	64,620,924	-	64,620,924
Due from Other Funds	22,418,119	-	22,418,119
Total Restricted Assets	88,290,112	68,110,533	156,400,645
Other Advances	5,000	-	5,000
Other Assets	9,014	-	9,014
Total Assets	$ 467,623,892	$ 418,626,419	$ 886,250,311

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

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Primary Government		
	General Fund	Other Governmental Funds	Total
LIABILITIES			
Accounts and Contracts Payable	$ 17,460,868	$ 35,176,838	$ 52,637,706
Due to Other Funds	37,752,259	18,772,806	56,525,065
Due to Fiduciary Funds	76,510,398	-	76,510,398
Loans and Other Advances from Other Funds	-	997,000	997,000
Due to Other Governmental Agencies	17,914,031	16,925,856	34,839,887
Due to Component Units	11,957,828	-	11,957,828
Accrued Salaries and Wages	23,137,821	2,138,438	25,276,259
Fringes Benefits Payable	4,196,493	10,263	4,206,756
Payroll Deductions Payable	18,525,479	-	18,525,479
Accrued Compensated Absences	706,105	-	706,105
Income Tax Refunds Payable	11,087,702	-	11,087,702
Deposits from Vendors and Customers	15,761,654	2,925,607	18,687,261
Accrued Liabilities	34,254,603	9,490,011	43,744,614
Other Liabilities	48,824,932	1,427,214	50,252,146
Liabilities Payable from Restricted Assets:			
Accounts and Contracts Payable	3,503,843	-	3,503,843
Accrued Public Liability	6,148,836	-	6,148,836
Accrued Worker's Compensation Payable	2,656,180	-	2,656,180
Due to Other Funds	69,559	-	69,559
Other Liabilities	690,683	-	690,683
Total Liabilities Payable from Restricted Assets	13,069,101	-	13,069,101
Deferred Revenue	67,248,349	12,113,460	79,361,809
Total Liabilities	398,407,623	99,977,493	498,385,116
FUND BALANCES			
Reserved Fund Balance:			
Reserved for Inventory	36,543,693	1,013,661	37,557,354
Reserved for Encumbrances	48,922,088	12,404,738	61,326,826
Reserved for Short-Term Loans and Advances to Other Funds	3,557,000	-	3,557,000
Reserved for Risk Management Operations	35,917,561	-	35,917,561
Reserved for Motor Vehicle Operations	39,303,450	-	39,303,450
Reserved for Endowments and Trusts	5,000	1,232,820	1,237,820
Reserved for Debt Service	-	70,466,781	70,466,781
Reserved for Capital Projects	-	159,136,549	159,136,549
Total Reserved Fund Balance	164,248,792	244,254,549	408,503,341
Unreserved Fund Balance (Deficit):			
Undesignated, Reported In:			
General Fund Operations (Deficit)	(95,032,523)	-	(95,032,523)
Special Revenue Funds	-	74,394,377	74,394,377
Total Unreserved Fund Balance (Deficit)	(95,032,523)	74,394,377	(20,638,146)
Total Fund Balances	69,216,269	318,648,926	387,865,195
Total Liabilities, and Fund Balances	$ 467,623,892	$ 418,626,419	$ 886,250,311

City Of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Fund balances - total governmental funds			$ 387,865,195
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	$	2,381,753,466	
Less accumulated depreciation		(1,187,703,661)	1,194,049,805
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund			
Bond Costs		27,798,281	
Less accumulated amortization		(13,574,034)	14,224,247
Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds			14,819,129
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 long term debt payable		(1,049,405,039)	
Premium		(24,246,370)	
Loss on Advance Refunding		1,630,564	
Grant Audit Amount Due to Other Governments		(14,236,946)	
Accrued interest payable		(13,300,998)	
Compensated Absences		(139,764,910)	
Public Liability and Workers Compensation		(178,484,936)	(1,417,808,635)
Net assets of governmental activities			$ 193,149,741

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, 2004

	Primary Government		
	General Fund	Other Governmental Funds	Total
REVENUES:			
Taxes:			
Property Taxes	$ 184,765,334	$ 64,607,621	$ 249,372,955
Municipal Income Tax	290,614,837	-	290,614,837
Utility Users' tax	50,473,815	-	50,473,815
Wagering Taxes	116,145,598	-	116,145,598
Gas and Weight Tax	-	65,806,351	65,806,351
Other Taxes and Assessments	12,004,503	2,906,653	14,911,156
State Hotel and Liquor Tax	-	16,217,263	16,217,263
State Shared Taxes	286,479,535	-	286,479,535
Shared Taxes-Liquor and Beer Licenses	528,355	-	528,355
Interest and Penalties on Taxes	13,969,136	-	13,969,136
Licenses, Permits and Inspection Charges	9,390,863	20,073,051	29,463,914
Intergovernmental:			
Federal	3,066,675	250,554,178	253,620,853
State	51,477,038	13,230,137	64,707,175
State Equity Grant	982,701	-	982,701
Other	24,026,485	12,189,505	36,215,990
Sales and Charges for Services	176,033,663	14,894,475	190,928,138
Ordinance Fines	23,433,745	4,804,153	28,237,898
Revenue from Use of Assets	26,136,815	2,559,616	28,696,431
Earnings on Investments	1,467,561	3,032,709	4,500,270
Other Revenue	104,070,617	20,716,987	124,787,604
Total Revenues	1,375,067,276	491,592,699	1,866,659,975
EXPENDITURES:			
Current:			
Public Protection	704,456,041	33,874,791	738,330,832
Health	88,874,154	83,427,373	172,301,527
Recreation and Culture	73,769,563	-	73,769,563
Economic Development	24,138,733	72,133,726	96,272,459
Educational Development	-	95,579,152	95,579,152
Housing Supply and Conditions	14,044,090	7,105,957	21,150,047
Physical Environment	232,268,536	-	232,268,536
Transportation Facilitiation	-	49,857,971	49,857,971
Development and Management	387,713,093	-	387,713,093
Debt Service:			
Principal	-	81,450,470	81,450,470
Interest	-	53,075,658	53,075,658
Bond Issuance Costs	3,367,420	2,224,008	5,591,428
Capital Outlay	48,930,333	113,663,461	162,593,794
Total Expenditures	1,577,561,963	592,392,567	2,169,954,530
Excess (Deficiency) of Revenues Over Expenditures	(202,494,687)	(100,799,868)	(303,294,555)
OTHER FINANCING SOURCES (USES):			
Sources:			
Transfers In	31,638,974	131,044,568	162,683,542
Proceeds of Capital Leases	24,541,150	-	24,541,150
Proceeds from Debt Issuance	201,725,000	145,673,138	347,398,138
Premium from Debt Issuance	8,160,573	10,410,102	18,570,675
Uses:			
Transfers Out	138,383,434	101,408,144	239,791,578
Principal Paid to Bond Agent for Refunded Bonds	40,880,000	79,845,000	120,725,000
Interest Paid to Bond Agent for Refunded Bonds	523,744	2,323,938	2,847,682
Total Other Financing Sources (Uses)	86,278,519	103,550,726	189,829,245
SPECIAL ITEM - Casino Development Revenue	38,250,000	-	38,250,000
Net Change in Fund Balances	(77,966,168)	2,750,858	(75,215,310)
Fund Balance at Beginning of Year	140,304,407	316,090,868	456,395,275
Increase (Decrease) in Inventories	6,878,030	(192,800)	6,685,230
Fund Balance at End of Year	$ 69,216,269	$ 318,648,926	$ 387,865,195

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, 2004

Change in fund balances - total governmental funds		$ (75,215,310)
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	$ 153,535,315	
Less current year depreciation	(75,549,376)	77,985,939
Gain on sale of capital assets is reported in the statement of activities, whereas in the governmental funds, the gain from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold		(451,750)
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		(36,981,496)
Some expenditures reported in governmental funds are to be collected on a long-term basis and therefore are not reported as expenses in the statement of activities		
Inventory		6,685,230
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.		202,175,469
Bond and note proceeds and provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and premiums that must be amortized over the life of the bond		(384,918,535)
Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Increase in Due to Other Governments - Grant Audits	(14,236,946)	
Increase in accrued interest expense	(2,157,061)	
Increase in accrued compensated absences	(4,825,206)	
Increase in accrued public liability and workers compensation	(7,451,909)	
Amortization of current year bond premium and defeasances	4,261,094	
Amortization of current year bond cost	(2,271,428)	(26,681,456)
Change in net assets of governmental activities		$ (237,401,909)

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, 2004

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes:				
Property Taxes	$ 188,159,810	$ 188,159,810	$ 184,765,334	$ (3,394,476)
Municipal Income Tax	311,080,000	311,080,000	290,614,837	(20,465,163)
Utility Users' Tax	55,200,000	55,200,000	50,473,815	(4,726,185)
Wagering Taxes	110,000,000	110,000,000	116,145,598	6,145,598
Other Taxes and Assessments	11,909,513	11,909,513	12,004,503	94,990
Interest and Penalties on Taxes	11,000,000	11,000,000	13,969,136	2,969,136
Total Taxes, Assessments, Interest and Penalties	687,349,323	687,349,323	667,973,223	(19,376,100)
Licenses, Permits and Inspection Charges:				
Business Licenses	1,330,000	1,330,000	1,913,369	583,369
Permits	1,535,000	1,535,000	1,331,395	(203,605)
Inspection Charges	8,588,313	8,588,313	6,066,829	(2,521,484)
Other Licenses	95,364	95,364	79,270	(16,094)
Total Licenses, Permits and Inspection Charges	11,548,677	11,548,677	9,390,863	(2,157,814)
Shared Taxes:				
Liquor and Beer License	545,000	545,000	528,355	(16,645)
State Shared Tax	311,494,672	311,494,672	286,479,535	(25,015,137)
Total Shared Taxes	312,039,672	312,039,672	287,007,890	(25,031,782)
Intergovernmental:				
Federal	8,023,229	31,598,379	3,066,675	(28,531,704)
State	57,164,548	112,033,054	51,477,038	(60,556,016)
State Equity Grant	2,339,600	2,339,600	982,701	(1,356,899)
Other Grants	3,340,190	42,601,598	24,026,485	(18,575,113)
Total Grants	70,867,567	188,572,631	79,552,899	(109,019,732)
Sales and Charges for Services:				
Maintenance and Construction	1,414,540	1,414,540	216,634	(1,197,906)
Other Labor and Materials	215,000	215,000	5,081	(209,919)
Electrical	47,190,000	47,190,000	44,471,502	(2,718,498)
Steam	630,900	630,900	772,045	141,145
Sanitation Charges	778,600	778,600	573,071	(205,529)
Recreation Fees	6,686,980	6,457,814	4,982,591	(1,475,223)
Collection Fees	5,607,000	5,637,000	3,452,267	(2,184,733)
Other Fees	35,087,402	35,201,289	37,901,639	2,700,350
Personal Services	64,046,761	63,725,305	58,519,619	(5,205,686)
Other Departmental Sales	36,674,387	39,846,823	25,139,214	(14,707,609)
Total Sales and Charges for Services	198,331,570	201,097,271	176,033,663	(25,063,608)
Ordinance Fines	25,975,517	25,975,517	23,433,745	(2,541,772)
Revenue from Use of Assets:				
Earnings on Investments	2,643,000	2,608,685	1,467,561	(1,141,124)
Real Estate Rentals	7,859,939	7,859,939	6,693,751	(1,166,188)
Concessions	4,784,804	4,784,804	3,282,317	(1,502,487)
Sale of Real Property	13,534,041	13,534,041	16,160,747	2,626,706
Total Revenue from Use of Assets	28,821,784	28,787,469	27,604,376	(1,183,093)
Other Revenue	156,390,554	102,240,592	104,070,617	1,830,025
Total Revenues	1,491,324,664	1,557,611,152	1,375,067,276	(182,543,876)

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES:				
Public Protection:				
Consumer Affairs	1,661,811	1,661,811	1,331,712	330,099
Fire	182,245,549	184,545,119	182,240,815	2,304,304
Human Rights	2,474,211	2,518,211	2,248,191	270,020
Ombudsman	1,566,079	1,566,079	1,498,440	67,639
Parking Enforcement	9,720,356	9,720,356	9,086,959	633,397
Police	434,999,479	485,977,121	462,645,107	23,332,014
36th District Court	47,044,713	47,086,545	45,404,817	1,681,728
Total Public Protection	679,712,198	733,075,242	704,456,041	28,619,201
Health	99,789,054	144,200,497	88,874,154	55,326,343
Recreation and Culture:				
Arts	642,975	642,975	643,544	(569)
Cultural Affairs	1,884,807	2,423,026	1,649,883	773,143
Historical	3,449,789	3,451,213	3,525,076	(73,863)
Recreation	54,779,568	66,265,568	53,550,033	12,715,535
Senior Citizens	1,190,399	2,026,146	1,012,608	1,013,538
Zoological Park	14,855,382	15,361,382	13,388,419	1,972,963
Total Recreation and Culture	76,802,920	90,170,310	73,769,563	16,400,747
Economic Development — Civic Center	26,845,141	26,830,829	24,138,733	2,692,096
Housing Supply and Conditions:				
Planning and Development	11,569,597	23,510,673	14,044,090	9,466,583
Total Housing Supply and Conditions	11,569,597	23,510,673	14,044,090	9,466,583
Physical Environment:				
Environmental Affairs	3,196,285	3,821,251	2,722,564	1,098,687
Public Lighting	68,222,263	68,194,879	61,493,752	6,701,127
Public Works	178,109,675	178,014,280	168,052,220	9,962,060
Total Physical Environment	249,528,223	250,030,410	232,268,536	17,761,874
Development and Management:				
Auditor General	3,462,645	3,377,646	2,648,510	729,136
Budget	3,403,140	3,418,432	3,138,420	280,012
City Clerk	4,630,024	4,619,024	4,155,691	463,333
City Council	20,853,258	20,848,683	13,969,551	6,879,132
Communications & Creative Services	2,285,760	2,198,030	2,031,734	166,296
Election	8,691,046	8,726,046	6,088,909	2,637,137
Finance	50,381,667	50,168,111	41,674,999	8,493,112
Law	32,582,259	32,844,657	28,497,965	4,346,692
Mayor's Office	11,456,278	11,716,401	9,979,579	1,736,822
Human Resources	30,540,945	30,540,945	26,258,463	4,282,482
Information Technology Services	35,938,416	38,499,538	26,798,893	11,700,645
Zoning Appeals Board	1,057,476	1,057,476	892,449	165,027
Employment & Training	2,944	606,339	5,951	600,388
Human Services	6,482,136	9,419,930	5,640,332	3,779,598
Non Departmental	214,103,228	275,785,407	215,931,647	59,853,760
Total Development and Management	425,871,222	493,826,665	387,713,093	106,113,572
Capital Outlay	75,185,951	87,117,421	48,930,333	38,187,088

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
Debt Service:				
Bond Issuance Costs	24,000	721,336	3,367,420	(2,646,084)
Total Debt Service	24,000	721,336	3,367,420	(2,646,084)
Total Expenditures	1,645,328,307	1,849,483,383	1,577,561,963	271,921,420
Excess (Deficiency) of Revenues Over Expenditures	(154,003,643)	(291,872,231)	(202,494,687)	89,377,544
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers In	35,454,845	114,689,313	31,638,974	(83,050,339)
Proceeds of Capital Leases	24,541,150	24,541,150	24,541,150	-
Premium from Debt Issuance	8,160,573	8,160,573	8,160,573	-
Proceeds from Debt Issuance	90,698,995	167,265,006	201,725,000	34,459,994
Total Other Financing Sources	158,855,563	314,656,042	266,065,697	(48,590,345)
Uses:				
Transfers Out	108,522,123	126,454,014	138,383,434	(11,929,420)
Principal Paid to Bond Agent for Refunded Bonds	12,280,225	12,280,225	40,880,000	(28,599,775)
Interest Paid to Bond Agent for Refunded Bonds	523,744	523,744	523,744	-
Total Other Financing Uses	121,326,092	139,257,983	179,787,178	(40,529,195)
Total Other Financing Sources and Uses	37,529,471	175,398,059	86,278,519	(89,119,540)
SPECIAL ITEM - Casino Development Revenue	38,250,000	38,250,000	38,250,000	-
Net Change in Fund Balance	(78,224,172)	(78,224,172)	(77,966,168)	258,004
Fund Balance at Beginning of Year	78,224,172	78,224,172	140,304,407	62,080,235
Increase (Decrease) in Inventories	-	-	6,878,030	6,878,030
Fund Balance at End of Year	$ -	$ -	$ 69,216,269	$ 69,216,269

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

ASSETS	Sewage Disposal Fund	Transportation Fund
Current Assets:		
Cash and Cash Equivalents	$ -	$ 2,367,033
Investments	40,242,687	1,643,586
Accounts and Contracts Receivable:		
Due from Other Funds	40,413,894	236,405
Due from Other Governmental Agencies	-	20,485,453
Other Receivables- Trade	190,767,579	707,656
Total Accounts and Contracts Receivable	231,181,473	21,429,514
Allowance for Uncollectible Accounts	(42,901,655)	(44,290)
Total Accounts and Contracts Receivable - Net	188,279,818	21,385,224
Inventories	10,890,503	9,897,618
Prepaid Expenses	5,880	-
Restricted Cash and Cash Equivalants	31,905,215	-
Restricted Investments	349,717,460	-
Restricted Due from Other Funds	20,688,810	-
Total Current Assets	641,730,373	35,293,461
Noncurrent Assets:		
Restricted:		
Investments	261,766,757	-
Capital Assets:		
Land	13,876,751	4,114,574
Land Improvements	-	-
Buildings and Structures	891,488,855	65,498,463
Water and Sewer Lines	532,455,750	-
Equipment, Machinery, and Fixtures	572,095,371	48,489,640
Vehicles and Buses	-	148,970,549
Construction Work in Progress	1,203,738,078	4,699,876
Total Capital Assets	3,213,654,805	271,773,102
Less: Accumulated Depreciation	(637,571,035)	(141,287,061)
Net Capital Assets	2,576,083,770	130,486,041
Total Non-Current Assets	2,837,850,527	130,486,041
Other Assets:		
Bond Issuance Costs	31,105,792	-
Other	-	650,000
Total Noncurrent Assets	2,868,956,319	131,136,041
Total Assets	3,510,686,692	166,429,502

(Continued)

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
$ 3,811,324	$ 1,226,170	$ 772,417	$ 8,176,944
13,491,812	20,063	-	55,398,148
30,044,331	779,598	1,037,750	72,511,978
-	-	9,424	20,494,877
94,940,116	1,097,789	831,061	288,344,201
124,984,447	1,877,387	1,878,235	381,351,056
(30,237,264)	-	(385,482)	(73,568,691)
94,747,183	1,877,387	1,492,753	307,782,365
6,832,006	-	-	27,620,127
106,819	119,295	88,693	320,687
21,717,159	-	-	53,622,374
273,615,422	203,360	-	623,536,242
19,027,664	-	-	39,716,474
433,349,389	3,446,275	2,353,863	1,116,173,361
22,769,343	35,674,087	-	320,210,187
6,527,438	7,014,114	5,169,374	36,702,251
96,834,157	214,908	8,020,718	105,069,783
453,406,152	199,088,852	5,272,287	1,614,754,609
689,057,547	-	-	1,221,513,297
492,782,490	2,339,955	1,729,317	1,117,436,773
-	-	1,482,115	150,452,664
679,745,387	5,858,056	-	1,894,041,397
2,418,353,171	214,515,885	21,673,811	6,139,970,774
(647,652,745)	(107,900,645)	(12,104,762)	(1,546,516,248)
1,770,700,426	106,615,240	9,569,049	4,593,454,526
1,793,469,769	142,289,327	9,569,049	4,913,664,713
27,605,624	-	-	58,711,416
-	517,430	-	1,167,430
1,821,075,393	142,806,757	9,569,049	4,973,543,559
2,254,424,782	146,253,032	11,922,912	6,089,716,920

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004 (Continued)

LIABILITIES AND NET ASSETS	Sewage Disposal Fund	Transportation Fund
Liabilities:		
Current Liabilities:		
Book Cash Overdraft	134,189	-
Accounts and Contracts Payable	13,928,353	14,478,990
Due to Other Funds	31,637,856	15,350,255
Due to Fiduciary Funds	3,037,250	4,367,232
Due to Component Units	-	5,526,824
Refundable Deposits	-	-
Accrued Salaries and Wages	1,455,830	2,778,992
Accrued Compensated Absences	6,051,544	2,984,129
Accrued Public Liability and Workers Compensation	1,181,346	709,620
Other Liabilities	9,738,648	-
Bonds and Notes Payable	44,825,000	-
Accrued Interest on Bonds and Notes Payable	25,691,034	-
Restricted Accounts and Contracts Payable	78,922,676	-
Restricted Due to Other Funds	5,207,146	-
Restricted Other Liabilities	-	-
Deferred Revenue	-	117,630
Total Current Liabilities	221,810,872	46,313,672
Noncurrent Liabilities:		
Bonds and Notes Payable	2,330,327,599	-
Unamortized Discount and Gain on Defeasances	(8,476,974)	-
Bonds and Notes Payable - Net	2,321,850,625	-
Deferred Swap Termination Fees	14,056,137	-
Accrued Compensated Absences	6,106,719	746,032
Accrued Public Liability and Workers' Compensation	4,025,338	2,838,480
Advance From Other Funds	-	-
Total Noncurrent Liabilities	2,346,038,819	3,584,512
Total Liabilities	2,567,849,691	49,898,184
Net Assets:		
Invested in Capital Assets, Net of Related Debt	610,829,187	130,486,041
Restricted for Debt Service	130,303,233	-
Unrestricted (Deficit)	201,704,581	(13,954,723)
Total Net Assets	$ 942,837,001	$ 116,531,318

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

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
-	-	-	134,189
19,127,419	1,672,280	176,652	49,383,694
47,587,676	1,032,376	490,730	96,098,893
1,580,632	467,162	19,518	9,471,794
-	-	-	5,526,824
-	-	93,067	93,067
1,817,697	-	25,882	6,078,401
9,984,576	199,469	171,351	19,391,069
4,756,519	-	10,933	6,658,418
3,068,993	-	213,553	13,021,194
22,440,000	6,255,000	-	73,520,000
32,246,376	2,222,674	-	60,160,084
31,321,660	-	80,000	110,324,336
7,375,701	-	-	12,582,847
621,531	-	-	621,531
-	-	4,701	122,331
181,928,780	11,848,961	1,286,387	463,188,672
1,690,995,000	60,845,000	-	4,082,167,599
(59,570,404)	1,808,213	-	(66,239,165)
1,631,424,596	62,653,213	-	4,015,928,434
16,943,863	-	-	31,000,000
5,604,945	247,624	295,927	13,001,247
11,021,735	-	111,716	17,997,269
-	2,560,000	-	2,560,000
1,664,995,139	65,460,837	407,643	4,080,486,950
1,846,923,919	77,309,798	1,694,030	4,543,675,622
237,151,776	75,382,312	9,569,049	1,063,418,365
68,734,107	-	-	199,037,340
101,614,980	(6,439,078)	659,833	283,585,593
$ 407,500,863	$ 68,943,234	$ 10,228,882	$ 1,546,041,298

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services	$ 312,798,177	$ 24,712,839
Rentals, Fees and Surcharges	3,155,337	-
Miscellaneous	3,856,227	-
Total Operating Revenues	319,809,741	24,712,839
Operating Expenses:		
Salaries, Wages and Benefits	45,861,755	123,721,317
Contractual Services	-	24,875,402
Operating	121,556,006	-
Repairs and Maintenance	15,566,222	-
Materials, Supplies and Other Expenses	-	43,588,697
Depreciation and Amortization	50,085,670	14,397,301
Total Operating Expenses	233,069,653	206,582,717
Total Operating Income (Loss)	86,740,088	(181,869,878)
Non-Operating Revenues (Expenses):		
Earnings on Investments	8,017,586	49,744
Grants-Federal	-	23,160,885
Contributions	-	66,184,533
Revenue from Interest Rate Swap	-	-
Interest on Bonds and Notes Payable	(59,629,554)	-
Gain on Disposal of Assets	-	-
Other Revenue	-	2,609,933
Other Expenses	(4,699,023)	-
Total Non-Operating Revenues (Expenses)	(56,310,991)	92,005,095
Net Income (Loss) Before Contributions and Transfers	30,429,097	(89,864,783)
Capital Contributions	-	29,420,774
Transfers In	-	74,318,857
Increase (Decrease) in Net Assets	30,429,097	13,874,848
Net Assets - Beginning of Year, as Restated	912,407,904	102,656,470
Net Assets - End of Year	$ 942,837,001	$ 116,531,318

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

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
$ 251,697,368	$ -	$ 71,677	$ 589,280,061
-	19,478,139	894,513	23,527,989
3,719,815	-	6,469	7,582,511
255,417,183	19,478,139	972,659	620,390,561
42,072,318	2,283,524	1,697,545	215,636,459
-	3,604,361	-	28,479,763
107,890,191	3,917,705	693,491	234,057,393
-	2,246,365	160,486	17,973,073
2,599,262	242,808	857,384	47,288,151
38,853,740	5,901,177	621,701	109,859,589
191,415,511	18,195,940	4,030,607	653,294,428
64,001,672	1,282,199	(3,057,948)	(32,903,867)
4,223,627	225,250	-	12,516,207
-	-	299,161	23,460,046
-	-	-	66,184,533
-	163,099	-	163,099
(52,210,199)	(3,794,906)	-	(115,634,659)
-	140,012	-	140,012
1,039,710	-	-	3,649,643
-	-	-	(4,699,023)
(46,946,862)	(3,266,545)	299,161	(14,220,142)
17,054,810	(1,984,346)	(2,758,787)	(47,124,009)
4,038,816	-	-	33,459,590
-	-	2,789,179	77,108,036
21,093,626	(1,984,346)	30,392	63,443,617
386,407,237	70,927,580	10,198,490	1,482,597,681
$ 407,500,863	$ 68,943,234	$ 10,228,882	$ 1,546,041,298

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operations:		
Receipts from Customers	$ 323,241,563	$ 26,602,717
Advances from Other Funds	-	-
Repayments from Other Funds	-	-
Repayments to Other Funds	(3,467,351)	-
Deposits Refunded to Customers	-	-
Payments to Suppliers	(109,592,661)	(65,848,176)
Payments to Employees	(43,049,784)	(123,418,065)
Net Cash Provided by (Used in) Operating Activities	167,131,767	(162,663,524)
Cash Flows from Non-Capital Financing Activities:		
Grants andContributions from Other Governments	-	91,955,351
Transfers from Other Funds	-	79,814,654
Net Cash Provided by Non-Capital Financing Activities	-	171,770,005
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	-	23,944,107
Acquisition and Construction of Capital Assets	(354,410,519)	(29,433,117)
Proceeds from Bond and Note Issuances	208,532,328	-
Unamortized Discount and Bond Issuance Cost	2,644,404	-
Principal Paid on Bonds and Notes	(38,745,000)	-
Interest Paid on Bonds - Net	(113,346,957)	-
Principal Paid on Refunded Debt	(103,845,000)	-
Amount received through Swap Agreement Debt	-	-
Swap Termination Fees	14,056,137	-
Other Receipts	410,035	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(384,704,572)	(5,489,010)
Cash Flows from Investing Activities:		
Proceeds (Losses) from Sales and Maturities of Investments, Net	195,891,333	(1,369,744)
Interest on Investment Securities	8,017,587	49,744
Net Cash Provided by (Used in) Investing Activities	203,908,920	(1,320,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,663,885)	2,297,471
Cash and Cash Equivalents at Beginning of Year, as Restated	45,434,911	69,562
Cash and Cash Equivalents at End of Year	$ 31,771,026	$ 2,367,033

(Continued)

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

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
$ 248,883,564	$ 19,788,804	$ 886,368	$ 619,403,016
-	1,310,000	-	1,310,000
-	(447,077)	-	(447,077)
(30,515,991)	(523,276)	(59,045)	(34,565,663)
-	-	2,811	2,811
(109,534,716)	(10,132,891)	(1,344,144)	(296,452,588)
(38,181,938)	(2,117,261)	(1,534,665)	(208,301,713)
70,650,919	7,878,299	(2,048,675)	80,948,786
-	-	289,737	92,245,088
-	-	3,078,916	82,893,570
-	-	3,368,653	175,138,658
4,038,816	-	-	27,982,923
(149,715,214)	(892,957)	-	(534,451,807)
226,410,000	-	-	434,942,328
4,725,892	314,649	-	7,684,945
(19,740,000)	(6,215,000)	-	(64,700,000)
(80,728,302)	(3,811,036)	-	(197,886,295)
(226,410,000)	-	-	(330,255,000)
-	4,077,469	-	4,077,469
16,943,863	-	-	31,000,000
1,039,710	-	-	1,449,745
(223,435,235)	(6,526,875)	-	(620,155,692)
125,994,982	(981,439)	-	319,535,132
4,223,627	225,250	-	12,516,208
130,218,609	(756,189)	-	332,051,340
(22,565,707)	595,235	1,319,978	(32,016,908)
48,094,190	630,935	203,160	94,432,758
$ 25,528,483	$ 1,226,170	$ 1,523,138	$ 62,415,850

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	$ 86,740,088	$ (181,869,878)
Adjustments to Operating Income (Loss):		
Depreciation and Amortization	50,085,670	14,397,301
Allowance for Uncollectible Accounts	5,237,411	(7,580)
Late Charges and Other, Net	(6,468,196)	-
Changes in Assets and Liabilities:		
Other Receivables - Trade	(10,074,723)	1,889,878
Inventories	3,365,569	1,655,682
Prepaid Expenses	29,477,360	-
Accounts Receivable Expenses	-	-
Due from Other Funds	-	-
Accounts and Contracts Payable	5,412,445	1,062,881
Due to Other Funds	(3,467,351)	(1,728,671)
Due to Component Units	-	880,571
Due to Governmental Agencies	-	-
Other Liabilities	4,041,931	-
Accrued Compensated Absences	-	(117,814)
Accrued Public Liability and Worker Compensation	2,524,033	753,040
Advances from Other Funds	-	-
Refundable Deposits	-	-
Prepaid Revenue	-	-
Accrued Salaries and Wages	257,530	421,066
Net Cash Provided by (Used in) Operating Activities	$ 167,131,767	$ (162,663,524)

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

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
$ 64,001,672	$ 1,282,199	$ -	$ (29,845,919)
38,853,740	5,901,177	-	109,237,888
-	-	-	5,229,831
-	-	-	(6,468,196)
(9,800,681)	-	-	(17,985,527)
622,369	-	-	5,643,620
428,602	(201,720)	-	29,704,242
-	310,665	-	310,665
(30,515,991)	(447,077)	2,811	(30,960,257)
3,912,059	80,068	72	10,467,525
-	(523,276)	-	(5,719,298)
-	-	-	880,571
-	-	-	-
-	-	-	4,041,931
-	166,263	(2,048,675)	(2,000,226)
2,922,120	-	-	6,199,193
-	1,310,000	-	1,310,000
-	-	-	-
-	-	-	-
227,029	-	-	905,625
$ 70,650,919	$ 7,878,299	$ (2,045,792)	$ 80,951,669

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Pension and Other Employee Benefit Funds	Agency Funds	Total
ASSETS			
Cash and Cash Equivalents	$ 7,972,268	$ 2,398,727	$ 10,370,995
Investments at Fair Value:			
Short-Term Investments	153,642,872	-	153,642,872
Commercial Paper	4,964,125	-	4,964,125
U. S. Government Obligations	75,727	-	75,727
Bonds and Stocks	4,133,187,361	-	4,133,187,361
Mortgage-Backed Securities	152,535,435	-	152,535,435
Mortgage and Construction Loans	243,145,421	-	243,145,421
Equity Interest in Real Estate	166,362,111	-	166,362,111
Real Estate Investment Trusts Held by Custodian	28,522,443	-	28,522,443
Pooled Investments	472,759,003	7,108,506	479,867,509
Private Placements	302,152,022	-	302,152,022
Total Investments	5,657,346,520	7,108,506	5,664,455,026
Accrued Interest Receivable	25,454,111	-	25,454,111
Accounts Receivable:			
Due from Primary Government	85,796,911	185,281	85,982,192
Due from Component Units	1,760,431	-	1,760,431
Other Receivables	100,600,019	-	100,600,019
Total Accounts Receivable	188,157,361	185,281	188,342,642
Cash and Investments Held as Collateral for Secuities Lending	889,804,447	-	889,804,447
Other Assets	1,138,284	-	1,138,284
Total Assets	6,769,872,991	9,692,514	6,779,565,505
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts and Contracts Payable	12,104,309	1,758,815	13,863,124
Due to Broker	133,277,124	-	133,277,124
Benefits and Claims Payable	12,147,545	-	12,147,545
Due to Primary Government	4,377,914	117,215	4,495,129
Due to Component Units	787,815	-	787,815
Amount Due to Broker for Secuities Lending	889,804,447	-	889,804,447
Other Liabilities	29,245,952	7,816,484	37,062,436
Total Liabilities	1,081,745,106	9,692,514	1,091,437,620
Net Assets:			
Net Assets Held in Trust for Pension and Employee Benefits	$ 5,688,127,885	$ -	$ 5,688,127,885

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 104)

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, 2004

	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions	$ 418,018,244
Plan Member Contributions	57,700,769
Other Income	16,145,774
Total Contributions	491,864,787
Investment Gain	754,857,358
Total Additions	1,246,722,145
DEDUCTIONS:	
Pension and Annuity Benefits	357,303,189
Premiums to Insurers and Damage Claims	275,675,854
Benefits	2,855,837
Refunds	145,422,902
General and Administrative Expenses	7,590,116
Total Deductions	788,847,898
Net Increase	457,874,247
Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year	5,230,253,638
Net Assets Held in Trust for Pension and Employee Benefits, End of Year	$ 5,688,127,885

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

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004

	Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission	Local Development Finance Authority	Museum of African American History
ASSETS:							
Cash and Cash Equivalents	$ 125,218	$ 68,321	$ 1,428,134	$ 3,170,197	$ 5,239,526	$ 5,358	$ 1,037,167
Escrow Deposits-Cash	-	-	109,884	48,262,665	4,072,135	-	-
Investments, including Accrued Interest	-	3,922,184	118,437,981	18,777,406	-	-	426,082
Accounts and Contracts Receivable:							
Due from Primary Government	-	10,019,030	548,778	-	-	1,390,020	-
Due from Other Governments	-	1,598,535	-	-	13,324,884	365,548	-
Other Recievables	30,167	8,168,188	223,906	1,046,725	736,532		20,618
Total Accounts and Contracts Receivable	30,167	19,785,753	772,684	1,046,725	14,061,416	1,755,568	20,618
Allowance for Doubtful Accounts	-	(5,875,000)	-	-	(1,517,755)	-	-
Total Accounts and Contracts Receivable - Net	30,167	13,910,753	772,684	1,046,725	12,543,661	1,755,568	20,618
Inventory	-	3,224,483	-	-	-	-	118,798
Prepaid Expenditures/Expenses	-	-	109,708	-	438,424	-	42,719
Taxes, Interest, and Penalties Receivable - Net	-	795,000	4,748,316	-	16,419	-	-
Loans and Notes Receivable	-	-	65,496,225	2,592,196	554,409	-	-
Inventory Net of Allowance	-	-	-	-	312,612	-	-
Unamortized Bond and Note Issue Costs- Net	-	-	3,631,939	-	-	-	-
Restricted Cash	-	1,390,386	-	-	417,123	-	-
Restricted Escrow Deposits-Cash	-	-	-	-	1,589,973	-	-
Restricted Investments	-	6,451,567	-	-	-	28,134,743	-
Capital Assets:							
Land	-	1,371,996	7,544,670	-	15,119,876	-	-
Artwork	-	1,230,175	-	-	-	-	-
Plant and Equipment	-	160,765,691	26,823,841	-	144,602,286	-	7,204,534
Construction Work in Progress	-	-	-	-	23,942,191	-	-
Less: Accumulated Depreciation	-	(149,482,798)	(1,291,691)	-	(61,436,801)	-	(1,949,044)
Capital Assets, Net	-	13,885,064	33,076,820	-	122,227,552	-	5,255,490
Other	-	-	2,556,203	1,009,482	6,639,235	-	-
Deferred Charges	-	-	-	-	-	-	-
Total Assets	155,385	43,647,758	230,367,894	74,858,671	154,051,069	29,895,669	6,900,874
LIABILITIES:							
Current Liabilities:							
Accounts Payable and Contracts Payable	84,765	134,644	1,283,061	48,409,675	3,777,483	295,117	437,641
Interest Payable	-	-	6,617,492	248,092	-	819,156	-
Due to Primary Government	-	2,016,105	899,109	2,715	2,971,985	-	3,047
Advances Due to Primary Government	-	-	-	358,205	-	-	-
Accrued Salaries and Wages	-	774,220	-	-	113,617	-	179,961
Deferred Revenues	-	-	-	-	628,301	-	510,000
Other Current Liabilities	-	281,061	7,163,135	-	3,426,413	-	-
State Aid Anticipation and Other Notes Payable	-	-	-	-	-	-	-
Bonds, Notes, and Other Debt Payables-Current	-	-	10,548,000	1,508,185	-	2,190,000	530,732
Unamortized Premuims and Defeasances	-	-	(70,303)	-	-	-	-
Bonds, Notes and Other Debt Payable-Curent-Net	-	-	10,477,697	1,508,185	-	2,190,000	530,732
Accrued Compensated Absences	-	189,017	-	-	288,311	-	-
Accrued Public Liability and Workers Compensation	-	177,597	-	-	146,909	-	-
Noncurrent Liabilities:							
Bonds, Notes, and Other Debt Payables-Noncurrent	-	-	169,273,198	1,255,963	15,343,095	89,211,533	34,543
Unamortized Premuims and Defeasances	-	-	(1,492,731)	-	-	-	-
Bonds, Notes and Other Debt Payable-NonCurent-Net	-	-	167,780,467	1,255,963	15,343,095	89,211,533	34,543
Accrued Compensated Absences	-	3,723,528	-	-	773,367	-	-
Accrued Public Liability and Workers Compensation	-	263,306	-	-	-	-	-
Total Liabilities	84,765	7,559,478	194,220,961	51,782,835	27,469,481	92,515,806	1,695,924
NET ASSETS:							
Invested in Capital Assets, Net of Related Debt	-	13,885,064	33,076,820	-	122,227,552	-	5,255,490
Restricted for:							
Restricted (Non-Expendable)	-	7,841,953	-	-	417,123	5,982,951	-
Capital Projects	27,199	-	1,622,333	22,890,567	-	-	904,735
Debt Service	-	-	1,447,780	-	-	22,798,445	-
Unrestricted (Deficit)	43,421	14,361,263	-	185,269	3,936,913	(91,401,533)	(955,275)
Total Net Assets (Deficit)	$ 70,620	$ 36,088,280	$ 36,146,933	$ 23,075,836	$ 126,581,588	$ (62,620,137)	$ 5,204,950

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

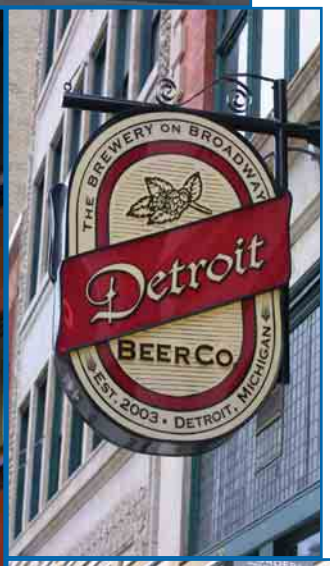
Detroit Public Schools	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
$ 8,903,480	$ -	$ 248,969	$ -	$ 20,226,370
-	-	-	-	52,444,684
82,612,840	-	4,469,933	-	228,646,426
			-	
-	-	5,526,824	-	17,484,652
275,287,381	-	2,770,917	-	293,347,265
5,139,584	-	429,012	6,764,908	22,559,640
280,426,965	-	8,726,753	6,764,908	333,391,557
-	-	-	-	(7,392,755)
280,426,965	-	8,726,753	6,764,908	325,998,802
5,185,267	-	2,826,498	-	11,355,046
-	-	751,260	3,219,056	4,561,167
73,891,226	-	-	-	79,450,961
-	-	-	-	68,642,830
-	-	-	-	312,612
-	-	-	1,731,875	5,363,814
-	-	-	4,959,622	6,767,131
-	-	-	-	1,589,973
512,856,242	-	8,637,382	176,790,525	732,870,459
55,427,603	-	5,122,237	8,873,234	93,459,616
-	-	1,986,000	-	3,216,175
1,282,546,054	-	197,657,785	513,623,297	2,333,223,488
432,500,072	-	5,565,185	-	462,007,448
(415,432,011)	-	(128,170,937)	(172,504,729)	(930,268,011)
1,355,041,718	-	82,160,270	349,991,802	1,961,638,716
-	-	-	-	10,204,920
-	-	-	1,719,417	1,719,417
2,318,917,738	-	107,821,065	545,177,205	3,511,793,328
99,496,747	-	1,602,781	11,970,108	167,492,022
14,680,116	-	-	1,405,482	23,770,338
-	-	67,149	15,647,690	21,607,800
-	-	-	-	358,205
91,520,268	-	429,341	-	93,017,407
5,668,253	-	3,004,250	-	9,810,804
1,192,267	-	3,351,942	-	15,414,818
265,734,805	-	-	-	265,734,805
43,208,483	-	-	49,105,000	107,090,400
5,440,823	-	-	-	5,370,520
48,649,306	-	-	49,105,000	112,460,920
2,325,877	-	-	-	2,803,205
-	-	-	-	324,506
1,500,342,500	-	-	420,081,864	2,195,542,696
40,264,803	-	-	(4,852,180)	33,919,892
1,540,607,303	-	-	415,229,684	2,229,462,588
145,366,807	-	210,881	-	150,074,583
56,401,699	-	-	-	56,665,005
2,271,643,448	-	8,666,344	493,357,964	3,148,997,006
228,472,107	-	82,160,270	56,523,425	541,600,728
-	-	-	-	14,242,027
-	-	5,637,382	-	31,082,216
4,699,713	-	-	(4,704,184)	24,241,754
(185,897,530)	-	11,357,069	-	(248,370,403)
$ 47,274,290	$ -	$ 99,154,721	$ 51,819,241	$ 362,796,322

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2004

	Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission
Expenses	$ (200,328)	$ (37,989,764)	$ (62,463,896)	$ (12,227,756)	$ (66,240,398)
Program Revenues:					
Charges for Services	139,463	304,294	11,095,995	17,123,677	69,036,445
Operating Grants and Contributions	104,070	5,712,417	-	-	-
Total Program Revenues	243,533	6,016,711	11,095,995	17,123,677	69,036,445
Net Program (Expenses) Revenue	43,205	(31,973,053)	(51,367,901)	4,895,921	2,796,047
General Revenues:					
Property Taxes - Levied for General Purposes	27,199	30,335,182	29,101,165	-	-
Property Taxes - Levied for Debt Service	-	-	-	-	-
Investment Income	-	193,781	-	1,995	184,916
Interest and Penalities on Taxes	216	1,108,483	-	-	-
Shared Taxes	-	2,743,305	-	-	-
Other Taxes and Assessments	-	1,332,596	-	-	-
Other Non Operating	-	1,394,768	674,622	300,000	15,437,432
General Revenues	27,415	37,108,115	29,775,787	301,995	15,622,348
Change in Net Assets	70,620	5,135,062	(21,592,114)	5,197,916	18,418,395
Net Assets(Deficit) - Beginning of Year, as Restated	-	30,953,218	57,739,047	17,877,920	108,163,193
Net Assets (Deficit) - End of Year	$ 70,620	$ 36,088,280	$ 36,146,933	$ 23,075,836	$ 126,581,588

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

Local Development Finance Authority	Museum of African American History	Detroit Public Schools	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
$ (14,513,509)	$ (6,834,923)	$ (1,777,402,877)	$ (11,636,682)	$ (18,881,512)	$ (116,723,107)	$ (2,125,114,752)
-	1,583,936	7,580,249	-	367,012	43,792,111	151,023,182
6,950,000	5,075,412	525,155,465	-	9,621,165	71,146,881	623,765,410
6,950,000	6,659,348	532,735,714	-	9,988,177	114,938,992	774,788,592
(7,563,509)	(175,575)	(1,244,667,163)	(11,636,682)	(8,893,335)	(1,784,115)	(1,350,326,160)
8,438,775	-	76,978,512	11,636,682	-	-	156,517,515
-	-	104,758,050	-	-	-	104,758,050
178,830	5,290	7,896,070	-	4,664	1,364,866	9,830,412
-	-	-	-	-	-	1,108,699
-	-	932,399,129	-	-	-	935,142,434
315,822	-	10,675,608	-	-	-	12,324,026
-	3,357,051	-	-	4,812,141	-	25,976,014
8,933,427	3,362,341	1,132,707,369	11,636,682	4,816,805	1,364,866	1,245,657,150
1,369,918	3,186,766	(111,959,794)	-	(4,076,530)	(419,249)	(104,669,010)
(63,990,055)	2,018,184	159,234,084	-	103,231,251	52,238,490	467,465,332
$ (62,620,137)	$ 5,204,950	$ 47,274,290	$ -	$ 99,154,721	$ 51,819,241	$ 362,796,322



New Commercial Developments - A variety of commercial enterprises found homes and new locations in Detroit. Pure Detroit sells Detroit products from two new locations on Monroe in Greektown and in the Guardian Building. Two new restaurants – Small Plates and the Detroit Beer Company – opened across from the Detroit Opera House. Among the new businesses opening in the Compuware Building are national vendors, Hard Rock Café and Borders Bookstore, located in the Campus Martius area on Monroe and Woodward.

NEW COMMERCIAL DEVELOPMENTS

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, 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 twelve 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.

Detroit Housing Commission (DHC): The DHC was established in 1933 under the authority of the Housing Facilities Act, 1933 PA18 (Ex. Sess), MCL 125.651 et.seq. Section 2 of the act provided that any city or incorporated village with population of over 500,000 was authorized "to purchase, acquire, construct, maintain, operate, improve, extend, and/or repair housing facilities and to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, and/or welfare."

Effective July 1, 2003 the Michigan Supreme Court determined that the DHC is a separate legal entity from the City. The Commission is governed by a five (5) member board appointed by the Mayor. A change in the City's reporting entity regarding the DHC is discussed in footnote I-C.

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

(Continued)

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.

School District of the City of Detroit (the District): The 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.

Detroit Brownfield Redevelopment Authority (DBRA): The City of Detroit Brownfield Redevelopment Authority was created by a Detroit City Council resolution dated April 23, 1998, and approved by the Mayor of the City of Detroit on April 30, 1998, under the provisions of Act 381, Public Acts of Michigan of 1996. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property. This is the first year of substantial financial activity for this authority.

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

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

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

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

(Continued)

School District of the City of Detroit
3011 West Grand Blvd.
11th Floor
Detroit, MI 48202
(313) 873-4147

Brownfield Redevelopment Authority
500 Griswold, Suite 2200
Detroit, Michigan 48226
(313) 237-4616

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

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

Detroit Housing Commission
2211 Orleans Street
Detroit, Michigan 48207
(313) 877-8557

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

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

(Continued)

B. JOINT VENTURE

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

The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and 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. CHANGE IN REPORTING ENTITY

Effective July 1, 2003, in accordance with the Michigan Supreme Court determination that the Detroit Housing Commission (DHC) is legally separate from the City, the DHC is being reported as a discretely presented component unit in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*. In previous years, the DHC has been reported as a non-major proprietary fund of the City.

As a result of implementing this change, the beginning net assets have been restated as follows:

	Proprietary Funds	Component Units
Net Assets - Beginning of Year	$ 1,590,760,874	$ 359,302,139
Restatement	(108,163,193)	108,163,193
Net Assets - Beginning of Year, as Restated	$ 1,482,597,681	$ 467,465,332

D. 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,

(Continued)

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 on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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.

Proprietary Funds:

a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant; sewers, including sanitary and combined sewers; combined sewer outfalls; and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.

b. **Transportation Fund** accounts for the City's mass transit system with a fleet of over 572 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.

(Continued)

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

E. BASIS OF ACCOUNTING

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

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.

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

(Continued)

F. 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.

G. ASSETS, LIABILITIES, AND FUND EQUITY

1. **Cash and Investments:** Cash and cash equivalents include 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:** Cost of inventories of the governmental-type funds is recorded as 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. Donated assets are recorded at fair market value as of the date received. The City's capitalization levels are $5,000 on tangible personal property and for improvements other than buildings, and $50,000 on infrastructure, including sewer and 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, 2004 for the Sewage Disposal and Water Funds was $50,451,250 and $26,713,603 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	12
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.

(Continued)

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. A liability for these amounts is reported in governmental funds only if they have matured.

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 2004 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by

(Continued)

non-residents and for corporations, the annual rate for 2004 is 1.0%. These 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 was a temporary rate freeze of the tax rates for the calendar year 2004. The rates were as follows: Residents 2.5%, Non-Residents 1.25% and Corporations 1%. The City has re-applied for, and received, approval for the rate freeze to remain in effect for calendar year 2005. 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 follows:

    a. **Invested in Capital Assets (Net of Related Debt)** – consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.

    b. **Restricted Assets** – consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, or laws. When both restricted and unrestricted resources are available, generally it is the City's policy to use restricted resources first, and then unrestricted resources, when they are needed.

    c. **Unrestricted Assets** – Consist of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, net of related debt".

12. **Use of Estimates:** The preparation of financial statements in conformity with 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.

13. **New Accounting Pronouncements:** In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risk disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ended June 30, 2005.

    In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This Statement establishes accounting and financial reporting standards for impairment of capital assets. The City will implement Statement No. 42 beginning with the year ended June 30, 2006. The City is currently evaluating the impact of adopting Statement No. 42.

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In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City is also required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employers contributions to a plan., including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

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 APPROPRIATIONS IN INDIVIDUAL FUNDS

For the year ended June 30, 2004, expenditures exceeded appropriations in the General Fund for the Arts Department by $569 and Historical Department by $73,863.

C. DEFICIT FUND EQUITY

The Detroit Building Authority (DBA) (a Non-Major Governmental Fund) had deficit fund equity of $367,767.

General Fund had an unreserved deficit of $95,032,523. The Construction Code Fund (a Non-Major Governmental Fund) had an unreserved deficit of $112,106. Transportation Fund and Automobile Parking Fund, (both enterprise funds), had unrestricted deficits of $13,954,723 and $6,439,078 respectively at June 30, 2004. Each fund has a deficit reduction plan, which includes, among other things, changes in the level of services provided, and additional subsidies from the General Fund.

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, 2004, the City's carrying amount of deposits was $180,393,006 for governmental and business-type activities, and the bank balance was $106,251,296. Of the bank balance, $6,639,753 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the fiduciary fund's carrying amount of deposits was $10,370,995 and the bank balance was $7,525,402. Of the bank balance, $431,768 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the component units' carrying amount of deposits was $81,028,158 and the bank balance was $37,141,992. Of the bank balance, $1,279,206 was covered by federal depository insurance. The remaining balances are not insured.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Component Units
Deposits	$ 118,727,877	$ 61,665,129	$ 10,370,995	$ 190,764,001	$ 81,028,158
Investments	343,099,330	999,144,577	5,689,909,137	7,032,153,044	961,516,885
Total	$ 461,827,207	$ 1,060,809,706	$ 5,700,280,132	$ 7,222,917,045	$ 1,042,545,043

(Continued)

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 qualify, bankers' acceptances, repurchase agreements, and mutual funds of certain investment qualify. 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 creditor ship.

The following are the City's investment balances at fair market value at June 30, 2004:

	Primary Government				
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Category
Repurchase Agreements	$ 1,000,000	$ 88,254,160	$ —	$ 89,254,160	1
Certificate of Deposit	19,567,227	2,000,000	—	21,567,227	1
Commercial Paper	—	—	4,964,125	4,964,125	1
U.S. Government Securities	34,329,049	184,948,145	75,727	219,352,921	1
Bonds, Notes, and Stocks	98,560,000	—	4,133,187,361	4,231,747,361	1
Pooled Investments	189,643,054	548,990,407	505,321,620	1,243,955,081	N/A
Treasury Coupon Securities	—	174,951,865	—	174,951,865	1
Short-term Investments	—	—	153,642,872	153,642,872	1
Mortgage-backed Securities	—	—	395,680,856	395,680,856	2
Equity Intrest in Real Estate	—	—	166,362,111	166,362,111	N/A
Real Estate Investment Trusts	—	—	28,522,443	28,522,443	2
Private Placements	—	—	302,152,022	302,152,022	2
Total	$ 343,099,330	$ 999,144,577	$ 5,689,909,137	$ 7,032,153,044	

	Component Units	Category
Repurchase Agreements	$ 7,892,370	1
Certificates of Deposit	284,219	1
Commercial Paper	10,974,377	2
U.S. Government Securities	129,057,328	1
U.S. Government Securities	30,533,370	2
Bonds, Notes, and Stocks	37,720	1
Pooled Investments	10,373,751	N/A
Short-term Investments	772,363,750	1
Total	$ 961,516,885	

(Continued)

2. **Other Receivables:** Other receivables in the statement of net assets for governmental activities are shown in the aggregate. The following details the other receivable balance at June 30, 2004

	General	Other Governmental	Total
Estimated Withheld Income Tax Receivable	$ 26,684,072	$ —	$ 26,684,072
Trade Receivables	27,026,133	860,766	27,886,899
Land Contracts Receivable	6,224,469	—	6,224,469
Property Taxes	15,803,134	5,730,160	21,533,294
Income Taxes	40,250,167	—	40,250,167
Special Assessments	1,370,579	335,844	1,706,423
Interest and Penalties	5,530,000	2,000,000	7,530,000
Utility Users Tax	1,267,347	—	1,267,347
Due from Fudiciary Funds	4,495,129	—	4,495,129
Allowance for Doubtful Accounts	(75,446,071)	(452,744)	(75,898,815)
Total Other Receivables, Net	$ 53,204,959	$ 8,474,026	$ 61,678,985

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, 2004 are as follows:

	Due From								
	General Fund	Non-major Governmental Funds	Sewage Disposal Fund	Transportation Fund	Water Fund	Auto Parking Fund	Non-major Proprietary Funds	Fiduciary Funds	Total
Due to:									
General Fund	$ —	$ 14,830,630	$ 4,520,079	$ 14,447,670	$ 8,933,277	$ 1,006,415	$ 210,403	$ 4,495,129	$ 48,443,603
Non-major Governmental Funds	4,089,404	3,539,586	—	639,772	524,520	25,961	280,195	—	9,099,438
Water Fund	16,747,072	—	32,324,923	—	—	—	—	—	49,071,995
Transportation Fund	172,405	64,000	—	—	—	—	—	—	236,405
Sewage Disposal Fund	15,018,930	315,381	—	262,813	45,505,580	—	—	—	61,102,704
Automobile Parking Fund	756,257	23,209	—	—	—	—	132	—	779,598
Non-major Proprietary Funds	1,037,750	—	—	—	—	—	—	—	1,037,750
Fiduciary Funds	76,510,398	—	3,037,250	4,367,232	1,580,632	467,162	19,518	—	85,982,192
Total	$ 114,332,216	$ 18,772,806	$ 39,882,252	$ 19,717,487	$ 56,544,009	$ 1,499,538	$ 510,248	$ 4,495,129	$ 255,753,685

(Continued)

5. **Advances:** Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2004 are as follows:

Receivable Fund		Payable Fund	Amount
General	$ 3,557,000	Detroit Workforce Development Department (Non-Major Governmental Fund)	$ 147,000
		Capital Projects Fund (Non Major Governmental Fund)	850,000
		Automobile Parking Funds	2,560,000
			$ 3,557,000

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. Transfers between funds at June 30, 2004 are as follows:

	Tranfers In				
	General Fund	Non-major Governmental Funds	Transportation Fund	Non-major Proprietary Funds	Total
Transfers Out					
General Fund	$ —	$ 61,275,398	$ 74,318,857	$ 2,789,179	$ 138,383,434
Non-Major Governmental Funds	31,638,974	69,769,170	—	—	101,408,144
Total	$ 31,638,974	$ 131,044,568	$ 74,318,857	$ 2,789,179	$ 239,791,578

The General Fund transferred $138,383,434 to other funds. The largest transfer was made to the Transportation Fund for $74.3 million to maintain bus operations. The General Fund also transferred $51.3 million to the Debt Service Fund for principal and interest payments.

The Non-Major Governmental Funds transferred $101,408,144 to other funds. The Capital Projects Fund transferred $36.9 million to the Debt Service Fund to be reserved for the Cobo Hall debt service payments. The Major and Local Street Fund transferred 31.3 million to the General Fund to reimburse General Fund for street construction costs.

(Continued)

7. Capital Asset Activity for the Year Ended June 30, 2004:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 314,539,283	$ 40,972,291	$ -	$ 355,511,574
Works of Arts	29,845,410	-	(57,277)	29,788,133
Construction in Progress	250,633,701	54,424,883	(151,951,627)	153,106,957
Total Non-Depreciable Assets	595,018,394	95,397,174	(152,008,904)	538,406,664
Depreciable Assets:				
Buildings and Improvements	559,034,156	139,126,810	-	698,160,966
Machinery and Equipment	361,521,380	29,483,501	(13,155,962)	377,848,919
Infrastructure	725,857,460	41,479,457	-	767,336,917
Total Depreciable Assets	1,646,412,996	210,089,768	(13,155,962)	1,843,346,802
Less Accumulated Depreciation for :				
Buildings and Improvements	232,144,970	31,180,429	-	263,325,399
Machinery and Equipment	287,457,105	22,748,545	(12,761,489)	297,444,161
Infrastructure	605,313,699	21,620,402	-	626,934,101
Total Accumulated Depreciation	1,124,915,774	75,549,376	(12,761,489)	1,187,703,661
Governmental Activities Capital Assets, Net	$ 1,116,515,616	$ 229,937,566	$ (152,403,377)	$ 1,194,049,805

Depreciation Expense was charged to the Governmental functions as follows:

Public Protection	$ 14,380,171
Health	300,252
Education	75,945
Recreation and Culture	8,379,106
Economic Development	6,408,025
Housing Supply and Condition	40,131
Physical Environment	34,964,239
Development and Management	11,001,507
Total:	$ 75,549,376

(Continued)

Business-type Activities:

Major Funds:	Beginning Balance	Increase	Decrease	Ending Balance
Sewage Disposal Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 13,825,671	$ 51,080	$ -	$ 13,876,751
Construction in Progress	887,576,854	399,832,718	(83,671,494)	1,203,738,078
Total Non-Depreciable Assets	901,402,525	399,883,798	(83,671,494)	1,217,614,829
Depreciable Assets:				
Buildings and Structures	805,223,844	291,326,004	(205,060,993)	891,488,855
Sewer Lines	536,209,238	207,094,417	(210,847,905)	532,455,750
Machinery, Equipment and Fixtures	573,013,498	174,279,862	(175,197,989)	572,095,371
Total Depreciable Assets	1,914,446,580	672,700,283	(591,106,887)	1,996,039,976
Total Capital Assets	2,815,849,105	1,072,584,081	(674,778,381)	3,213,654,805
Less Accumulated Depreciation:				
Buildings and Structures	204,774,326	25,581,388	(2,476,901)	227,878,813
Sewer Lines	90,595,281	6,471,400	(788,490)	96,278,191
Machinery, Equipment and Fixtures	294,062,135	29,736,930	(10,385,034)	313,414,031
Total Accumulated Depreciation	589,431,742	61,789,718	(13,650,425)	637,571,035
Net Capital Assets	$ 2,226,417,363	$ 1,010,794,363	$ (661,127,956)	$ 2,576,083,770
Transportation Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 4,114,574	$ -	$ -	$ 4,114,574
Construction in Progress	15,075,092	3,540,006	(13,915,222)	4,699,876
Total Non-Depreciable Assets	19,189,666	3,540,006	(13,915,222)	8,814,450
Depreciable Assets:				
Buildings and Structures	65,487,188	11,275	-	65,498,463
Machinery, Equipment and Fixtures	32,603,653	15,885,987	-	48,489,640
Vehicle and Buses	126,064,318	23,911,071	(1,004,840)	148,970,549
Total Depreciable Assets	224,155,159	39,808,333	(1,004,840)	262,958,652
Total Capital Assets	243,344,825	43,348,339	(14,920,062)	271,773,102
Less Accumulated Depreciation:				
Buildings and Structures	44,727,463	1,036,711	-	45,764,174
Machinery, Equipment and Fixtures	26,192,166	2,648,694	-	28,840,860
Vehicle and Buses	56,974,971	10,711,896	(1,004,840)	66,682,027
Total Accumulated Depreciation	127,894,600	14,397,301	(1,004,840)	141,287,061
Net Capital Assets	$ 115,450,225	$ 28,951,038	$ (13,915,222)	$ 130,486,041

(Continued)

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Water Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 6,358,342	$ 169,096	$ -	$ 6,527,438
Construction in Progress	608,364,217	157,981,415	(86,600,245)	679,745,387
Total Non-Depreciable Assets	614,722,559	158,150,511	(86,600,245)	686,272,825
Depreciable Assets:				
Land Improvements	91,118,140	5,993,232	(277,215)	96,834,157
Buildings and Structures	431,915,880	178,585,147	(157,094,875)	453,406,152
Water lines	672,467,862	96,046,142	(79,456,457)	689,057,547
Machinery, Equipment and Fixtures	432,868,661	159,833,248	(99,919,419)	492,782,490
Total Depreciable Assets	1,628,370,543	440,457,769	(336,747,966)	1,732,080,346
Total Capital Assets	2,243,093,102	598,608,280	(423,348,211)	2,418,353,171
Less Accumulated Depreciation:				
Land Improvements	53,634,642	1,946,527	(6,901)	55,574,268
Buildings and Structures	164,802,582	8,207,491	(681,968)	172,328,105
Water Lines	236,142,033	10,435,804	(473,704)	246,104,133
Machinery, Equipment and Fixtures	155,388,494	23,331,360	(5,073,615)	173,646,239
Total Accumulated Depreciation	609,967,751	43,921,182	(6,236,188)	647,652,745
Net Capital Assets	$ 1,633,125,351	$ 554,687,098	$ (417,112,023)	$ 1,770,700,426
Automobile Parking Fund:				
Non-Depreciable Assets:				
Land and Land Rights	$ 7,014,114	$ -	$ -	$ 7,014,114
Construction in Progress	52,191,196	868,734	(47,201,874)	5,858,056
Total Non-Depreciable Assets	59,205,310	868,734	(47,201,874)	12,872,170
Depreciable Assets:				
Land Improvements	214,908	-	-	214,908
Buildings and Structures	152,122,469	46,966,383	-	199,088,852
Machinery, Equipment and Fixtures	2,251,164	88,791	-	2,339,955
Total Depreciable Assets	154,588,541	47,055,174	-	201,643,715
Total Capital Assets	213,793,851	47,923,908	(47,201,874)	214,515,885
Less Accumulated Depreciation:				
Land Improvements	155,623	10,745	-	166,368
Buildings and Structures	100,531,940	5,446,696	-	105,978,636
Machinery, Equipment and Fixtures	1,626,554	129,087	-	1,755,641
Total Accumulated Depreciation	102,314,117	5,586,528	-	107,900,645
Net Capital Assets	$ 111,479,734	$ 42,337,380	$ (47,201,874)	$ 106,615,240

(Continued)

Business-type Activities (continued)	Beginning Balance, As Restated	Increase	Decrease	Ending Balance
Non-major Funds:				
Non-Depreciable Assets:				
Land and Land Rights	$ 5,169,374	$ -	$ -	$ 5,169,374
Total Non-Depreciable Assets	5,169,374	-	-	5,169,374
Depreciable Assets:				
Land Improvements	8,020,719	-	-	8,020,719
Buildings and Structures	5,272,287	-	-	5,272,287
Machinery, Equipment and Fixtures	1,703,438	25,878	-	1,729,316
Vehicle and Buses	1,047,009	435,106	-	1,482,115
Total Depreciable Assets	16,043,453	460,984	-	16,504,437
Total Capital Assets	21,212,827	460,984	-	21,673,811
Less Accumulated Depreciation:				
Land Improvements	5,557,376	401,035	-	5,958,411
Buildings and Structures	4,026,473	51,668	-	4,078,141
Machinery, Equipment and Fixtures	1,348,032	89,624	-	1,437,656
Vehicle and Buses	551,180	79,374	-	630,554
Total Accumulated Depreciation	11,483,061	621,701	-	12,104,762
Net Capital Assets	$ 9,729,766	$ (160,717)	$ -	$ 9,569,049

(Continued)

Component Units

School District of the City of Detroit:	Beginning Balance, As Restated	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land and Land Rights	$ 16,029,722	$ 39,408,081	$ (10,200)	$ 55,427,603
Construction in Progress	621,331,015	267,391,543	(456,222,486)	432,500,072
Total Non-Depreciable Assets	637,360,737	306,799,624	(456,232,686)	487,927,675
Depreciable:				
Buildings and Structures	735,829,867	275,012,269	(1,079,831)	1,009,762,305
Land Improvements	25,932,533	37,587,411	(113,265)	63,406,679
Buses and Other Vehicles	41,885,339	1,428,099	—	43,313,438
Machinery, Equipment, and Fixtures	53,633,799	112,491,220	(61,387)	166,063,632
Total Depreciable Assets	857,281,538	426,518,999	(1,254,483)	1,282,546,054
Total Capital Assets	1,494,642,275	733,318,623	(457,487,169)	1,770,473,729
Less Accumulated Depreciation:				
Building and Structures	325,284,364	15,133,199	(1,039,569)	339,377,994
Land Improvements	9,050,585	1,877,300	(8,993)	10,918,892
Buses and Other Vehicles	24,108,917	3,063,182	—	27,172,099
Machinery, Equipment, and Fixtures	22,912,305	15,024,835	25,886	37,963,026
Total Accumulated Depreciation	381,356,171	35,098,516	(1,022,676)	415,432,011
Net Capital Assets	$ 1,113,286,104	$ 698,220,107	$ (456,464,493)	$ 1,355,041,718
Other Component Units:				
Non-Depreciable Assets:				
Land and Land Rights	$ 7,789,061	$ 30,242,952	$ —	$ 38,032,013
Works of Art	3,216,175	—	—	3,216,175
Construction in Progress	7,159,936	23,942,191	(1,594,751)	29,507,376
Total Non-Depreciable Assets	18,165,172	54,185,143	(1,594,751)	70,755,564
Depreciable:				
Land and Leasehold Improvements	188,444	—	—	188,444
Buildings and Structures	77,881,501	159,405,404	(941,614)	236,345,291
Facility and Steamline	513,008,682	614,615	—	513,623,297
Works of Art	18,745,260	10,276,083	—	29,021,343
Machinery, Equipment and Fixtures	118,157,367	152,958,668	—	271,116,035
Vehicles and Buses	383,024	—	—	383,024
Total Depreciable Assets	728,364,278	323,254,770	(941,614)	1,050,677,434
Total Capital Assets	746,529,450	377,439,913	(2,536,365)	1,121,432,998
Less Accumulated Depreciation	368,550,253	146,285,747	—	514,836,000
Net Capital Assets	$ 377,979,197	$ 231,154,166	$ (2,536,365)	$ 606,596,998

(Continued)

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 District, DPL, EDC, and DTC.

B. LIABILITIES

1. Commitments and Contingencies

a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims. 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 determine the final outcome of these lawsuits and claims exactly, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates $121.9 million for governmental activities.

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, 2004 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, 2004. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

c. **Detroit Housing Commission Grant Audits:** Effective July 1, 2003, the City of Detroit changed its presentation of the Detroit Housing Commission (DHC) to a discretely presented component unit of the City. The DHC received a qualified opinion on their June 30, 2004 financial statements. Their opinion was qualified based on several issues including the following:

1) The DHC has contingent liabilities to the Department of Urban Development (HUD), which are not recorded on the DHC's financial statements. In April of 2003, HUD issued a Management Review of the Detroit Housing Commission. This report outlined questioned costs and unsupported expenses amounting to $14,236,946. These amounts are summarized below:

Grant Name	Amount
Low Income Housing Grant	$ 5,722,600
PHDEP	5,359,891
Capital Projects Grant	4,577,932
Total	15,660,423
Less: Amount not drawn down from HUD	(1,423,477)
	$ 14,236,946

(Continued)

2) On May 16, 2001, the HUD Office of the Inspector General issued an Audit report concerning the HOPE VI Program. The report outlined $18,291,476 in questioned costs due to HUD. Due to on-going negotiations, the balance of this liability is $6,480,057 at June 30, 2004. This amount is included as a non-current liability in the DHC's financial statements at June 30, 2004. These liabilities were incurred while the DHC was reported as a department of the City; therefore, both of the contested amounts of $14,236,946 and $6,480,057 have been recorded in the City's government-wide financial statements.

d. **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.

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, 2004, future Block Grant Funds of $22,523,000 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, 2004, $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 future assumption of revenue bonds payable in the amount of $165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with 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 five years for the initial lease term are as follows: 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, 2004 are as follows:

(Continued)

	Spent to June 30, 2004	Remaining
Public protection	$ 43,352,986	$ 226,635
Municipal facilities	29,355,400	7,264,435
Cultural and recreational	77,354,682	30,866,727
Human services	1,288,329	884,201
Municipal services	1,755,560	9,319,977
	$ 153,106,957	$ 48,561,975

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 were 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 reserved. 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, 2004, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at $187.3 million for the primary government. The City has recognized a liability that approximated $8.8 million in the General Fund as of June 30, 2004 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, 2004 and 2003 were as follows:

	(In Millions) June 30, 2004	June 30, 2003
Balance at Beginning of Year	$ 178.8	$ 203.9
Current Year Claims and Changes in Estimates	117.7	61.0
Claims Payments	(109.2)	(86.1)
Balance at End of Year	$ 187.3	$ 178.8

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, 2004 the General Fund has reserved $35.9 million for the purpose of funding the City's future claims liabilities.

(Continued)

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:		
2005	$	14,080,982
2006		12,820,755
2007		7,940,355
2008		2,548,570
2009		5,620,877
2010		4,513,420
Total Minimum Payments	$	47,524,959

Rental expense for all operating leases approximated $30.5 million for the year ended June 30, 2004.

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 2.42% to 7.97% for governmental activities, 2% to 7.75% 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. **Debt Issuances and Refunding Bonds**

Governmental Activities:

In September 2003, the City issued $35,603,138 of Convention Facility Special Tax Revenue and Revenue Refunding Bonds for improvements to Cobo Hall and $55,280,000 to refund series 1993 Bonds. The bonds mature beginning on September 30, 2004, with an average yield of 3.8%.

In September 2003, the City issued $70,025,000 of Self-Insurance Bonds Limited Tax to fund the payment of claims and $28,870,000 to refund outstanding self-insurance bonds. The bonds mature beginning June 30, 2006, with an average yield of 4.59%.

In October 2003, the City issued $44,020,000 of G.O. Unlimited Tax Bonds for capital improvements to various General City Agencies. Additionally $10,770,000 of refunding bonds were issued to refund Series 1993 Distributable State Aid Bonds. The bonds mature beginning April 1, 2006, with an average yield of 4.36%.

(Continued)

In March 2004, the City issued $29,825,000 of Capital Improvement Bonds (Limited Tax General Obligation) to acquire vehicles and equipments. Additionally $11,935,000 of refunding bonds were issued to refund outstanding bonds. The bonds mature, beginning April 1, 2005, with an average yield or 2.3%.

In June 2004, the City issued $61,070,000 of General Obligation Fiscal Stabilization Bonds (Limited Tax General Obligation) to fund a portion of the City's accumulated operating deficit. The bonds mature, beginning April 1, 2005, with an average yield of 3.37%. State legislature authorizes municipalities to establish budget stabilization funds for the purpose of providing a method of stabilizing financial operations.

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 prior 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, 2004 approximated $67.8 million.

Business-type Activities:

Sewage Disposal Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Sewage Disposal Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of $14,056,137 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

The outstanding indebtedness of the Fund was $2,375,152,599 at June 30, 2004. The interest rates on the outstanding bonds range from 4.2% to 6.5%. Net revenues of the Fund are pledged to repayment of bonds. In fiscal 2004, the Fund issued $101,435,000 of City of Detroit, Michigan Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2004-A. The net proceeds of the 2004-A Bonds will be used to refund certain of the City's outstanding Senior Lien Bonds and to pay cost of issuance associated with the 2004-A Bonds.

A portion of the Senior Lien Revenue Refunding Bonds, Series 2004-A was used to advance-refund $38,135,000 of the outstanding Sewage Disposal System Revenue Bonds, Series 1995-A, and $65,710,000 of Sewage Disposal System Revenue Bonds, Series 1997-A. The net proceeds of $112,856,821 (after receiving a premium of $12,830,333 and payment of $1,408,512 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 1995-A Series and 1997-A Series bonds. As a result, the 1995-A Series and 1997-A 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 $4,938,589. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,398,743.

The 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 statements of revenues, expenses, and changes in fund net assets. As of June 30, 2004 $490,565,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 included $1,556,769,307 of bonds callable at various dates after July 1, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

(Continued)

Subsequent to year-end, the Fund received loans from the Michigan Municipal Bond Authority Michigan State Revolving Loan Fund Program in the amount of $28,458,285 for the construction of facilities. The outstanding indebtedness of the Fund for revenue bonds was $1,713,435,000 at June 30, 2004. The interest rates on the outstanding fixed-rate revenue bonds range from 4.30% to 6.38%. Net revenues of the Fund are pledged to repayment of bonds.

Water Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Water Supply System Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of $16,943,863 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

In fiscal 2004, the Fund issued $240,600,000 of City of Detroit, Michigan Water Supply System Revenue Senior Lien Bonds consisting of; $77,010,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Second Lien Bonds (Variable Rate Demand) Series 2004-A; and $163,590,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Senior Lien Bonds (Variable Rate Demand) Series 2004-B. The net proceeds were used to refund a portion of the City's outstanding Water Supply System Revenue Bonds and Revenue Refunding Bonds and to pay cost of issuance associated with the 2004 Bonds.

The proceeds of the Revenue Refunding Second Lien Bonds, Series 2004-A were used to advance-refund $70,830,000 of outstanding Water Supply System Revenue Second Lien Bonds, Series 1995-A, maturing in the years 2015 and 2025 with an average interest rate of 5.5%. The net proceeds of $76,165,192 (after payment of $844,808 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2004-B were used to advance-refund $12,610,000 of outstanding Water Supply System Revenue and Refunding Bonds, Series 1993, maturing serially in the years 2005 through 2009; $30,000,000 of Series 1993 Term Bonds, maturing in the year 2013; $58,030,000 of Series 1993 Term Bonds, maturing in the year 2019; and $54,940,000 of Series 1993 Term Bonds, maturing in the year 2023. The net proceeds of $161,794,783 (after payment of $1,795,217 in underwriting fees, insurance, and other issuance costs) 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 1993 Series Bonds and provided for partial future debt service payments on the 2001-A Series Bonds. As a result, the 1993 Series Bonds and a portion of the 2001-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 $18,639,245. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 21 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $12,105,118.

The 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, 2004, approximately $546,360,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 include $1,390,050,000 of bonds callable at various dates after June 30, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

(Continued)

Automobile Parking Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Automobile Parking Fund and its counterparty terminated a swap agreement related to the issuance of debt in fiscal year 2000. The Fund received a termination payment in the amount of $4,077,469. The proceeds will be recognized over the remaining life of the debt for which the swap was issued using the straight-line method.

Component Units:

As of June 30, 2004 of this year, the School District had $1.502 billion in bonds outstanding, plus $45.7 million in unamortized bond premium, for a total of $1.547 billion.

Subsequent to year end, the School District repaid the $195,535,000 and $70,000,000 notes due August 2004 and borrowed $210,000,000 at 1.55 percent annual interest on a new State Aid Anticipation Note. The note, plus interest, is due in August 2005. At June 30, 2004, Detroit Public Schools has accrued interest of $1,879,388 on these notes.

During the year, the school district issued $17,330,000 in general obligation bonds with an average interest rate of 4.00 percent. The proceeds of the bonds were used to advance refund $7,800,000 of Series XXI bonds with an average interest rate of 7.00 percent and $9,150,000 of the Series XXII bonds with an average interest rate of 9.35 percent. The net proceeds of approximately $17.1 million were placed in an irrevocable trust.

In prior years, the 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, 2004 approximated $66.1 million.

(Continued)

a. The following is the schedule of the Bonds Payable at June 30, 2004

	Bond Date	Amount Issued	Retired Year Ended June 30, 2004 Interest Rate	Retired Year Ended June 30, 2004 Amount	Outstanding June 30, 2004 Range of Interest Rates	Outstanding June 30, 2004 Maturity Date	Outstanding June 30, 2004 Amount	
Governmental Activities: (Note A)								
General Obligation Bonds - Unlimited Tax								
Series 1995-B	8-1-95	$ 183,450,000	7%	$ 17,050,000	6.25 to 6.38%	4/1/05-11	$ 99,470,000	c
Series 1996-A	11-1-96	22,195,000	-	-	5.20 to 5.50	4/1/08-16	20,470,000	c
Series 1996-B	11-1-96	1,350,000	4.80	165,000	4.90 to 5.00	4/1/05-06	350,000	
Series 1996-B	11-1-96	21,975,000	-	-	5.10 to 5.50	4/1/07-15	21,975,000	c
Series 1997-A	12-15-97	29,605,000	-	-	5.00 to 5.50	4/1/08-18	29,120,000	c
Series 1997-B	12-15-97	12,860,000	4.40	235,000	4.40 to 5.50	4/1/05-07	8,865,000	
Series 1997-B	12-15-97	22,945,000	-	-	5.00 to 5.38	4/1/08-14	22,945,000	c
Series 1999-A	4-1-99	13,975,000	-	300,000	5.00	4/1/08	1,705,000	
Series 1999-A	4-1-99	30,125,000	-	-	5.00 to 5.25	4/1/09-19	30,125,000	c
Series 1999-B	11-15-99	14,725,000	-	-	5.00	4/1/08-09	3,825,000	
Series 1999-B	11-15-99	30,275,000	-	-	5.125 to 6.00	4/1/10-19	30,275,000	c
Series 2000-AMT	2-15-00	9,270,000	5.00	975,000	5.00 to 5.75	4/1/05-09	5,680,000	
Series 2000-AMT	2-15-00	1,335,000	-	-	5.75	4/1/10	1,335,000	c
Series 2001 A (1)	7-15-01	16,800,000	-	-	3.625 to 5.50	4/1/06-11	16,800,000	
Series 2001 A (1)	7-15-01	83,200,000	-	-	5.0 to 5.315	4/1/12-21	83,200,000	c
Series 2001-A(2)	7-15-01	5,000,000	-	-	Variable	4/1/2022	5,000,000	c
Series 2001-B	7-15-01	23,560,000	3.25	1,250,000	3.50 to 5.50	4/1/05-11	22,310,000	
Series 2001-B	7-15-01	23,235,000	-	-	5.375	4/1/12-14	23,235,000	
Series 2002	8-2-02	13,840,000	3.00	1,560,000	3.00 to 4.00	4/1/05-10	10,420,000	
Series 2002	8-2-02	31,160,000	-	-	4.00 to 5.50	4/1/11-22	31,160,000	c
Series 2003A	10-9-03	7,065,000	-	-	3.70 to 5.00	4/1/10-12	7,065,000	
Series 2003A	10-9-03	36,955,000	-	-	4.00 to 5.25	4/1/13-23	36,955,000	c
Series 2003B	10-9-03	10,770,000	-	10,770,000	3.0 to 5.00	4/1/2006	0	
Distributable State Aid Bonds:								
Series 1993	12-1-93	136,675,000	4.90	10,050,000	5.00 to 5.25	5/1/05-09	58,365,000	
Total General Bonds - Unlimited Tax							570,650,000	

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

(Continued)

	Bond Date	Amount Issued	Retired Year Ended June 30, 2004 Interest Rate	Retired Year Ended June 30, 2004 Amount	Outstanding June 30, 2004 Range of Interest Rates	Outstanding June 30, 2004 Maturity Date	Outstanding June 30, 2004 Amount
Governmental Activities:							
General Obligation Bonds - Limited Tax:							
Self-Insurance Bonds:							
Series 1995-B	6-1-95	$ 40,000,000	6.83%	$ 28,870,000	0%	-	$ -
Series 2003	9/1/2003	98,895,000	-	-	2.42 to 4.97	5/1/2006	98,895,000
General Obligation:							
Series 1997	5-1-97	3,300,000	4.95	535,000	5.05 to 5.20	7/15/04-06	1,770,000
Series 1997	5-1-97	13,665,000	-	-	5.25 to 6.25	7/15/07-20	13,665,000
Series 2002A	6-27-02	52,725,000	4.50	12,010,000	4.5 to 5.0	4/1/05-21	39,560,000
Series 2004A	3-12-04	41,760,000	-	-	1.05 to 5.0	4/1/05-09	41,760,000
Series 2004Fiscal Stabilization	6-17-04	61,070,000	-	-	3.0 to 5.0	4/1/05-09	61,070,000
Total General Bonds- Limited Tax							256,720,000
Total General Bonds							827,370,000
Detroit Building Authority Bonds:							
District Court Madison Center							
Project, Series 1996 A	9-1-96	2,770,000	6.15	780,000	6.15	2/1/05-06	1,990,000
	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
Series 1996 B	9-1-96	6,910,000	7.97	586,478	7.97	7/1/04-06	1,193,826
Total Detroit Building Authority Bonds							11,413,826
Total General Obligation Bonds							838,783,826
Revenue Bonds:							
Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion:							
Series 1993	9-1-93	167,050,000	5.75	78,515,000	5.10 to 5.75	9/1/04-07	44,485,000
Series 2003	9-18-03	90,883,138	-	-	2.0-5.0	09/30/4-15	90,883,138
TotalConventional Facility Limited Tax Revenue Bonds-Cobo Hall Expansion							135,368,138
Total Bonds							$ 974,151,964

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

(Continued)

	Bond Date	Amount Issued	Retired Year Ended June 30, 2004 Interest Rate	Amount	Outstanding June 30, 2004 Range of Interest Rates	Maturity Date	Amount	
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%	$ 220,000	2.00%	4/1/05-13	$ 2,175,000	
Series 1992-B-SRF (5070-01)	9-10-92	1,915,000	2.00	95,000	2.00	10/1/04-13	1,050,000	c
Series 1993-A	3-9-93	45,850,000	Various	11,785,000	-	-	-	
Series 1993-B-SRF (5091 & 5092)	9-30-93	6,603,996	2.00	315,000	2.00	10/1/04-14	3,910,000	c
Series 1995-A	11-1-95	14,630,000	4.70	2,600,000	5.00 to 6.00	7/1/2004	2,715,000	
Series 1995-A	11-1-95	117,800,000	Various	38,135,000	5.00 to 5.25	7/1/05-16	9,655,000	c
Series 1995-B	11-1-95	45,040,000	4.70	1,865,000	4.80	7/1/2004	1,960,000	
Series 1995-B	11-1-95	80,255,000	-	-	4.90 to 6.25	7/1/05-21	80,255,000	c
Series 1997-A	6-15-97	55,625,000	4.50	4,300,000	4.60 to 6.00	7/1/04-06	35,865,000	
Series 1997-A	6-15-97	206,869,128	-	65,710,000	5.00 to 6.00	7/1/07-27	106,799,128	c
Series 1997-B-SRF (5125-01)	9-30-97	5,430,174	2.25	235,000	2.25	10/1/04-18	4,245,000	
Series 1998-A	12-10-98	69,000,000	-	-	4.512	7/1/04-23	68,400,000	
Series 1998-B	12-10-98	68,955,000	-	-	4.512	7/1/04-23	68,200,000	
Series 1999-SRF-1 (5126-01)	6-24-99	21,475,000	2.50	905,000	2.50	4/1/05-20	17,985,000	
Series 1999-SRF-2 (5143-01)	9-30-99	46,000,000	2.50	1,795,000	2.50	10/1/04-20	44,205,000	
Series 1999-SRF-3 (5144-01)	9-30-99	29,255,633	2.50	1,275,000	2.50	10/1/04-20	25,530,633	
Series 1999-SRF-4 (5175-01)	9-30-99	40,655,000	2.50	1,670,000	2.50	10/1/04-20	35,775,000	
Series 1999-A	12-1-99	7,225,000	4.50	2,190,000	4.625 to 5.00	7/1/04-09	1,515,000	
Series 1999-A	12-1-99	295,770,178	-	-	5.125 to 6.00	7/1/10-29	37,620,179	c
Series 2000-SRF-1 (5143-02)	9-28-00	46,593,256	2.50	2,085,000	2.50	10/1/04-22	44,508,256	
Series 2000-SRF-2 (5175-02)	9-28-00	57,839,727	2.50	2,535,000	2.50	10/1/04-22	55,304,727	
Series 2001-SRF-1 (5175-03)	6-28-01	82,200,000	-	-	2.50	10/1/04-24	82,200,000	
Series 2001-SRF-2 (5175-04)	6-28-01	57,195,868	-	-	2.50	10/1/04-24	57,195,868	
Series 2001-A	9-15-01	76,375,000	-	-	5.00 to 5.13	7/1/22-31	76,375,000	
Series 2001-B	9-15-01	110,550,000	-	-	5.50	7/1/23-29	110,550,000	
Series 2001-C(1)	9-23-01	159,970,000	4.43	345,000	4.43	7/1/04-27	156,860,000	
Series 2001-C(2)	9-23-01	127,165,000	4.47	225,000	4.47	7/1/04-24	124,735,000	
Series 2001-D	9-23-01	92,450,000	-	-	5.50	7/1/2032	92,450,000	
Series 2001-E	9-23-01	139,080,000	-	-	4.38	7/1/24-31	139,080,000	
Series 2002 SRF-1 (5204-01)	10-27-01	17,491,081	-	745,000	2.50	4/1/05-23	16,746,081	
Series 2002-SRF-2(5204-02)	10-27-01	1,191,123	-	75,000	2.50	4/1/05-33	1,116,148	
Series 2003-A	5-22-03	158,000,000	3.00	3,485,000	5.00	7/1/04-13	154,515,000	
Series 2003-A	5-22-03	441,380,000	-	-	5.00	7/1/14-32	441,380,000	c
Series 2003-B	5-22-03	150,000,000	-	-	Variable	7/1/32-33	150,000,000	
Series 2003-SRF-1(5204-04)	6-28-03	15,339,190	-	-	2.50	10/1/06-25	15,339,190	
Series 2003-SRF-2(5204-03)	9-25-03	7,502,389	-	-	2.50	4/1/06-25	7,502,389	
Series 2004-A	1-9-04	101,435,000	-	-	2.00 to 5.25	7/1/04-25	101,435,000	
Total Sewage Disposal System Revenue Bonds							$ 2,375,152,599	

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

(Continued)

	Bond Date	Amount Issued	Retired Year Ended June 30, 2004 Interest Rate	Retired Year Ended June 30, 2004 Amount	Outstanding June 30, 2004 Range of Interest Rates	Outstanding June 30, 2004 Maturity Date	Outstanding June 30, 2004 Amount	
Business type Activities:								
Water Fund								
Water Supply System Revenue Bonds (notes C and D)								
Series 1993	10-15-93	$ 38,225,000	4.65%	$ 157,490,000	4.70 to 6.5%	7/1/04-15	$ 14,270,000	
Series 1993	10-15-93	128,035,000	-	-	4.70 to 6.50	7/1/04-23	12,910,000	c
Series 1995A	10-15-95	102,100,000	4.70	73,495,000	4.70 to 5.55	7/1/04-12	70,130,000	
Series 1995A	10-15-95	70,830,000	-	-	5.50	7/1/13-25	12,150,000	c
Series 1997A	9-1-97	29,080,000	4.40	3,845,000	4.30 to 5.25	7/1/04-06	12,655,000	
Series 1997A	9-1-97	186,220,000	-	-	4.80 to 6.00	7/1/07-27	186,220,000	c
Series 1997B	9-1-97	30,555,000	6.00	6,655,000	5.0 to 5.25	7/1/04-06	22,040,000	
Series 1999A	11-1-99	18,000,000	4.50	2,000,000	4.50 to 5.25	7/1/04-09	12,000,000	
Series 1999A	11-1-99	238,340,000	-	-	5.125 to 5.75	7/1/10-18	58,700,000	c
Series 2001A	5-1-01	302,485,000	-	-	4.50 to 5.75	7/1/11-33	167,675,000	c
Series 2001B	5-1-01	108,985,000	-	-	4.50 to 5.50	7/1/12-33	108,985,000	c
Series 2001C	6-7-01	192,290,000	-	-	Variable	7/1/04-29	192,290,000	
Series 2003A	1-28-03	234,805,000	-	-	4.75 to 5.25	7/1/04-34	234,805,000	c
Series 2003B	1-28-03	172,945,000	-	-	2.0 to 5.25	7/1/04-34	172,945,000	c
Series 2003C	1-28-03	46,355,000	2.00	2,665,000	2.0 to 5.25	7/1/04-22	43,690,000	c
Series 2003D	1-28-03	151,370,000	-	-	Variable	7/1/04-34	151,370,000	c
Series 2004A	5-04-04	77,010,000	-	-	3.94	7/1/04-23	77,010,000	
Series 2004B	5-04-04	163,590,000	-	-	3.94	7/1/04-23	163,590,000	
Total Water Supply System Revenue Bonds							$ 1,713,435,000	
Automobile Parking Fund								
Detroit Building Authority Bonds - Revenue Refunding Bonds:								
Parking & Arena System-Series 1997A	2-15-97	$ 3,050,000	0.05%	$ 340,000	4.60 to 4.80%	7/1/04-06	$ 1,110,000	
Parking & Arena System-Series 1997B	2-15-97	37,695,000	6.60	4,250,000	6.68 to 6.79	7/1/04-06	14,535,000	
Parking & Arena System-Series 1998A	7-1-98	8,385,000	4.50	925,000	4.50	7/1/04-03	4,140,000	
Parking & Arena System-Series 1998A	7-1-98	18,615,000	-	-	4.70 to 5.25	7/1/08-19	18,615,000	c
Parking & Arena System-Series 1999A	10-22-99	29,900,000	7.75	400,000	7.75	7/18/04-29	28,700,000	
Total Detroit Building Authority Revenue Refunding Bonds							67,100,000	
Total Business-type Bonds							$ 4,155,687,599	

Note A - As of June 30,2004, the City had $59,120,000 in outstanding General Obligation Bonds which have been defeased or advanced refunded.
Note B - As of June 30,2004, the City had $490,565,000 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 30,2004, the City had $546,360,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

(Continued)

b. The following is the schedule of Notes Payable at June 30, 2004:

Governmental Activities Notes Payable	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2004
Urban Renewal Fund:				
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue)	8/1/2002	1.75 to 4.16%	8/1/2008	$ 5,208,000
Ferry Street Project (Secured by Future Block Grant Revenue)	4/28/1999	1.75 to 4.17	8/1/04-19	2,900,000
Garfield Project (Secured by Future Block Grant Revenue)	6/5/1996	1.75 to 4.18	8/1/03-15	1,945,000
Michigan Repacking Project (Secured by Future Block Grant Revenue)	10/28/1997	1.75 to 4.19	8/1/03-04	1,290,000
Riverbend Project (Secured by Future Block Grant Revenue)	6/5/1996	1.75 to 4.20	8/1/03-15	745,000
Riverbend Project (Secured by Future Block Grant Revenue)	10/28/1997	1.75 to 4.21	8/1/03-16	405,000
Stuberstone Project (Secured by Future Block Grant Revenue)	10/28/1997	1.75 to 4.22	8/1/03-16	330,000
New Amsterdam Project (Secured by Future Block Grant Revenue)	8/1/2002	1.75 to 4.23	8/1/08-23	9,700,000
Total Notes Payable				$ 22,523,000

c. The following is the schedule of Loans Payable at June 30, 2004:

Governmental Activities Loans Payable	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2004
Downtown Development Authority	1991-1997	- %	-	$ 33,600,000
Loans Payable GE Capital Schedule - 009	10/30/2003	3.50	7/1/04-2/1/09	2,327,537
Loans Payable GE Capital Schedule - 010	10/30/2003	3.80	7/1/04-11-1-08	176,130
Loans Payable GE Capital Schedule - 011	11/15/2003	3.65	7/1/04-4/15/0/	14,320,318
Loans Payable GE Capital Schedule - 012	4/2/2004	3.61	8/1/04-4/1/09	491,400
Loans Payable GE Capital Schedule - 013	4/9/2004	4.07	7/1/04-6/1/14	1,285,029
Loans Payable GE Capital Schedule - 014	5/14/2004	4.07	7/1/04-6/1/09	529,661
Total Loans Payable				$ 52,730,075

d. The following is the schedule of Bonds Authorized and Unissued at June 30, 2004:

	Authorized (Note A)			
	Authority	Date	Amount	Unissued Amount
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	9,070,000
Municipal Facilities	Electorate	11/7/2000	18,000,000	6,120,000
Public Lighting	Electorate	11/7/2000	30,000,000	17,935,000
Institute of Arts	Electorate	11/7/2000	25,000,000	9,850,000
Recreation and Zoo	Electorate	11/7/2000	56,000,000	30,975,000
Neighborhood and Economic Development	Electorate	11/7/2000	30,000,000	9,105,000
Histroical Museum	Electorate	11/6/2001	20,000,000	17,670,000
Museum of African American History	Electorate	4/29/2003	6,000,000	2,705,000
Total Bonds Authorized - Unissued				$ 127,430,000

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.

(Continued)

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

	Primary Government				
	Principal				
		Business-type Activities			
Year Ending	Governmental Activities	Automobile Parking Fund	Water Fund	Sewage Disposal Fund	Total
2005	$ 72,033,883	$ 6,255,000	$ 22,440,000	$ 44,825,000	$ 73,520,000
2006	120,570,429	6,615,000	23,305,000	46,945,000	76,865,000
2007	102,237,191	7,105,000	25,470,000	49,850,000	82,425,000
2008	99,869,811	1,610,000	27,905,000	50,364,128	79,879,128
2009	123,738,235	1,670,000	29,235,000	53,725,000	84,630,000
2010-2014	307,426,305	9,980,000	171,020,000	292,483,965	473,483,965
2015-2019	153,684,185	13,360,000	221,985,000	322,654,361	557,999,361
2020-2024	69,845,000	8,605,000	280,810,000	368,745,145	658,160,145
2025-2029	-	9,500,000	355,040,000	504,345,000	868,885,000
2030-2034	-	2,400,000	452,085,000	641,215,000	1,095,700,000
2035	-	-	104,140,000	-	104,140,000
Total	$ 1,049,405,039	$ 67,100,000	$ 1,713,435,000	$ 2,375,152,599	$ 4,155,687,599

	Primary Government					
	Interest					
		Business-type Activities				
Year Ending	Governmental Activities	Automobile Parking Fund	Water Fund	Sewage Disposal Fund	Interest Rate Swaps, Net	Total
2005	$ 49,778,575	$ 2,366,670	$ 63,031,402	$ 82,994,190	$ 35,984,187	$ 184,376,449
2006	46,428,285	1,952,507	62,984,325	82,111,082	38,222,410	185,270,324
2007	42,931,980	1,573,985	61,964,260	80,141,782	38,931,751	182,611,778
2008	37,884,914	1,290,420	60,839,628	79,798,363	38,578,712	180,507,123
2009	32,724,895	1,226,448	59,613,418	75,653,698	38,389,414	174,882,978
2010-2014	99,660,834	5,163,563	276,727,182	349,000,086	181,142,795	812,033,626
2015-2019	54,631,934	2,950,026	235,587,665	306,498,097	159,515,037	704,550,825
2020-2024	7,091,833	974,652	198,833,363	235,215,796	127,258,406	562,282,217
2025-2029	-	417,809	151,051,823	137,450,600	73,503,346	362,423,578
2030-2034	-	2,083	72,437,771	39,101,591	30,308,232	141,849,677
2035	-	-	2,603,500	-	-	2,603,500
Total	$ 371,133,251	$ 17,918,163	$ 1,245,674,337	$ 1,467,965,285	$ 761,834,290	$ 3,493,392,075

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 is unsecured and bears no interest and will be repaid by the City as general operating funds become available. As such, the loan payable has not been included in either of the governmental activities annual principle or interest requirements.

	Component Units	
Year Ending	Principal	Interest
2005	107,090,400	$ 109,081,049
2006	167,742,259	107,769,782
2007	123,973,424	101,843,985
2008	122,680,631	94,972,564
2009	133,784,165	90,434,341
2010-2014	456,900,792	353,751,301
2015-2019	251,257,120	315,174,019
2020-2024	227,565,426	252,735,432
2025-2029	484,438,879	180,362,422
2030-2034	227,200,000	24,980,500
2035	-	-
	$ 2,302,633,096	$ 1,631,105,395

(Continued)

f. Long-term Liabilities Activity for the Year Ended June 30, 2004

	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004	Amount Due Within One Year
Governmental Activities:					
Long-term debt:					
Convention Facility – Cobo Center Expansion Revenue Bonds	$ 123,000,000	$ 90,883,138	$ 78,515,000	$ 135,368,138	$ 10,355,000
Detroit Building Authority Bonds – Madison Center Project	12,780,304	-	1,366,478	11,413,826	1,491,872
Distribution State Aid Bonds	68,415,000	-	10,050,000	58,365,000	10,540,000
Self-insurance Limited Tax Bonds	28,870,000	98,895,000	28,870,000	98,895,000	-
General Obligation – General Bonds	489,800,000	54,790,000	32,305,000	512,285,000	22,600,000
General Obligation Limited Tax Bonds	67,540,000	102,830,000	12,545,000	157,825,000	16,990,000
Total General Fund Bonds	790,405,304	347,398,138	163,651,478	974,151,964	61,976,872
Federal note – Caraco Pharmaceutical Project	6,105,000	-	897,000	5,208,000	942,000
Federal note – Ferry Project	2,900,000	-	-	2,900,000	85,000
Federal note – Garfield Project	2,050,000	-	105,000	1,945,000	105,000
Federal note – Michigan Repacking Project	1,335,000	-	45,000	1,290,000	1,290,000
Federal note – Riverbond Project	1,230,000	-	80,000	1,150,000	80,000
Federal note – Stuberstone Project	345,000	-	15,000	330,000	15,000
Federal note - New Amsterdam Project	9,700,000	-	-	9,700,000	-
Loan payable to Downtown Development Authority	33,600,000	-	-	33,600,000	-
Loan payable – GE Capital – Airport	118,202	-	118,202	-	-
Loan payable – GE Capital – Cobo Hall Energy System	9,729,106	-	9,729,106	-	-
Loan payable – GE Capital – Election System	1,336,649	-	1,336,649	-	-
Loan payable – GE Capital – Fire	1,345,708	-	1,345,708	-	-
Loan payable – GE Capital ITS - Unisys	7,360,070	-	7,360,070	-	-
Loan payable – GE Capital – Income Tax	378,929	-	378,929	-	-
Loan payable – IBM Credit Corporation	11,702,252	-	11,702,252	-	-
Loan payable – GE Capital Schedule-009	-	2,500,250	172,713	2,327,537	475,336
Loan payable – GE Capital Schedule-010	-	200,728	24,598	176,130	37,996
Loan payable – GE Capital Schedule-011	-	19,525,824	5,205,506	14,320,318	6,722,475
Loan payable – GE Capital Schedule-012	-	491,400	-	491,400	106,899
Loan payable – GE Capital Schedule-013	-	1,286,250	1,221	1,285,029	99,504
Loan payable – GE Capital Schedule-014	-	536,698	7,037	529,661	97,801
Total Governmental Notes and Loans	89,235,916	24,541,150	38,523,991	75,253,075	10,057,011
Total Long-Term Bonds, Notes, and Loans	879,641,220	371,939,288	202,175,469	1,049,405,039	72,033,883
Other Long-Term Obligations:					
Accrued Compensated Absences	135,809,088	28,094,015	23,432,088	140,471,015	4,236,630
Claims and Judgments	111,151,465	82,474,865	71,753,756	121,872,574	6,148,836
Workers' Compensation	67,653,774	35,244,717	37,481,113	65,417,378	16,556,000
Total Other Long-Term Obligations	314,614,327	145,813,597	132,666,957	327,760,967	26,941,466
Total Governmental Long-Term Obligations	$ 1,194,255,547	$ 517,752,885	$ 334,842,426	$ 1,377,166,006	$ 98,975,349

Note: The City has recognized a liability in the general fund of $706,105 for compensated absences, $6,148,836 for claims and judgments, and $2,656,180 for workers compensation as of June 30, 2004 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.

(Continued)

	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004	Amount Due Within One Year
Business-type Activities					
Major Funds:					
Long-term Debt and Obligations:					
Automobile Parking Fund:					
Bonds Payable	$ 73,315,000	$ -	$ (6,215,000)	$ 67,100,000	$ 6,255,000
Accrued Compensated Absences	280,830	166,263	-	447,093	199,469
Sewage Disposal Fund:					
Bonds Payable	2,311,620,907	206,121,692	(142,590,000)	2,375,152,599	44,825,000
Accrued Compensated Absences	9,965,977	2,345,824	(153,538)	12,158,263	6,051,544
Accrued Public Liability and Workers' Compensation	4,844,529	1,543,501	(1,181,346)	5,206,684	1,181,346
Water Fund:					
Bonds Payable	1,718,985,000	240,600,000	(246,150,000)	1,713,435,000	22,440,000
Accrued Compensated Absences	13,925,849	1,810,212	(146,540)	15,589,521	9,984,576
Accrued Public Liability and Workers' compensation	13,778,575	6,756,198	(4,756,519)	15,778,254	4,756,519
Transportation Fund:					
Accrued Compensated Absences	3,847,975	-	(117,814)	3,730,161	2,984,129
Accrued Public Liability and Workers' Compensation	2,236,047	1,312,053	-	3,548,100	709,620
Non-major Funds:					
Accrued Compensated Absences	2,052,115	-	(1,584,837)	467,278	171,351
Accrued Public Liability and Workers' Compensation	5,000,107	-	(4,877,458)	122,649	10,933
Total Bonds Payable	4,103,920,907	446,721,692	(394,955,000)	4,155,687,599	73,520,000
Total Accrued Compensated Absences	30,072,746	4,322,299	(2,002,729)	32,392,316	19,391,069
Total Public Liability and Workers' Compensation	25,859,258	9,611,752	(10,815,323)	24,655,687	6,658,418
Total Long-term Debt and Obligations	$ 4,159,852,911	$ 460,655,743	$ (407,773,052)	$ 4,212,735,602	$ 99,569,487
Component Units					
School District of the City of Detroit:					
Bonds, Notes and Leases Payable	$ 1,549,347,195	$ 51,789,928	$ (57,586,140)	$ 1,543,550,983	$ 43,208,483
Accrued Compensated Absences	153,729,484	-	(6,036,800)	147,692,684	2,325,877
Accrued Public Liability and Workers' Compensation	56,268,822	159,773,219	(159,640,342)	56,401,699	-
	1,759,345,501	211,563,147	(223,263,282)	1,747,645,366	45,534,360
Other Component Units:					
Bonds, Notes and Leases Payable	804,477,841	23,360,101	(68,685,526)	759,152,416	63,881,917
Total Accrued Compensated Absences	2,845,211	3,031,790	(691,897)	5,185,104	477,328
Accrued Public Liability and Workers' Compensation	290,515	297,297	-	587,812	324,506
	$ 807,613,567	$ 26,689,188	$ (69,377,423)	$ 764,925,332	$ 64,683,751

(Continued)

5. Derivatives not reported at fair value

The City is party to derivative financial instruments consisting of interest rate swaps that are intended to effectively convert variable-rate debt to fixed-rate debt. These are not reported at fair value on the statement of net assets at June 30, 2004.

Objective of the swaps. In order to better manage its interest rate exposure and to reduce the overall costs of its borrowing, the City has entered into 25 separate fixed payor interest rate swaps.

Terms, fair values, and credit risk. Certain key terms, fair market values, and counter-party credit ratings relating to the outstanding swaps as of June 30, 2004, are presented below. The notional amounts of the swaps, except those with effective dates of 4/1/05, 9/1/06, and 3/1/07 match the principal amounts of the outstanding debt. The swaps with effective dates of 4/1/05, 9/1/06, and 3/1/07, were entered into to hedge future interest rate risk and will be associated with bonds expected to be issued prior to the effective dates. Except as discussed under rollover risk, the City's swap agreements contain scheduled reductions to outstanding notional amounts that match scheduled or anticipated amortization of associated bonds.

(Continued)

Associated Bond Issue	Notional Amounts (1)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Final Maturity of Bonds	Counterparty Credit Rating
Building Authority Series 1999-A	$28,300,000	10/22/1999	7.48%	LIBOR BBA IMT+.28%	-11,170,783	7/1/2029	7/1/2029	Aa1/AA-/AA+
Sewage 1998-A	68,000,000	12/10/1998	4.51%	BMA (2)	-5,985,380	7/1/2023	7/1/2023	Aa2/AA-/NR
Sewage 1998-B	67,900,000	12/10/1998	4.51%	BMA	-5,970,646	7/1/2023	7/1/2023	Aa2/AA-/NR
Water 2001-C (3)	47,723,000	6/7/2001	4.07%	BMA	-1,813,209	1/1/2006	7/1/2029	Aaa/AA+/NR
Water 2001-C (3)	30,032,000	6/7/2001	4.70%	BMA	-2,456,809	7/1/2011	7/1/2029	Aaa/AA+/NR
Water 2001-C (3)	47,628,000	1/1/2006	5.42%	BMA	-3,142,701	7/1/2011	7/1/2029	Aaa/AA+/NR
Water 2001-C	114,150,000	6/7/2001	4.90%	BMA	-14,671,784	7/1/2026	7/1/2026	Aa3/A+/AA-
Sewage 2001 C-1	156,500,000	10/23/2001	4.43%	BMA	-15,608,636	7/1/2027	7/1/2027	Aa2/AA+/AAA
Sewage 2001 C-2	124,500,000	10/23/2001	4.47%	BMA	-7,917,564	7/1/2029	7/1/2029	Aa2/AA+/AAA
Water 2003-B	1,980,000	1/30/2003	3.02%	CPI + 1.01%	35,471	7/1/2009	7/1/2009	Aa3/A+/AA-
Water 2003-B	2,290,000	1/30/2003	3.31%	CPI+ 1.12%	34,077	7/1/2010	7/1/2010	Aa3/A+/AA-
Water 2003-B	2,500,000	1/30/2003	3.55%	CPI + 1.25%	35,834	7/1/2011	7/1/2011	Aa3/A+/AA-
Water 2003-B	2,175,000	1/30/2003	3.74%	CPI+ 1.33%	27,647	7/1/2012	7/1/2012	Aa3/A+/AA-
Water 2003-B	2,800,000	1/30/2003	3.87%	CPI +1.34%	25,667	7/1/2013	7/1/2013	Aa3/A+/AA-
Water 2003-B	2,505,000	1/30/2003	4.00%	CPI + 1.36%	11,590	7/1/2014	7/1/2014	Aa3/A+/AA-
Water 2003-C	2,005,000	1/30/2003	3.87%	CPI + 1.34%	18,214	7/1/2013	7/1/2013	Aa3/A+/AA-
Water 2003-C	2,330,000	1/30/2003	4.00%	CPI + 1.36%	10,747	7/1/2014	7/1/2014	Aa3/A+/AA-
Water 2003-D	150,965,000	2/6/2003	4.06%	BMA	-5,616,502	7/1/2013	7/1/1933	Aa2/AA-/NR
Sewage 2003-B	150,000,000	5/22/2003	4.14%	BMA	-6,647,282	7/1/2013	7/1/1933	Aa2/AA+/AAA
Water 2004-A	77,010,000	5/13/2004	3.94%	BMA	-2,156,755	7/1/2025	7/1/2025	Aa2/AA-/NR
Water 2004-B	163,590,000	5/13/2004	3.85%	BMA	-3,771,652	7/1/2023	7/1/2023	Aa2/AA-/NR
Water Forward Starting Swap	195,000,000	4/1/2005	4.71%	BMA	-3,044,079	7/1/2036	N/A	Aa3/A+/AA-
Water Forward Starting Swap	120,000,000	3/1/2007	5.00%	BMA	-1,684,838	7/1/2035	N/A	Aa3/A+/AA-
Sewage Hedge Swap	137,500,000	4/1/2005	4.80%	BMA	-2,981,432	7/1/2035	N/A	Aa2/AA+/AAA
Sewage Hedge Swap	125,000,000	9/1/2006	4.96%	BMA	-1,479,489	7/1/2036	N/A	Aa2/AA+/AAA

1. Notional amount balance as of July 1, 2004
2. The Bond Market Association Municipal Swap Index ™.
3. Denotes that the swap termination date does not match the final maturity of the bonds.

Fair Value: Because interest rates have generally declined since the time the swaps were negotiated, most of the City's swaps have a negative fair value as of June 30, 2004. The negative fair values may be countered by lower total interest payments required under the variable-rate bonds, creating lower synthetic interest rates.

Credit Risk: As of June 30, 2004, the City was not exposed to net credit risk because the swaps had net negative fair values. However, should interest rates change and fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below certain rating levels by Fitch Ratings, Standard & Poor's, and/or Moody's Investors Service. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Basis Risk: The City is not exposed to significant basis risk on its swaps because most of the variable payments received are based on the BMA index. The CPI indexed swaps are associated with CPI indexed bonds and thus create no basis risk. The LIBOR based swap has basis risk on $28.3 million of swaps.

(Continued)

Termination Risk: The City or counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In such cases, the City may owe or be due a termination payment depending on the value of the swap at that time. In addition, the City is exposed to termination risk, but not termination payments, on certain of the City's swaps related to Water Series 2001C, Water Series 2003D, Water Series 2004-A, Water Series 2004-B, Sewer Series 1998A, Sewer Series 1998B, Sewer Series 2001-C-1, Sewer Series 2001C-2 and Sewer Series 2003B. These swaps provide the counterparty with the option to terminate the swap agreement beginning on 01/01/2010, 07/02/2011, 07/01/2005, 07/01/2005, 07/01/2008, 07/01/2008, 01/01/2010, 01/01/2010, and 07/01/2013, respectively, upon the passing of certain BMA thresholds. If any of these swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates, but there would be no termination payment.

Rollover Risk: The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option, the City will not realize the synthetic rate offered by the swaps on the underlying debt issues.

6. 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.

(Continued)

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 $2.1 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, 2004 were approximately $647 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 $1.6 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, 2004 were approximately $238 million.

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 27.34% of active annual payroll for the General Retirement System (depending on the bargaining unit) and 27.68% 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, 2004, amounted to $95,876,076 and $69,475,202 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

(Continued)

Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5%, or 7% of the first $87,900 of annual compensation and 5% or 7 % of any excess over $87,900. 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, 2004 amounted to $24,290,278 and $10,318,299 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):

(Continued)

General Retirement System				Policemen and Firemen Retirement System			
Year Ended June 30	Annual Pension Costs	Percentage Contributed	Net Pension Obligation	Year Ended June 30	Annual Pension Costs	Percentage Contributed	Net Pension Obligation
1999	55.7	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	—
2004	95.9	92	—	2004	69.5	—	—

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, 2004, the date of the latest actuarial valuation:

	Defined Benefit		Defined Annuity Contributions	
	GRS	PFRS	GRS	PFRS
Retirees and beneficiaries receiving benefits	11,332	8,695	1,562	1,419
Terminated plan members entitled to but not yet receiving benefits	1,547	33	165	5
Active plan members	12,312	5,177	11,025	4,760

Cash and Investments: Cash balances for the two systems are held in financial institutions insured as members of FDIC in the Systems' name. As of June 30, 2004, the carrying amounts of $8,051,609 for the General Retirement System and $1,259,681 for the Policemen and Firemen Retirement System were equal to bank balances. Of the bank balance, $113,000 for the GRS and $94,000 for the PFRS 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, 2004.

Category 1: Includes investments insured or registered, and held by an agent in the City's name.

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.

(Continued)

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 by 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, 2004.

Investment		Category
General Retirement System:		
Short-term Investments	$ 82,198,405	2
Stocks	1,553,816,583	1
Bonds	300,707,194	1
Mortgage-backed Securities	59,636,979	1
Mortgage and Construction Loans	133,005,232	1
Equity Interest in Real Estate	77,971,839	1
Pooled Investments	93,010,892	N/A
Private Placements	253,656,948	2
Total	$ 2,554,004,072	
Policemen and Firemen Retirement System:		
Short-term Investments	$ 71,444,467	2
Stocks	1,670,466,391	1
Bonds	608,197,193	1
Mortgage-backed Securities	65,910,437	1
Mortgage and Construction loans	110,140,189	1
Equity Interest in Real Estate	88,390,272	1
Real Estate Investment Trusts	28,522,443	2
Pooled Investments	363,858,019	N/A
Private Placements	48,495,074	2
Total	$ 3,055,424,485	

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

(Continued)

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, 2004 was 55 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, 2004, 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, 2004 was $238,757,976 and $232,701,006 for the GRS and $651,046,471 and $634,957,695 for the PFRS respectively.

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	$ 24,046,920	$ 26,979,547
Interest Income	86,137,211	83,333,335
Net Apppreciation	237,895,378	317,767,620
Investment Expense	(11,496,468)	(12,379,319)
Total	$ 336,583,041	$ 415,701,183

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, 2004 is 20,027. 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, 2004, are as follows:

Benefit	City Cost	Retiree Cost	Total Cost
Hospitalization	$ 136,840,848	$ 14,273,870	$ 151,114,718
Dental	6,720,554	—	6,720,554
Eye Care	2,218,589	—	2,218,589
Life Insurance	143,235	26,690	169,925
Total	$ 145,923,226	$ 14,300,560	$ 160,223,786

(Continued)

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, 2003	June 30, 2003
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	15 years	14 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% - 9.5%	5.8% - 10.8%
Includes Inflation at	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

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

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, 2004, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	$ 54,909,343
Supplemental Tipping Fees	16,237,538
Total	$ 71,146,881

(Continued)

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 was recognized in the entity-wide Statement of Activities, and $93,750,000 was recognized in the fund financial statements in fiscal year ending 2003. The remaining $38,250,000 is recognized as revenue in the fund financial statements in fiscal year ending 2004.

NOTE IV. SUBSEQUENT EVENTS

On August 27, 2004 the City of Detroit issued $111,680,000 Unlimited Tax General Obligation Bonds and General Obligation Refunding Bonds. The bonds also refunded $69.1 million of previously issued debt, resulting in present value savings of $423,241 or 0.62% of the refunded par amount. The bonds begin to mature April 1, 2009 and will be fully matured in the year 2024.

On August 27, 2004 the City of Detroit issued $62,285,000 General Obligation Self-Insurance Bonds (Limited Tax) (Federally Taxable). The bonds begin to mature April 1, 2009 and will be fully matured in the year 2014.

On January 5, 2005 the City of Detroit issued $81,050,000 General Obligation Refunding Bonds. The bonds refunded a portion of previously issued debt resulting in present value savings of $2,954,135 or 3.65% of the refunded par amount. The Bonds begin to mature April 1, 2006 and will fully mature in the year 2011.

In March 2005, Standard and Poor's revised to the City of Detroit bond ratings, from A- to BBB+ on both the City's Limited and Unlimited Tax General Obligation Bonds, while affirming the City's outlook as stable.

Bridgeview Town Homes

Delray Senior Houing

Grace Memorial Baptist Church Senior Apartments

Senior Housing Growth – Detroit has homes especially designed and built for retirees and other seniors. These developments provide two- and three-bedroom, low-income homes. Bridgeview Town Homes, developed by Church of the Messiah Housing Corp., is on Field and Grand Boulevard on the east side. Delray Senior Housing, developed by Delray Action Council on Grand Boulevard in southwest Detroit, features one- and two-bedroom apartments and provides affordable housing for seniors on fixed incomes. Grace Memorial Baptist Church Senior Apartments also provide homes for senior residents. They are under construction near Palmer Park at Woodward and Carmel.

HOUSING

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

REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC PENSION DATA - UNAUDITED

Schedule of Employer Contributions (In millions):

General Retirement System

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1999	$55.7	100
2000	66.7	100
2001	68.1	100
2002	67.8	100
2003	72.9	100
2004	95.9	92

Policemen and Firemen Retirement System

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1999	$15.7	100
2000	20.0	100
2001	14.4	100
2002	8.4	100
2003	66.8	100
2004	69.5	-

Schedule of Funding Progress (In millions):

General Retirement System:

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
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	41.8
2001 (a) (b)	2,912.1	3,179.6	91.6	267.5	439.6	60.8
2002	2,761.2	3,276.6	84.3	515.4	440.7	117.0
2003	2,537.7	3,270.6	77.6	733.0	448.6	163.4

Policemen and Firemen Retirement System:

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
1999 (a) (b)	$3,668.4	3,274.1	112.0	(394.3)	216.0	-
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	(436.8)	253.3	-
2002 (a)	3,635.1	3,523.4	103.2	(111.7)	248.7	-
2003	3,205.5	3,721.6	86.1	516.1	248.7	207.5

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

Football - The addition of Ford Field to Detroit's sports arenas fueled the passions of Detroit football fans. The City of Detroit Municipal Parking Department offers tailgating in Eastern Market, for passionate fans.

Ford Field hosted the Motor City Classic in September, featuring two teams from Historically Black Colleges and Universities (HBCU).

Mayor Kwame Kilpatrick, a former football captain at Florida A & M University, donned headphones in the press box.

Future professional athletes take the field when two college teams – the Mid-America Conference (MAC) champions and a major at-large opponent compete in the Motor City Bowl game, the Midwest's only bowl game.

FOOTBALL

Ford Field - Detroit's newest sports arena also hosts concerts, banquets, trade shows, business meetings and conventions. Upcoming major attractions include Super Bowl XL in February 2006 and the NCAA Men's Division I Final Four Basketball Tournament in 2009. Detroit Police Department bicycle patrol officers include Ford Field in their beat coverage.

FORD FIELD

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 FUND

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

PERMANENT FUNDS

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

PERPETUAL CARE – BEQUEST FUND

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

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Bequest Fund	Total
ASSETS					
Current Assets					
Cash	$ 28,033,340	$ 10,057	$ 6,011,235	$ 47,344	$ 34,101,976
Investments	96,572,966	1,845,304	159,088,525	1,077,011	258,583,806
Accounts and Contracts Receivable:					
Due from Other Funds	3,485,324	1,646,763	3,967,351	-	9,099,438
Due from Other Governmental Agencies	24,561,244	-	14,167,143	-	38,728,387
Due from Component Units	-	-	28,751	-	28,751
Other Receivables	613,590	-	247,176	-	860,766
Total Accounts and Contracts Receivable	28,660,158	1,646,763	18,410,421	-	48,717,342
Allowance for Uncollectible Accounts	(247,397)	-	(205,347)	-	(452,744)
Total Accounts and Contracts Receivable - Net	28,412,761	1,646,763	18,205,074	-	48,264,598
General Taxes Receivable on Real and Personal Property	-	5,730,160	-	-	5,730,160
Advances to Component Units	358,205	-	-	-	358,205
Taxes, Interest and Penalties--Net	-	2,000,000	-	-	2,000,000
Current Special Assessments Receivable	-	-	335,844	-	335,844
Prepaid Expenditures	127,636	-	-	-	127,636
Inventory--Forfeited Property	572,568	-	-	-	572,568
Other Inventory	441,093	-	-	-	441,093
Total Current Assets	154,518,569	11,232,284	183,640,678	1,124,355	350,515,886
Restricted Assets:					
Cash	856,914	66,564,657	580,497	108,465	68,110,533
Total Assets	$ 155,375,483	$ 77,796,941	$ 184,221,175	$ 1,232,820	$ 418,626,419
LIABILITIES, AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	$ 16,936,518	$ -	$ 18,240,320	$ -	$ 35,176,838
Due to Other Funds	15,244,383	-	3,528,423	-	18,772,806
Advances from Other Funds	147,000	-	850,000	-	997,000
Due to Other Governmental Agencies	16,925,856	-	-	-	16,925,856
Deposits from Vendors and Customers	2,925,607	-	-	-	2,925,607
Accrued Salaries and Wages Payable	2,138,438	-	-	-	2,138,438
Accrued Employee Benefits Payable	10,263	-	-	-	10,263
Accrued Liabilities	9,490,011	-	-	-	9,490,011
Other Liabilities	1,315,571	-	111,643	-	1,427,214
Deferred Revenue	2,429,060	7,330,160	2,354,240	-	12,113,460
Total Liabilities	67,562,707	7,330,160	25,084,626	-	99,977,493
Fund Balances:					
Reserved for Inventory	1,013,661	-	-	-	1,013,661
Reserved for Encumbrances	12,404,738	-	-	-	12,404,738
Reserved for Endowments and Trusts	-	-	-	1,232,820	1,232,820
Reserved for Debt Service	-	70,466,781	-	-	70,466,781
Reserved for Capital Projects	-	-	159,136,549	-	159,136,549
Undesignated	74,394,377	-	-	-	74,394,377
Total Fund Balances	87,812,776	70,466,781	159,136,549	1,232,820	318,648,926
Total Liabilities and Fund Balances	$ 155,375,483	$ 77,796,941	$ 184,221,175	$ 1,232,820	$ 418,626,419

City of Detroit, Michigan
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Bequest Fund	Total
REVENUES:					
Taxes:					
Property Taxes	$ -	$ 64,607,621	$ -	$ -	$ 64,607,621
Other Taxes and Assessments	-	2,906,653	-	-	2,906,653
State Hotel and Liquor Tax	-	16,217,263	-	-	16,217,263
Licenses, Permits and Inspection Charges	20,073,051	-	-	-	20,073,051
Intergovernmental:					
Federal	224,088,625	-	26,465,553	-	250,554,178
State	13,230,137	-	-	-	13,230,137
Other	12,189,505	-	-	-	12,189,505
Gas and Weight Tax	65,806,351	-	-	-	65,806,351
Sales and Charges for Services	14,894,475	-	-	-	14,894,475
Ordinance Fines	4,804,153	-	-	-	4,804,153
Revenue from Use of Assets	-	2,559,616	-	-	2,559,616
Earnings on Investments	539,119	312,645	2,158,130	22,815	3,032,709
Other Revenue	3,780,861	-	16,936,126	-	20,716,987
Total Revenues	359,406,277	86,603,798	45,559,809	22,815	491,592,699
EXPENDITURES:					
Current:					
Public Protection	33,874,791	-	-	-	33,874,791
Health	83,427,373	-	-	-	83,427,373
Economic Development	67,587,091	4,546,635	-	-	72,133,726
Educational Development	95,579,152	-	-	-	95,579,152
Housing and Conditions	7,105,957	-	-	-	7,105,957
Transportation	49,857,971	-	-	-	49,857,971
Debt Service:					
Principal	-	81,450,470	-	-	81,450,470
Interest	-	53,075,658	-	-	53,075,658
Bond Issuance Costs	-	-	2,224,008	-	2,224,008
Capital Outlay	-	-	113,663,461	-	113,663,461
Total Expenditures	337,432,335	139,072,763	115,887,469	-	592,392,567
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,973,942	(52,468,965)	(70,327,660)	22,815	(100,799,868)
OTHER FINANCING SOURCES (USES):					
Sources:					
Transfers In:					
General Fund	9,981,854	51,293,544	-	-	61,275,398
Capital Projects Fund	-	36,938,175	-	-	36,938,175
General Debt Service Fund	-	-	10,735,596	-	10,735,596
Special Revenue Funds	19,429,171	2,666,228	-	-	22,095,399
Proceeds from Capital Related Debt Issuance	-	-	145,673,138	-	145,673,138
Premium on General Obligation Bonds Issued	-	-	10,410,102	-	10,410,102
Uses:					
Transfers Out:					
General Fund	31,424,482	-	214,492	-	31,638,974
Capital Projects Fund	-	10,735,596	-	-	10,735,596
Debt Service Fund	2,666,228	-	36,938,175	-	39,604,403
Special Revenue Funds	19,429,171	-	-	-	19,429,171
Principal Paid to Bond Agent for Refunded Bonds	-	-	79,845,000	-	79,845,000
Interest Paid to Bond Agent for Refunded Bonds	-	-	2,323,938	-	2,323,938
Total Other Financing Sources (Uses)	(24,108,856)	80,162,351	47,497,231	-	103,550,726
Net Change in Fund Balances	(2,134,914)	27,693,386	(22,830,429)	22,815	2,750,858
Fund Balances at Beginning of Year	90,140,490	42,773,395	181,966,978	1,210,005	316,090,868
Increase/(Decrease) in Inventories	(192,800)	-	-	-	(192,800)
Fund Balances at End of Year	$ 87,812,776	$ 70,466,781	$ 159,136,549	$ 1,232,820	$ 318,648,926

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2004

ASSETS	Community Development Block Grant Funds	Construction Code Fund	Detroit Building Authority Fund	Drug Law Enforcement Fund
Current Assets:				
Cash	$ 5,604,890	$ 592,560	$ 2,711,368	$ 251,611
Investments	16,355,466	-	-	15,217,500
Accounts and Contracts Receivable:				
Due from Other Funds	814,179	609,177	-	127,452
Due from Other Governmental Agencies	-	-	45,576	-
Other Receivables	43,462	524,404	-	-
Total Accounts and Contracts Receivable	857,641	1,133,581	45,576	127,452
Allowance for Uncollectible Accounts	(32,768)	(168,905)	-	-
Total Accounts and Contracts Receivable - Net	824,873	964,676	45,576	127,452
Advances to Component Units	358,205	-	-	-
Prepaid Expenditures	-	-	-	-
Inventory--Forfeited Property	-	-	-	572,568
Other Inventory	-	29,159	-	-
Total Current Assets	23,143,434	1,586,395	2,756,944	16,169,131
Restricted Assets:				
Cash	833,643	4,587	-	-
Total Assets	23,977,077	1,590,982	2,756,944	16,169,131
LIABILITIES, AND FUND BALANCES				
Liabilities:				
Accounts and Contracts Payable	1,617,518	15,025	353,778	3,047
Due to Other Funds	6,129,448	744,484	2,575,538	25,564
Advances from Other Funds	-	-	-	-
Due to Other Governmental Agencies	13,201,172	-	-	107,980
Deposits from Vendors and Customers	-	4,487	-	2,921,120
Accrued Salaries and Wages Payable	702,484	577,462	-	22,692
Accrued Employee Benefits Payable	-	10,263	-	-
Accrued Liabilities	1,042,646	239,261	195,395	162,607
Other Liabilities	1,283,809	-	-	31,762
Deferred Revenue	-	-	-	-
Total Liabilities	23,977,077	1,590,982	3,124,711	3,274,772
Fund Balances (Deficits):				
Reserved for Inventory	-	29,159	-	572,568
Reserved for Encumbrances	-	82,947	-	12,321,791
Undesignated	-	(112,106)	(367,767)	-
Total Fund Balances (Deficits)	-	-	(367,767)	12,894,359
Total Liabilities and Fund Balances	$ 23,977,077	$ 1,590,982	$ 2,756,944	$ 16,169,131

Empowerment Zone Fund	Detroit Workforce Development Department	Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
$ 1,911,314	$ 10,977,964	$ 2,131,721	$ 3,851,912	$ -	$ -	$ 28,033,340
-	-	-	35,000,000	-	30,000,000	96,572,966
12,938	1,733,685	58,512	129,381	-	-	3,485,324
5,176,449	2,526,139	3,889,737	11,961,688	961,655	-	24,561,244
-	-		45,724	-	-	613,590
5,189,387	4,259,824	3,948,249	12,136,793	961,655	-	28,660,158
-	-	-	(45,724)	-	-	(247,397)
5,189,387	4,259,824	3,948,249	12,091,069	961,655	-	28,412,761
-	-	-	-	-	-	358,205
-	127,636	-	-	-	-	127,636
-	-	-	-	-	-	572,568
-	-	-	411,934	-	-	441,093
7,100,701	15,365,424	6,079,970	51,354,915	961,655	30,000,000	154,518,569
-	-	-	-	18,684	-	856,914
7,100,701	15,365,424	6,079,970	51,354,915	980,339	30,000,000	155,375,483
699,566	10,144,386	1,460,729	2,543,835	98,634	-	16,936,518
973,934	2,117,164	805,141	1,873,110	-	-	15,244,383
-	147,000	-	-	-	-	147,000
-	2,374,021	-	1,242,683	-	-	16,925,856
-	-	-	-	-	-	2,925,607
30,928	582,853	222,019	-	-	-	2,138,438
-	-	-	-	-	-	10,263
5,396,273	-	1,163,021	409,103	881,705	-	9,490,011
-	-	-	-	-	-	1,315,571
-	-	2,429,060	-	-	-	2,429,060
7,100,701	15,365,424	6,079,970	6,068,731	980,339	-	67,562,707
-	-	-	411,934	-	-	1,013,661
-	-	-	-	-	-	12,404,738
-	-	-	44,874,250	-	30,000,000	74,394,377
-	-	-	45,286,184	-	30,000,000	87,812,776
$ 7,100,701	$ 15,365,424	$ 6,079,970	$ 51,354,915	$ 980,339	$ 30,000,000	$ 155,375,483

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, 2004

	Community Development Block Grant Fund	Construction Code Fund	Detroit Building Authority	Drug Law Enforcement Fund
REVENUES:				
Licenses, Permits and Inspection Charges	$ -	$ 20,073,051	$ -	$ -
Intergovernmental:				
Federal	45,736,153	-	-	-
State	-	-	-	-
Other	-	-	-	-
Gas and Weight Tax	-	-	-	-
Sales and Charges for Services	14,781,811	112,664	-	-
Ordinance Fines and Forfeitures	-	-	-	4,804,153
Earnings on Investments	-	-	-	137,921
Other Revenue	-	140,550	1,221,176	69,145
Total Revenues	60,517,964	20,326,265	1,221,176	5,011,219
EXPENDITURES:				
Current:				
Public Protection	-	31,132,643	-	2,742,148
Health	-	-	-	-
Economic Development	51,118,111	-	1,495,594	-
Educational Development	-	-	-	-
Housing and Conditions	-	-	-	-
Transportation Facilitation	-	-	-	-
Total Expenditures	51,118,111	31,132,643	1,495,594	2,742,148
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,399,853	(10,806,378)	(274,418)	2,269,071
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	-	4,003,146	300,000	-
Community Development Block Grant Fund	-	6,623,466	-	-
Major Street Fund	-	-	-	-
Total Other Financing Sources	-	10,626,612	300,000	-
Transfers out:				
Construction Code Fund	6,623,466	-	-	-
General Fund	110,159	-	-	-
General Debt Service Funds	2,666,228	-	-	-
Local Street Fund	-	-	-	-
Total Transfers Out	9,399,853	-	-	-
Total Other Financing Sources (Uses)	(9,399,853)	10,626,612	300,000	-
Net Change in Fund Balances	-	(179,766)	25,582	2,269,071
Fund Balances (Deficits) at Beginning of Year	-	197,546	(393,349)	10,805,126
Increase (Decrease) in Inventory	-	(17,780)	-	(179,838)
Fund Balances (Deficits) at End of Year	$ -	$ -	$ (367,767)	$ 12,894,359

Empowerment Zone Fund	Detroit Workforce Development Department	Human Services Fund	Street Funds	Supportive Housing Programs and Homeless Initiatives Funds	Targeted Business Development Fund	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 20,073,051
14,973,386	95,579,152	60,693,977	-	7,105,957	-	224,088,625
-	-	4,865,183	8,364,954	-	-	13,230,137
-	-	12,189,505	-	-	-	12,189,505
-	-	-	65,806,351	-	-	65,806,351
-	-	-	-	-	-	14,894,475
-	-	-	-	-	-	4,804,153
-	-	-	401,198	-	-	539,119
-	-	-	2,349,990	-	-	3,780,861
14,973,386	95,579,152	77,748,665	76,922,493	7,105,957	-	359,406,277
-	-	-	-	-	-	33,874,791
-	-	83,427,373	-	-	-	83,427,373
14,973,386	-	-	-	-	-	67,587,091
-	95,579,152	-	-	-	-	95,579,152
-	-	-	-	7,105,957	-	7,105,957
-	-	-	49,857,971	-	-	49,857,971
14,973,386	95,579,152	83,427,373	49,857,971	7,105,957	-	337,432,335
-	-	(5,678,708)	27,064,522	-	-	21,973,942
-	-	5,678,708	-	-	-	9,981,854
-	-	-	-	-	-	6,623,466
-	-	-	12,805,705	-	-	12,805,705
-	-	5,678,708	12,805,705	-	-	29,411,025
-	-	-	-	-	-	6,623,466
-	-	-	31,314,323	-	-	31,424,482
-	-	-	-	-	-	2,666,228
-	-	-	12,805,705	-	-	12,805,705
-	-	-	44,120,028	-	-	53,519,881
-	-	5,678,708	(31,314,323)	-	-	(24,108,856)
-	-	-	(4,249,801)	-	-	(2,134,914)
-	-	-	49,531,167	-	30,000,000	90,140,490
-	-	-	4,818	-	-	(192,800)
$ -	$ -	$ -	$ 45,286,184	$ -	$ 30,000,000	$ 87,812,776

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2004

	Capital Projects	Urban Renewal	Total
ASSETS			
Cash	$ 5,768,786	$ 242,449	$ 6,011,235
Investments	138,881,130	20,207,395	159,088,525
Accounts and Contracts Receivable:			
Due from Other Funds	3,963,700	3,651	3,967,351
Due from Component Units	28,751	-	28,751
Due from Other Governmental Agencies	14,167,143	-	14,167,143
Current Special Assessments Recievable	335,844	-	335,844
Other Receivables - Trade	247,176	-	247,176
Total Accounts and Contracts Receivable -	18,742,614	3,651	18,746,265
Allowance for Uncollectible Accounts	(205,347)	-	(205,347)
Total Accounts and Contracts Receivable - Net	18,537,267	3,651	18,540,918
Restricted Cash and Cash Equivalents	580,497	-	580,497
Total Assets	$ 163,767,680	$ 20,453,495	$ 184,221,175
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	$ 18,188,066	$ 52,254	$ 18,240,320
Due to Other Funds	1,660,819	1,867,604	3,528,423
Advance from General Fund	850,000	-	850,000
Other Liabilities	21,906	89,737	111,643
Deferred Revenue	2,342,525	11,715	2,354,240
Total Liabilities	23,063,316	2,021,310	25,084,626
Fund Balances:			
Undesignated Fund Balance	140,704,364	18,432,185	159,136,549
Total Fund Balances	140,704,364	18,432,185	159,136,549
Total Liabilities and Fund Balances	$ 163,767,680	$ 20,453,495	$ 184,221,175

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, 2004

	Capital Projects	Urban Renewal	Total
Revenues:			
Grants	$ 6,364,993	$ 20,100,560	$ 26,465,553
Earnings on Investments	2,158,130	-	2,158,130
Other Revenues	7,635,831	9,300,295	16,936,126
Total Revenues	16,158,954	29,400,855	45,559,809
Expenditures:			
Bond Issuance Cost	2,224,008	-	2,224,008
Capital Outlay	89,294,735	24,368,726	113,663,461
Total Expenditures	91,518,743	24,368,726	115,887,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,359,789)	5,032,129	(70,327,660)
Other Financing Sources (Uses):			
Other Financing Sources:			
Transfers in:			
General Debt Service Fund	10,735,596	-	10,735,596
Proceeds from Bonds	145,673,138	-	145,673,138
Premium on Bonds Issued	10,410,102	-	10,410,102
Total Other Financing Sources	166,818,836	-	166,818,836
Other Financing Uses:			
Transfers out:			
General Debt Service Fund	36,938,175	-	36,938,175
General Fund	214,492	-	214,492
Principal Paid to Bond Agent for Refunded Bonds	79,845,000	-	79,845,000
Interest Paid to Bond Agent for Refunded Bonds	2,323,938	-	2,323,938
Total Other Financing Uses	119,321,605	-	119,321,605
Total Other Financing Sources (Uses)	47,497,231	-	47,497,231
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(27,862,558)	5,032,129	(22,830,429)
Fund Balances at Beginning of Year	168,566,922	13,400,056	181,966,978
Fund Balances at End of Year	$ 140,704,364	$ 18,432,185	$ 159,136,549

City of Detroit, Michigan
COMBINING BALANCE SHEET
NON-MAJOR PERMANENT FUNDS
BEQUEST FUND
June 30, 2004

	Permanent Funds		
	Bequest Fund		
	Other Trust	Cemetery Trust	Total
ASSETS			
Cash	$ -	$ 47,344	$ 47,344
Restricted Cash	-	108,465	108,465
Investments	42,144	1,034,867	1,077,011
Total Assets	$ 42,144	$ 1,190,676	$ 1,232,820
LIABILITIES, AND FUND BALANCES			
Liabilities:			
Total Liabilities	$ -	$ -	$ -
Fund Balances:			
Reserved for Restricted Assets	42,144	1,190,676	1,232,820
Total Fund Balances	42,144	1,190,676	1,232,820
Total Liabilities and Fund Balances	$ 42,144	$ 1,190,676	$ 1,232,820

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, 2004

	Permanent Funds		
	Bequest Fund		
	Other Trust	Cemetery Trust	Total
Revenues:			
Investment Income	$ 358	$ 22,457	$ 22,815
Total Revenues	358	22,457	22,815
Expenditures:			
Total Expenditures	-	-	-
Excess of Revenues Over Expenditures	358	22,457	22,815
Fund Balance, Beginning	41,786	1,168,219	1,210,005
Fund Balance, Ending	$ 42,144	$ 1,190,676	$ 1,232,820

City of Detroit
COMBINING STATEMENT OF NET ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2004

	Condemnation Awards Fund	Fire Insurance Escrow Fund	Other Agency Funds	Total
ASSETS				
Cash	$ 1,464,630	$ 203,889	$ 730,208	$ 2,398,727
Investments	-	7,108,506	-	7,108,506
Due from Other Funds	-	185,281	-	185,281
Total Assets	$ 1,464,630	$ 7,497,676	$ 730,208	$ 9,692,514
LIABILITIES				
Accounts Payable	$ -	$ 294,185	$ -	$ 294,185
Awards Payable	1,464,630	-	-	1,464,630
Advances from Outside Sources	-	7,086,276	-	7,086,276
Escrow Payable	-	-	730,208	730,208
Due to General Fund	-	117,215	-	117,215
Total Liabilities	$ 1,464,630	$ 7,497,676	$ 730,208	$ 9,692,514

City of Detroit
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Condemnation Award Fund				
Assets				
Cash	$ 3,299,447	$ -	$ 1,834,817	$ 1,464,630
Total Assets	$ 3,299,447	$ -	$ 1,834,817	$ 1,464,630
Liabilities				
Accounts and Contracts Payable	$ 3,299,447	$ -	$ 1,834,817	$ 1,464,630
Total Liabilities	$ 3,299,447	$ -	$ 1,834,817	$ 1,464,630
Fire Insurance Escrow Fund				
Assets				
Cash	$ 173,174	$ 30,716	$ -	$ 203,890
Investments	6,362,319	2,316,186	1,570,000	7,108,505
Due from Other Funds	185,281	-	-	185,281
Total Assets	$ 6,720,774	$ 2,346,902	$ 1,570,000	$ 7,497,676
Liabilities				
Accounts and Contracts Payable	$ 36,554	$ 274,402	$ 16,771	$ 294,185
Due to Other Funds	271,056	-	153,841	117,215
Other Liabilities	6,413,164	673,112	-	7,086,276
Total Liabilities	$ 6,720,774	$ 947,514	$ 170,612	$ 7,497,676
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	$ 4,202,829	$ 30,716	$ 1,834,817	$ 2,398,728
Investments	6,362,319	2,316,186	1,570,000	7,108,505
Due from Other Funds	185,281	-	-	185,281
Total Assets	$ 10,750,429	$ 2,346,902	$ 3,404,817	$ 9,692,514
Liabilities				
Accounts and Contracts Payable	$ 3,336,001	$ 274,402	$ 1,851,588	$ 1,758,815
Due to Other Funds	271,056	-	153,841	117,215
Other Liabilities	7,143,372	673,112	-	7,816,484
Total Liabilities	$ 10,750,429	$ 947,514	$ 2,005,429	$ 9,692,514

Piwok Playground Improvements – New playground equipment and playing fields were part of the improvements at Piwok. The improvements helped fulfill Mayor Kwame Kilpatrick's promise to update and modernize 10 parks and playlots.

PIWOK PARK

COMBINING FINANCIAL INFORMATION – NON-MAJOR PROPRIETARY FUNDS

City of Detroit, Michigan
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 772,417	$ -	$ 772,417
Accounts and Contracts Receivable:			
Due from Other Funds	1,037,750	-	1,037,750
Due from Other Governmental Agencies	9,424	-	9,424
Other Receivables - Trade	831,061	-	831,061
Total Accounts and Contracts Receivable	1,878,235	-	1,878,235
Allowance for Uncollectible Accounts	(385,482)	-	(385,482)
Total Accounts and Contracts Receivable - Net	1,492,753	-	1,492,753
Prepaid Expenses	88,693	-	88,693
Total Current Assets	2,353,863	-	2,353,863
Noncurrent Assets:			
Capital Assets:			
Land	5,169,374	-	5,169,374
Land Improvements	8,020,718	-	8,020,718
Structures and Improvements	5,272,287	-	5,272,287
Equipment	1,729,317	-	1,729,317
Vehicles and Buses	1,482,115	-	1,482,115
Total Capital Assets	21,673,811	-	21,673,811
Less: Accumulated Depreciation	(12,104,762)	-	(12,104,762)
Net Capital Assets	9,569,049	-	9,569,049
Total Noncurrent Assets	9,569,049	-	9,569,049
Total Assets	11,922,912	-	11,922,912

(Continued)

LIABILITIES AND NET ASSETS	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Liabilities:			
Current Liabilities:			
Accounts and Contracts Payable	176,652	-	176,652
Due to Other Funds	490,730	-	490,730
Due to Fiduciary Funds	19,518	-	19,518
Refundable Deposits	93,067	-	93,067
Accrued Salaries and Wages	25,882	-	25,882
Accrued Compensated Absences	171,351	-	171,351
Accrued Public Liability and Workers Compensation	10,933	-	10,933
Other Liabilities	213,553	-	213,553
Restricted Accounts and Contracts Payable	80,000	-	80,000
Deferred Revenue	4,701	-	4,701
Total Current Liabilities	1,286,387	-	1,286,387
Noncurrent Liabilities:			
Accured Compensated Absences	295,927	-	295,927
Accrued Public Liability and Workers' Compensation	111,716	-	111,716
Total Noncurrent Liabilities	407,643	-	407,643
Total Liabilities	1,694,030	-	1,694,030
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,569,049	-	9,569,049
Unrestricted	659,833	-	659,833
Total Net Assets	$ 10,228,882	$ -	$ 10,228,882

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Operating Revenues:			
Sales and Charges for Services	$ 71,677	$ -	$ 71,677
Rentals, Fees and Surcharges	894,513	-	894,513
Miscellaneous	6,469	-	6,469
Total Operating Revenues	972,659	-	972,659
Operating Expenses:			
Salaries, Wages and Benefits	1,697,545	-	1,697,545
Operating	693,491	-	693,491
Repairs and Maintenance	160,486	-	160,486
Materials, Supplies and Other Expenses	857,384	-	857,384
Depreciation and Amortization	621,701	-	621,701
Total Operating Expenses	4,030,607	-	4,030,607
Operating Loss	(3,057,948)	-	(3,057,948)
Non-Operating Revenues:			
Grants-Federal	299,161	-	299,161
Total Non-Operating Revenues	299,161	-	299,161
Net Loss Before Transfers:	(2,758,787)	-	(2,758,787)
Transfers In	2,789,179	-	2,789,179
Change in Net Assets	30,392	-	30,392
Net Assets Beginning of Year, as Restated	10,198,490	-	10,198,490
Net Assets - End of Year	$ 10,228,882	$ -	$ 10,228,882

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Cash Flows From Operations:			
Receipts from Customers	$ 886,368	$ -	$ 886,368
Repayments to Other Funds	(59,045)	-	(59,045)
Deposits Refunded to Customers	2,811	-	2,811
Payments to Suppliers	(1,344,144)	-	(1,344,144)
Payments to Employees	(1,534,665)	-	(1,534,665)
Net Cash Used in Operating Activities	(2,048,675)	-	(2,048,675)
Cash Flows from Non-Capital Financing Activities:			
Contributions from Other Governments	289,737	-	289,737
Transfers from Other Funds	2,789,179	-	2,789,179
Net Cash Provided by Non-Capital Financing Activities	3,078,916	-	3,078,916
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(460,984)	-	(460,984)
Net Cash Provided by Capital and Related Financing Activities	(460,984)	-	(460,984)
Net Increase (Decrease) in Cash	569,257	-	569,257
Cash and Cash Equivalents at Beginning of Year, as Restated	203,160	-	203,160
Cash and Cash Equivalents at End of Year	$ 772,417	$ -	$ 772,417

(Continued)

City of Detroit, Michigan
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Enterprise Funds		
	Airport Fund	Housing Fund	Total
Reconciliation of Operating Loss to Net Cash used in Operating Activities:			
Operating Loss	$ (3,057,948)	$ -	$ (3,057,948)
Adjustments to Operating Loss			
Depreciation	621,701	-	621,701
Allowance for Uncollectible Accounts	(8,578)	-	(8,578)
Changes in Assets and Liabilities:			
Other Receivables -Trade	(86,291)	-	(86,291)
Prepaid items and other Assets	7,379	-	7,379
Due From Other Funds	(370,001)	-	(370,001)
Accounts and Contracts Payable	238,985	-	238,985
Due to Other Funds	310,956	-	310,956
Due to Other Governmental Agencies	(15,714)	-	(15,714)
Other Liabilities	145,073	-	145,073
Accrued Compensated Absences	159,352	-	159,352
Public Liability and Accrued Workers Compensation	17,684	-	17,684
Refundable Deposits	2,811	-	2,811
Prepaid Revenue	72	-	72
Accrued Salaries and Wages	(14,156)	-	(14,156)
Net Cash Used in Operating Activities	$ (2,048,675)	$ -	$ (2,048,675)

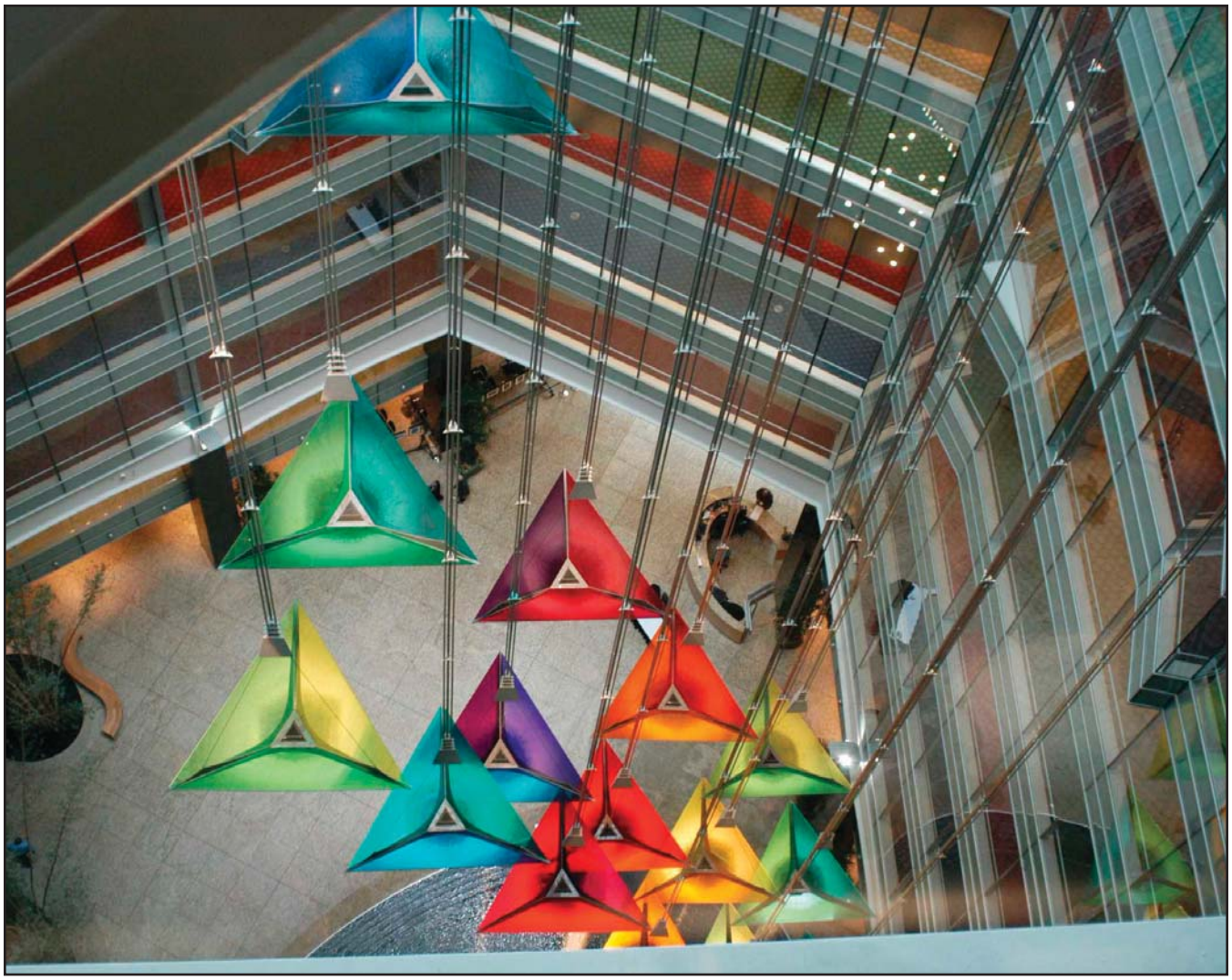
STATISTICAL

The Statistical Section contains for the last ten fiscal years:

General Governmental Revenues by Source
General Governmental Expenditures by Function
Property Tax Levies and Collections
Adjusted Tax Levies and Tax Collections by Levies
Assessed and Estimated Actual Value of Taxable Property
Property Tax Rates and Levies — All Overlapping Governments
Special Assessment Additions and Deductions
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Legal Debt Margin
Computation of Direct and Overlapping Debt
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures
Revenue Bond Coverage
Real Property Value, Construction Permits and Bank Deposits

— and —

Principal Taxpayers
Largest Private Employers
Miscellaneous Statistics



Compuware Building

TasteFest 2004 - Comerica TasteFest, the annual New Center Council fundraising event, featured family-friendly entertainment in Detroit's New Center Area. The outdoor event included music, food and beverages. Occurring around the Fourth of July holiday, the festival takes place along West Grand Blvd. between Woodward and the Lodge Freeway. Several stage and entertainment venues are located around the Fisher Building and Cadillac Place, the former GM Building.

TASTEFEST 2004

Table 1

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

Revenue Classification (2)	2004	2003	2002	2001
Taxes, Assessments, Interest and Penalties	$ 817,511	$ 728,223	$ 748,723	$ 716,014
Licenses, Permits, and Inspection Charges	29,464	24,881	24,857	28,824
Shared Taxes and Grants	642,535	737,126	759,365	747,085
Sales and Charges for Services	190,928	174,533	203,322	185,732
Ordinance Fines	28,238	24,147	28,374	22,151
Revenues from Use of Assets	33,196	37,574	39,918	60,541
Other Revenues	124,788	102,386	142,977	79,140
Total Revenues	$ 1,866,660	$ 1,828,870	$ 1,947,536	$ 1,839,487

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

(2) Library revenues have been removed for all years. Proir to 2002 the Detroit Public Library was 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

Expenditure Classification (2)	2004	2003	2002	2001
Public Protection	$ 738,331	$ 609,580	$ 601,014	$ 598,723
Health	172,301	194,570	177,826	170,703
Recreation and Culture	73,770	78,478	79,787	67,393
Economic Development	96,272	96,998	80,957	40,949
Educational Development	95,579	85,854	85,516	96,271
Housing Supply and Conditions	21,150	18,535	16,747	96,393
Physical Environment	232,269	252,006	292,579	275,369
Transportation	49,858	44,218	21,087	15,787
Development and Management	387,713	399,418	354,175	250,912
Debt Service	140,118	132,184	124,583	126,981
Capital Outlay	162,594	69,605	117,575	145,426
Total Expenditures	$ 2,169,955	$ 1,981,446	$ 1,951,846	$ 1,884,907

(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 included in the Special Revenue Funds of the City. It is now being reported as a Component Unit.

Table 1

2000	1999	1998	1997	1996	1995
$ 720,077	$ 636,191	$ 622,937	$ 592,515	$ 580,149	$ 548,944
29,829	24,426	23,727	20,722	17,960	18,508
747,033	687,086	640,242	617,385	615,803	566,482
176,948	150,482	148,217	141,088	131,684	131,854
23,573	20,032	19,885	17,314	18,356	17,286
45,220	39,487	48,476	43,186	42,647	24,260
60,261	74,701	90,673	97,715	73,345	32,732
$ 1,802,941	$ 1,632,405	$ 1,594,157	$ 1,529,925	$ 1,479,944	$ 1,340,066

Table 2

2000	1999	1998	1997	1996	1995
$ 531,140	$ 502,980	$ 516,516	$ 510,304	$ 498,620	$ 484,225
164,662	140,777	146,389	146,563	131,142	128,098
68,699	65,077	70,908	68,494	67,437	60,374
45,687	31,344	23,960	20,188	17,734	17,569
87,190	52,563	43,505	53,179	40,927	39,979
85,720	74,866	74,809	63,262	77,210	48,335
282,840	242,809	274,824	259,858	225,414	197,796
9,808	38,892	21,735	12,398	10,540	8,168
328,475	322,395	246,876	193,005	204,305	137,194
126,169	116,679	116,249	123,472	92,047	133,418
65,852	91,740	75,326	83,452	63,332	45,860
$ 1,796,242	$ 1,680,122	$ 1,611,097	$ 1,534,175	$ 1,428,708	$ 1,301,016

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
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
2004 (3)	242,235	231,696	95.65	17,677

(1) includes General, Library and Debt Service Funds
(2) includes additions, deductions, cancellations and adjustments
(3) Fiscal Years 2002-2004 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
1995 (1)	$ 197,314	$ -	$ (9,110)
1996 (1)	201,028	-	(5,922)
1997 (1)	208,546	-	(4,995)
1998 (1)	218,533	-	(6,416)
1999 (1)	224,248	-	(5,227)
2000 (1)	231,310	-	4,508
2001 (1)	254,397	-	(4,480)
2002 (2)	243,710	-	(5,193)
2003 (2)	246,284	-	(5,101)
2004 (2)	242,235	-	(411)

(1) includes General, Library and Debt Service Funds
(2) Fiscal Years 2002-2004 do not include Library amounts.

Table 3

Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Years' Adjustments (2)	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
$ 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
249,373	102.95	(2,945)	80,121	33.08

Table 4

Net Taxes Receivable	Collections to June 30, 2004	
	Amount	Ratio to Adjusted Tax Levy
$ 188,204	$ 186,758	99.23 %
195,106	193,450	99.15
203,551	201,330	98.91
212,117	209,368	98.70
219,021	215,165	98.24
235,818	229,885	97.48
249,917	237,892	95.19
238,517	225,277	94.45
241,183	218,474	90.58
241,824	231,696	95.81

Table 5

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

	Real Property (Notes A and B)			Personal Property (Notes A, B and C)			Total (Notes A, B and C)		
Fiscal Year	State Equalized Value (Notes D and E)	Taxable Value	Estimated Actual Value	State Equalized Value (Notes D and E)	Taxable Value	Estimated Actual Value	State Equalized Value (Notes D and E)	Taxable Value	Estimated Actual Value
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
2005.....	11,177,226	6,828,591	22,354,452	1,507,199	1,507,199	3,014,398	12,684,425	8,335,790	25,368,850

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					
	City (Note A)	Library	School	County (Note B)	State	Total
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
2005.....	30.4359	3.6331	31.0000	13.9861	6.0000	85.0551

Fiscal Year	Tax Levies					
	City (Note A)	Library	School	County (Note B)	State	Total
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.....	242,235	28,498	192,090	109,730	39,221	611,774
2005.....	254,533	30,284	258,409	116,585	50,015	709,826

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 ASSESSMENTS ADDITIONS AND DEDUCTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Beginning Balance	Additions	Deductions: Collections	Deductions: Cancellations and Adjustments	Ending Balance
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
2004*	28,407,642	529,869	340,692	800,396	27,796,423

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
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	933,827	1,004.55
2002 (C).....	962,133	7,976,048	12.06	921,759	1,043.80
2003 (C).....	909,624	7,844,209	11.60	911,402	998.05
2004 (C).....	1,104,034	8,335,790	13.24	911,402	1,211.37

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. Subsequent years are from the U.S. Census Bureau March census estimates. The 2004 population count not available.

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, 2004
Unaudited

		Net Debt	Legal Limitation: Percent of Assessed Value	Legal Limitation: Amount	Legal Debt Margin
Assessed Value Fiscal Year 2004-05 (State Equalized)	$ 12,041,756,256				
Add: Allowance under Act 198, Mich. 1974	372,262,943				
Allowance under Act 228, Mich. 1975	718,498,590				
Allowance under Act 147, Mich. 1992	23,225,634				
Allowance under Act 147, Mich. 1996	53,955,228				
Total Assessed Value Fiscal Year 2004-05	$ 13,209,698,651		10.00%	$ 1,320,969,865	
Net Direct Debt Subject to General Debt Limitation:					
General Obligation Bonds (Note A)		$ 570,650,000			
General Bonds - Limited Tax		157,825,000			
Limited Obligation Economic Development Bonds - District Court, Madison Center Project		10,413,592			
Total Net Direct Debt Subject to General Debt Limitation		$ 738,888,592		$ 1,320,969,865	$ 582,081,273
Net Direct Debt Not Subject to General Debt Limitation (Note B):					
Direct Debt:					
General Obligations:					
General Detroit Resource Recovery Bonds		$ 188,900,392			
Limited Obligation Economic Development Bonds- Resource Recovery Project		77,350,000			
Self-Insurance Bonds - Limited Tax		98,895,000			
Revenue Bonds:					
Convention Facility - Cobo Center Expansion		105,741,656			
Detroit Building Authority - Parking and Arena System		61,404,005			
Local Development Finance Authority Tax Increment Bonds- Jefferson/Conner Revitalization Project		81,229,127			
Sewage Disposal System		2,212,575,597			
Tax Increment Finance Authority Bonds - DDA		157,854,641			
Water Supply System		1,583,808,590			
Downtown Development Authority - Trapper's Alley Project		2,800,000			
Federal Note - Caraco Pharmaceutical Project		5,208,000			
Federal Note - Ferry Street		2,900,000			
Federal Note - Garfield Project		1,945,000			
Federal Note - Michigan Repacking Project		1,290,000			
Federal Note - Riverbend Project		1,150,000			
Federal Note - Stuberstone Project		330,000			
Federal Note - New Amsterdam Project		9,700,000			
Total Not Subject to General Debt Limitation		$ 4,593,082,008			

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 therof; 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, 2004
Unaudited

	Gross Debt	Less Redemption Funds	Net Debt	% Applicable To Detroit	Detroit Share
Direct Debt:					
General Obligation:					
General Bonds - Unlimited Tax	$ 570,650,000	$ -	$ 570,650,000		
General Bonds - Limited Tax	256,720,000	-	256,720,000		
Detroit Building Authority Bonds - Madison Center Project	11,413,826	1,000,234	10,413,592		
Greater Detroit Resource Recovery Authority Bonds	218,735,000	29,834,608	188,900,392		
Limited Obligation Economic Development Bonds - Resource Recovery Project	77,350,000	-	77,350,000		
Total General Obligation	1,134,868,826	30,834,842	1,104,033,984	100.00%	$ 1,104,033,984
Revenue Bonds:					
Convention Facility - Cobo Center Expansion	135,368,138	29,626,482	105,741,656		
Detroit Building Authority - Parking and Arena System	67,100,000	5,695,995	61,404,005		
Local Development Finance Authority Tax Increment Bonds - Jefferson/Conner Revitalization Project	88,400,000	7,170,873	81,229,127		
Sewage Disposal System (Note B)	2,375,152,599	162,577,002	2,212,575,597		
Tax Increment Finance Authority Bonds - DDA	178,086,198	20,231,557	157,854,641		
Water Supply System (Note B)	1,713,435,000	129,626,410	1,583,808,590		
Total Revenue Bonds	4,557,541,935	354,928,319	4,202,613,616	100.00%	4,202,613,616
Total Direct Debt	5,692,410,761	385,763,161	5,306,647,600		
Overlapping Debt:					
School District of the City of Detroit General Obligation Bonds and Notes	1,477,035,000	-	1,477,035,000	100.00%	1,477,035,000
Wayne County Bonds (Note A)	122,525,993	-	122,525,993	18.10%	22,177,205
Wayne County Community College Bonds (Note A)	76,105,000	-	76,105,000	28.87%	21,971,515
Total Overlapping Debt	1,675,665,993	-	1,675,665,993		1,521,183,720
Debt Not Pledging the Faith and Credit of the City:					
Federal Note - Caraco Pharmaceutical Project (Note A)	5,208,000	-	5,208,000		
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)	1,945,000	-	1,945,000		
Federal Note - Michigan Repacking Project (Note A)	1,290,000	-	1,290,000		
Federal Note - Riverbend Project (Note A)	1,150,000	-	1,150,000		
Federal Note - Stuberstone Project (Note A)	330,000	-	330,000		
Loans Payable to GE Capital - Schedule-009	2,327,537	-	2,327,537		
Loans Payable to GE Capital - Schedule-010	176,130	-	176,130		
Loans Payable to GE Capital - Schedule-011	14,320,318	-	14,320,318		
Loans Payable to GE Capital - Schedule-012	491,400	-	491,400		
Loans Payable to GE Capital - Schedule-013	1,285,029	-	1,285,029		
Loans Payable to GE Capital - Schedule-014	529,661	-	529,661		
Total Debt Not Pledging the Faith and Credit of the City	41,653,075	-	41,653,075		
Total Debt	$ 7,409,729,829	$ 385,763,161	$ 7,023,966,668		$ 6,827,831,320

Note A — Note is secured by future Block Grant Revenues.
Note B — 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
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	132,183	1,981,446	6.67%
2004.....	86,898	47,444	4,546	138,888	2,169,955	6.40%

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 Principal	Interest	Total	Coverage
Automobile Parking.....	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
	2004	19,478,139	18,195,938	1,282,201	5,915,000	4,595,219	10,510,219	0.12
Sewerage.....	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
	2004	319,809,741	182,983,983	136,825,758	38,745,000	97,681,676	136,426,676	1.00
Water.....	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
	2004	255,417,183	152,561,771	102,855,412	20,145,000	67,214,950	87,359,950	1.18

(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		
	Residential	Commercial	Exempt	No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	No. of Bldg.	Value	
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
2004.....	4,329	2,140	N/A	483	70.96	338	280.09	5,308	123.96	1,087	330.84	N/A

Note 1 Source: City of Detroit 2003-2004 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, 2004
Unaudited

Taxpayer	Type of Business	Real Estate Taxable Valuation	Real Estate % of Total	Personal Property Taxable Valuation	Personal Property % of Total	Total Taxable Valuation	Total % of Total
Daimler-Chrysler Corporation	Automotive	$ 140,792,438	2.18 %	$ 618,056,000	45.01 %	$ 758,848,438	9.67 %
Detroit Edison	Utility	51,684,069	0.80	302,767,779	22.05	354,451,848	4.52
General Motors Corporation	Automotive	54,096,525	0.84	137,317,540	10.00	191,414,065	2.44
Michigan Consolidated Gas	Utility	1,618,262	0.03	152,898,365	11.13	154,516,627	1.97
Riverfront Holdings Inc	Real Estate	121,819,245	1.88		0.00	121,819,245	1.55
American Axle	Auto Supplier	29,109,335	0.45	62,040,510	4.52	91,149,845	1.16
One Detroit Center LP	Real Estate	59,880,105	0.93	112,570	0.01	59,992,675	0.76
Greektown Casino LLC	Gaming	29,672,503	0.46	11,695,660	0.85	41,368,163	0.53
International Transmission Co	Automotive	162,832	0.00	38,429,570	2.80	38,592,402	0.49
MGM Grand Detroit LLC	Gaming	24,097,656	0.37	11,238,890	0.82	35,336,546	0.45
Total		$ 512,932,970	7.93 %	$ 1,334,556,884	97.18 %	$ 1,847,489,854	23.55 %
Total City Taxable Value Fiscal Year 2003-04		$ 6,470,987,182		$ 1,373,222,411		$ 7,844,209,593	

Table 15

City of Detroit, Michigan
LARGEST PRIVATE EMPLOYERS
June 30, 2004
Unaudited

Company	Detroit Employment
Detroit Medical Center	11,836
DaimlerChrysler AG	9,707
Henry Ford Health System	7,337
General Motors Corporation	6,865
St. John Health System	5,767
American Axle & Manufacturing Holdings Inc	4,660
DTE Energy Co	4,045
Motor City Casino	3,143
Blue Cross and Blue Shield of Michigan	3,063
MGM Grand Casino	2,748

SOURCE: Crain's Book of Lists, 2004 Edition, December 2003.

Carola Carlton Loft Condos

San Juan Town Homes

DFD Lofts

Detroit Housing Continues To Boom
These three multi-unit housing projects are part of Detroit's housing boom. Carola and Carlton Loft Condominiums located in Brush Park at Edmund and John R streets include two separate buildings. Carola, a former apartment building, is now a 19-unit residential loft condominium community. The property once known as the Carlton Hotel is under construction and will house 52 condo loft units. DFD Lofts, located at 3434 Russell, were built in 1917, originally as the Fire Department's truck repair shop with vehicle washroom, wagon repair shed, and machine shops. The Detroit Department of Public Works used the building from 1970s to early 1990s as a maintenance storage facility for parts, paint and tools. The San Juan Town Homes, located on Puritan and San Juan streets, include 11 newly constructed low-income homes with two to three bedrooms.

Table 16

City of Detroit, Michigan
MISCELLANEOUS STATISTICS
June 30, 2004
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		7,216
Estimated Cost of Construction	$	805,863,026
Election of November 2004:		
Number of Registered Voters		644,351
Number of Ballots Cast		328,530
Percentage of Registered Voters Voting		50.99 %
Fire Department:		
Number of Fire Stations		49
Number of Employees		1,796
Number of Fire Fighting Vehicles		238
Number of Fire Hydrants		38,000
Responses to Fire Alarms (Including 12,454 False Alarms)		34,160
Responses to Special Calls and Emergency Medical Service Calls		151,285
Estimated Fire Loss of Property (FYE 6/30/2002)	$	1,921,197,050
Health Department:		
Number of Employees		568
Birth Rate per Thousand (2002)		15.1
Death Rate per Thousand (2002)		10.1
Infant Mortality Rate per Thousand Live Births (2002)		16.7
Libraries:		
Number of Libraries (Including Two Bookmobiles)		26
Estimated Number of Books		3,343,509
Circulation		996,316
Number of City Owned Vehicles (Excluding 548 Transportation Department Revenue Vehicles)		
Fire Department Vehicles (Includes 48 EMS Vehicles)		276
Police Department Vehicles		1,662
Transportation Department non- revenue vehicles		213
All Other Departments (Passenger Vehicles, Commercial Vehicles and Trucks)		3,765
Police Department:		
Number of Stations (Including 17 Mini-Stations)		30
Number of Employees (Uniform)		4,673
Number of Traffic Violations Issued (including 507,573 Parking Tickets)		714,517
Number of Traffic Ordinance Violations Issued		47,782
Number of Arrests (Traffic 16,415) + (Other 48,124)		64,539
Public Works Department:		
Number of Employees		1,316
Miles of Streets (Paved 2,769) + (Unpaved 15)		2,784
Miles of Alleys (Paved 578.12) + (Unpaved 685.46)		1,264
Miles of Sidewalks		4,243

(Continued)

Table 16

Public Lighting:		
Electric Plant:		
Number of Street Lights		87,000
Number of Revenue Customers		1,302
Size of Generating Station in Kilowatts		184,000
Kilowatt Hours Generated (Net)		253,271,700
Kilowatt Hours Delivered to System		541,722,900
Steam Heating Plants - Steam Produced in Pounds		75,226,300
Recreation Department:		
Number of Parks, Ornamental Areas, Playfields and Playgrounds Owned (5,108 Acres)		391
Number of Summer Camps (199 Acres)		1
Number of Recreation Centers, Playgrounds and School Facilities Operated		30
Number of Skating Rinks		1
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		12
Miles of (Trunk Line 788) + (Lateral 2,125) Sewers		2,913
Transportation Department:		
Number of Employees		1,750
Number of Revenue Vehicles		572
Seating Capacity		23,887
Number of Route Miles		1,324
Total Number of Passengers (Estimated)		38,000,000
Regular Fare	$	1.50
Tickets		5 for $6.50
Transfers	$	0.25
Water System:		
Number of Customer Accounts		262,415
Average Pumpage - Millions of Gallons per Day		605.9
Greatest Pumpage for a Single Day During Fiscal Year (6-30-04) - July 31, 2003 Gallons		1,082,200,000
Greatest Pumpage for a Single Hour During Fiscal Year (6-30-04) - July 31, 2003 9 pm Gallons		48,667,000
Filtration Plant Rated Capacity - Millions of Gallons per Day		1,680.0
Number of Miles of Water Mains		3,846
Average Cost (Includes Domestic, Industrial and Commercial) per 1,000 Cubic Feet	$	10.64
Employees on Payroll on June 30, 2004:		
Classified (Tax Supported 7,754) + (Revenue Supported 5,710)		13,464
Elective (Tax Supported 42) + (Revenue Supported 0)		42
Appointive (Tax Supported 311) + (Revenue Supported 32)		343
Uniform Police (Tax Supported 4,623) + (Revenue Supported 0)		4,623
Library (Tax Supported 457) + (Revenue Supported 0)		457
Total Employees (Tax Supported 13,187) + (Revenue Supported 5,742)		18,929
Total Pensioners as of June 30, 2004		20,027

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

Honorable Kay Everett
Member Detroit City Council
1941-2004

Detroit Council Member Kay Everett passionately loved Detroit and dedicated her life to working for the city and its residents.

A native Detroiter, Councilmember Everett graduated from Cass Technical High School and Wayne State University. She taught for ten years in the Detroit Public Schools system before winning a seat on the Detroit school board in 1986.

After her re-election to the board in 1990, she served as vice president. During her tenure on the board, she led the way to reform and gained the reputation as an independent thinker. Her activism sparked the community's desire for change, which led to the election of other reformers on the board.

Councilmember Everett was elected to the Detroit City Council as the result of a special election held on June 4, 1991. For the past 13 years, she has been a strong advocate on behalf of the interests of the residents of Detroit. She looked into matters in great depth, encouraging the council to thoroughly examine issues before making decisions.

Two issues of particular concern for Councilmember Everett were emergency services and a clean city. She was passionate in her leadership of the Keep Detroit Beautiful Task Force, which coordinated citywide programs to stop littering, promoted outdoor beautification, and educated the public about the benefits of recycling. She also headed the 911 Task Force, which was created to increase the response time for emergency services calls by educating the public on how to properly use the 911 system.

Councilmember Everett's community activism extended to an active role in numerous organizations, including Alpha Kappa Alpha Sorority Inc., Links Great Lakes, Inc., and the Association of Black School Educators. In addition, she had a lifetime membership in the NAACP, and was a member of the Detroit Economic Club, the Detroit Yacht Club, the Coleman A. Young Memorial Commission, the Detroit Symphony Orchestra Committee, and the Women in Municipal Government Advisory Council. She once served as aboard member of the University District Council and as a member of Homes for Black Children. A longtime member of the Greater Emmanuel Institutional Church of God in Christ, Councilmember Everett was the devoted mother of three children.

The City of Detroit celebrates the life of Detroit Councilmember Kay Everett. Her vivaciousness, dedication, and flair will live on in the hearts of those that knew her, respected her, and benefited from her many years of service to our community.

Our Special Thanks To:

City of Detroit, Michigan

www.ci.detroit.mi.us

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Financial Reporting and Grants Management Sections

and Staff
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Robert Blaszkowski and Kenneth R. Ford - Consultants

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Sheila M. Cockrel
Barbara-Rose Collins
Kay Everett
(In Memoriam)
Sharon McPhail
Alberta Tinsley-Talabi
JoAnn Watson

Detroit City Clerk
Jackie L. Currie

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